

CHILDREN'S MUSEUM OF TACOMA
FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2019



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**CHILDREN'S MUSEUM OF TACOMA
TABLE OF CONTENTS
YEAR ENDED MAY 31, 2019**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Children's Museum of Tacoma
Tacoma, Washington

We have reviewed the accompanying financial statements of Children's Museum of Tacoma (a nonprofit organization), which comprise the statement of financial position of May 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
October 29, 2019

CHILDREN'S MUSEUM OF TACOMA
STATEMENT OF FINANCIAL POSITION
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 56,212
Cash Restricted for Child-Centered Community and Operating Reserve	151,250
Accounts Receivable	13,551
Campaign Receivable, Current Portion, Net of Allowances	1,172,835
Grants and Pledges Receivable, Net of Allowances	114,732
Inventory	5,487
Prepaid Expenses	24,959
Total Current Assets	1,539,026

PROPERTY AND EQUIPMENT

Computers and Equipment	146,875
Office Furniture and Fixtures	148,498
Vehicles	72,832
Leasehold Improvements	3,292,530
Total	3,660,735
Less: Accumulated Depreciation	1,409,489
Total Property and Equipment	2,251,246

OTHER ASSETS

Endowment Investment	84,176
Campaign Receivable, Net of Current Portion, Net of Allowances	881,248
Cash Restricted to Long-Term Purposes	1,190,835
Total Other Assets	2,156,259

PERMANENT COLLECTION

	90,000
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Total Assets	\$ 6,036,531
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Deferred Rent Liability, Current Portion	\$ 25,252
Accounts Payable	94,471
Accrued Expenses	40,150
Deferred Revenue	82,272
Total Current Liabilities	242,145

LONG-TERM LIABILITIES

Deferred Rent Liability, Net of Current Portion	10,494
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Total Liabilities	252,639
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NET ASSETS

Without Donor Restrictions	1,417,550
With Donor Restrictions	4,366,342
Total Net Assets	5,783,892

Total Liabilities and Net Assets	\$ 6,036,531
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See accompanying Notes to Financial Statements.

CHILDREN'S MUSEUM OF TACOMA
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenue, Support, and Gains:			
Contributions and Sponsorships	\$ 230,545	\$ -	\$ 230,545
Grants	520,842	13,000	533,842
In-Kind Contributions	19,957	-	19,957
Preschool	188,103	-	188,103
Membership and Pay-As-You-Will Admissions	424,100	-	424,100
Muse	753,495	-	753,495
Education/Product	90,230	-	90,230
Parking and Facility Rental Revenue	35,242	-	35,242
Investment Income	1,503	1,758	3,261
Special Events	460,588	-	460,588
Miscellaneous	862	-	862
Net Assets Released from Restrictions	131,124	(131,124)	-
Total Revenue, Support, and Gains	2,856,591	(116,366)	2,740,225
EXPENSES AND LOSSES			
Program Services Expense:			
Preschool	154,047	-	154,047
Muse	717,247	-	717,247
Membership and Pay-As-You-Will Admissions	456,379	-	456,379
Child-centered Community	9,500	-	9,500
Education/Product	575,553	-	575,553
Total Program Services Expenses	1,912,726	-	1,912,726
Supporting Services Expense:			
Management and Administration	392,827	-	392,827
Fundraising	1,338,211	-	1,338,211
Total Supporting Services Expenses	1,731,038	-	1,731,038
Total Expenses and Losses	3,643,764	-	3,643,764
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(787,173)	(116,366)	(903,539)
NONOPERATING ACTIVITIES			
Contributions and Sponsorships	-	138,104	138,104
Grants	-	4,246,250	4,246,250
Capital Campaign Bad Debt	(68,000)	-	(68,000)
Net Assets Released from Restrictions	491,681	(491,681)	-
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	423,681	3,892,673	4,316,354
TOTAL CHANGE IN NET ASSETS	(363,492)	3,776,307	3,412,815
Net Assets - Beginning of Year	1,781,042	590,035	2,371,077
NET ASSETS - END OF YEAR	\$ 1,417,550	\$ 4,366,342	\$ 5,783,892

See accompanying Notes to Financial Statements.

CHILDREN'S MUSEUM OF TACOMA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total Functional Expenses
	Preschool	Muse	Membership/ Pay-As-You-Will Admissions	Child- Centered Community	Education/ Product		Management and Administrative	Fundraising		
Salaries and Wages	\$ 93,868	\$ 447,339	\$ 241,035	\$ -	\$ 312,348	\$ 1,094,590	\$ 149,836	\$ 616,297	\$ 766,133	\$ 1,860,723
Payroll Taxes	7,429	35,378	18,207	-	25,986	87,000	40,044	39,257	79,301	166,301
Employee Benefits	4,529	61,001	21,401	-	34,664	121,595	23,413	59,670	83,083	204,678
Advertising and Promotion	94	2,542	5,932	-	5,044	13,612	2,446	1,756	4,202	17,814
Bad Debt Expense - Trade	185	-	-	-	-	185	-	9,731	9,731	9,916
Bad Debt Expense - Pledges	-	-	-	-	-	-	-	71,900	71,900	71,900
Grants Awarded	-	-	-	9,500	-	9,500	-	-	-	9,500
Bank Fees	5,220	15,504	1,280	-	2,462	24,466	18,715	15,883	34,598	59,064
Catering/Food	1,677	1,102	833	-	13,532	17,144	2,112	57,194	59,306	76,450
Contracted Services	-	2,806	8,451	-	31,386	42,643	28,133	356,414	384,547	427,190
Depreciation	10,051	48,247	26,135	-	34,175	118,608	16,082	66,340	82,422	201,030
Dues and Subscriptions	259	345	4,771	-	598	5,973	6,172	6,860	13,032	19,005
Insurance	800	903	7,722	-	4,089	13,514	5,791	-	5,791	19,305
Interest Expense	19	184	176	-	430	809	3,439	14,167	17,606	18,415
Merchandise	-	-	805	-	-	805	-	726	726	1,531
Parking Expense	-	2,037	4,862	-	1,926	8,825	(595)	28	(567)	8,258
Photography	980	-	-	-	3,003	3,983	-	1,145	1,145	5,128
Postage	30	4	1,010	-	816	1,860	275	2,888	3,163	5,023
Printing and Publications	2,357	410	2,423	-	8,978	14,168	9,762	9,357	19,119	33,287
Professional Development	82	1,451	4,570	-	1,740	7,843	3,271	5,093	8,364	16,207
Rent	20,810	46,670	83,032	-	11,115	161,627	21,904	17,625	39,529	201,156
Small Equipment and Furniture	445	3,651	4,030	-	3,825	11,951	(800)	3,590	2,790	14,741
Supplies	3,886	44,815	17,838	-	65,398	131,937	18,423	28,185	46,608	178,545
Taxes and Licenses	-	889	20	-	-	909	351	5,746	6,097	7,006
Telephone	1,285	1,969	600	-	600	4,454	37,910	-	37,910	42,364
Travel	41	-	1,246	-	13,438	14,725	6,143	16,359	22,502	37,227
Total Expenses by Function	154,047	717,247	456,379	9,500	575,553	1,912,726	392,827	1,406,211	1,799,038	3,711,764
Less: Expenses Included in Nonoperating Activities on the Statement of Activities Capital Campaign Bad Debt	-	-	-	-	-	-	-	(68,000)	(68,000)	(68,000)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 154,047	\$ 717,247	\$ 456,379	\$ 9,500	\$ 575,553	\$ 1,912,726	\$ 392,827	\$ 1,338,211	\$ 1,731,038	\$ 3,643,764

See accompanying Notes to Financial Statements.

CHILDREN'S MUSEUM OF TACOMA
STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 3,412,815
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	201,030
Bad Debt Expense	81,816
Contributions Restricted to Long-Term Purposes	(4,384,354)
Deferred Rent Liability	15,215
Changes in Operating Assets and Liabilities:	
Cash Restricted for Child-Centered Community and Operating Reserve	(144,222)
Accounts Receivable	9,345
Grants and Pledges Receivable	(1,859,409)
Inventory	2,485
Prepaid Expense	(5,324)
Accounts Payable	(5,785)
Accrued Expenses	(8,611)
Deferred Revenue	(7,413)
Net Cash Used by Operating Activities	(2,692,412)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment	(287,104)
Net Cash Used by Investing Activities	(287,104)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Contributions and Income Restricted for Long-Term Purposes	4,384,354
Assets Restricted for Long-Term Purposes	(1,082,187)
Payments on Notes Payable	(306,132)
Net Cash Provided by Financing Activities	2,996,035

NET CHANGE IN CASH AND CASH EQUIVALENTS

16,519

Cash and Cash Equivalents - Beginning of Year

50,945

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 67,464

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for:

Interest

\$ 18,415

See accompanying Notes to Financial Statements.

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Children's Museum of Tacoma (the Museum) was formed during 1985 in the state of Washington as a nonprofit organization. The Museum is organized to provide an educational environment for children of all ages through interactive hands-on exhibits as well as through preschool and daycare programs. The facility is located in Tacoma, Washington, where the majority of the services are provided. The Museum also provides services throughout Pierce County using leased locations.

Basis of Accounting

The financial statements of the Museum have been prepared in accordance with the provisions of accounting principles generally accepted in the United States of America for nonprofit organizations. Under those provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets of the Museum, and changes therein, are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions include all net assets on which there are no donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Museum reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Museum has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with maturities of three months or less at the date of acquisition other than those held in the Museum's investment portfolio.

Restricted Cash

Restricted cash consists of \$151,250 in current assets that is primarily restricted for Child-Centered Community and operating reserve. The noncurrent restricted cash balance of \$1,190,835 consists of unspent donations made for the More Than a Museum campaign (see Note 10).

Capital Campaign Receivable

The Museum has pledges which were generated from a More Than a Museum capital campaign. In accordance with the FASB ASC topic, *Not-for-Profit Entities-Revenue Recognition- Contributions Received*, the Museum records long-term pledges in the year that the pledge was communicated and verifiable. Management reviews the capital campaign pledges to determine if the Museum continues to have a legally enforceable right to receive the individual pledges receivable. Should the right to a pledge decline, the receivable would be reduced to the net realizable value with an allowance.

The Museum has taken into account the time value of money for the pledges made for future years by using a 4.5% discount rate.

The Museum uses the allowance method to determine uncollectible unconditional promises to give based on analysis done by management. For the year ended May 31, 2019, management estimated that 5% of pledges receivable were uncollectible.

Accounts Receivable

Accounts receivable represent amounts that have been billed for educational and other services, and are presented at the amount management expects to collect. As of May 31, 2019, management has determined, based on historical experience, all amounts are fully collectible and no allowance for doubtful accounts is necessary.

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Pledges Receivable

Grants and pledges receivable which are determined to be an unconditional promise to give are recorded as a receivable in the accompanying statement of financial position. In making this determination, management considers factors and indicators such as (a) method for determining payment amount; (b) penalties for nonperformance and (c) the Museum's intent for seeking the funding.

The Museum has taken into account the time value of money for pledges made for future years by using a 4.5% discount rate.

The Museum uses the allowance method to determine uncollectible unconditional promises to give based on analysis done by management. For the years ended May 31, 2019 and 2018, management estimated that 5% of pledges receivable were uncollectible.

Inventory

Inventory is stated at the lower of cost (first in, first out) or net realizable value (generally, estimated selling price).

Property and Equipment

Property and equipment are recorded at cost, and those received by donations are recorded at their estimated fair market values on the date received. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which ranges from 5 to 39 years. The Museum capitalizes all property and equipment with costs or donated fair market values in excess of \$500. Depreciation expense for the year ended May 31, 2019 was \$201,030.

Endowment Investment

The Museum maintains an endowment from a contribution from one donor that is to be held in perpetuity. The endowment is currently invested in a certificate of deposit. The certificate of deposit is reported at cost which approximates fair value.

Collections

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic for not-for-profit entities, property, plant, and equipment, items are recorded at cost if purchased and at fair value at date of accession if donated. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions. Collection items are protected, kept unencumbered, cared for, and preserved.

Deferred Revenue

Income from birthday parties and other private events, paid in advance, are deferred and recognized in the period that the event occurs.

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Museum expenses advertising and marketing costs as they are incurred. Advertising costs totaled \$17,814 for the year ended May 31, 2019.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value when originally pledged or donated.

Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured at the present value of future cash flows. If material, long-term contributions and pledges receivable are discounted in the accompanying statements of financial position at an appropriate rate commensurate with the risks involved. Amortization of discounts, if any, is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Conditional Promises and Intentions to Give

From time-to-time, the Museum receives a conditional promise or intention to give, the receipt of which is contingent upon external factors over which the Museum has no control. Under the FASB ASC industry topic for not-for-profit entities, conditional promises and intentions are not recognized in the financial statements until they become unconditional; that is, when the conditions on which they depend are substantially met. Such conditional contributions to give at May 31, 2019 are not determinable.

Contributed Services

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 Museum. In addition, volunteers also provide program and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria was not met.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The primary allocation of costs is related to compensation and benefits of employees whose work includes both program service and supporting service components based on estimates of their labor hours.

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Presentation of Sales Tax

The state of Washington and other jurisdictions within the State impose a sales tax on all of the Museum's sales to nonexempt customers. The Museum collects that sales tax from customers and remits the entire amount to the State. The Museum's accounting policy is to exclude the tax collected and remitted to the State from revenue and expenses.

Federal Income Tax

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Museum has reviewed and evaluated all tax positions as required under the Income Taxes topic of the FASB ASC. The Museum has determined that tax positions taken are more likely than not to be sustained upon examination, including resolution of any related appeals or litigation. Management is unaware of any tax positions which would not be sustained upon appeal or litigation.

The Museum has filed its federal income tax returns timely with the Internal Revenue Service (IRS). The IRS generally has three years from the date the return was filed to examine and assess tax. The Museum's accounting policy for interest and penalties is to expense those amounts to income tax expense in the period that the assessments are determined. There were no tax-related penalties or interest incurred during the year ended May 31, 2019.

Subsequent Events

Management has reviewed subsequent events through October 29, 2019, which is the date that the financial statements were available to be issued.

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<u>Description of Financial Asset</u>	<u>Gross Amount</u>	<u>Less Amounts Unavailable for General Expenditures</u>	<u>Available to Meet Cash Needs Within</u>
Cash and Cash Equivalents	\$ 56,212	\$ -	\$ 56,212
Investments	84,176	(84,176)	-
Accounts Receivable	13,551	-	13,551
Campaign Receivable, Net	2,054,083	(2,054,083)	-
Grants and Pledges Receivable, Net	114,732	-	114,732
Cash Restricted for Operations	125,000	-	125,000
Cash Restricted for Child-Centered Community	26,250	(26,250)	-
Cash Restricted to More than a Museum	1,190,835	(1,190,835)	-
Total	<u>\$ 3,664,839</u>	<u>\$ (3,355,344)</u>	<u>\$ 309,495</u>

NOTE 3 GRANTS AND PLEDGES RECEIVABLE AND CAPITAL CAMPAIGN RECEIVABLE

The Museum's grants and pledges receivable is comprised of amounts to be received future years. Capital campaign receivable is related to amounts received for further expansion of the Museum (see Note 10). The total receivable, at May 31, 2019, is summarized below:

	<u>Capital Campaign</u>	<u>Grants and Pledges</u>	<u>Total</u>
Within One Year	\$ 1,272,944	\$ 127,632	\$ 1,400,576
In One to Five Years	995,039	-	995,039
Total	2,267,983	127,632	2,395,615
Less: Discount to Net Present Value at 4.5%	(145,800)	(9,100)	(154,900)
Less: Allowance for Uncollectible Promises to Give	(68,100)	(3,800)	(71,900)
Total	<u>\$ 2,054,083</u>	<u>\$ 114,732</u>	<u>\$ 2,168,815</u>

Payments are expected to be collected as follows for the capital campaign receivable:

<u>Year Ending May 31,</u>	<u>Gross Pledges</u>	<u>Net Pledges</u>
2020	\$ 1,272,944	\$ 1,172,835
2021	638,920	567,526
2022	358,965	305,123
2023	10,705	8,599
Total	<u>\$ 2,281,534</u>	<u>\$ 2,054,083</u>

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 4 LINE OF CREDIT

In January 2017, the Museum amended its agreement with Commencement Bank to increase the total available credit on its existing \$70,000 line of credit to \$84,000. The line of credit expired in April 2019 but was renewed through April 2020. Interest is fixed at 4.0% and is collateralized by a certificate of deposit. There was no outstanding balance the line of credit at May 31, 2019.

NOTE 5 DEFERRED RENT LIABILITY AND OPERATING LEASES

The Museum uses the FASB ASC topic for Leases, which requires the lessee to recognize the expense associated with an operating lease on a straight-line basis over the lease term. For operating leases whose payments are disproportionate, the amount paid currently will differ from the expense recognized under the straight-line method. This excess has been included in the accompanying statement of financial position as deferred rent liability.

The Museum entered into a ten-year building lease agreement with United Way during January 2011. This agreement called for payments of starting at approximately \$8,850 per month and includes escalations and three five-year options to renew. The agreement contained a rent-free period at the inception. The original lease expires in December 2020. The monthly rent on this portion of the lease was \$10,011 during the year ended May 31, 2019.

During the year ended May 31, 2016, the Museum entered into an additional six-year lease with United Way for ground floor space to house the Muse. This lease calls for payments of \$3,700 per month and includes annual escalations. The lease expires in December 2021.

The Museum entered into an amendment to the lease in July 2018 for administrative office space. The amended lease calls for payments of \$5,337 per month through December 31, 2019 and escalating to \$6,820 through December 31, 2021.

The Museum also entered into a three-year lease agreement with the Hoyt School to provide early learning services in one of its classrooms. The lease calls for payments of \$800 per month with 3% annual increases throughout the term of the lease, which expires in July 2019.

During the year ended May 31, 2018, the Museum entered into a lease agreement with Pacific Office for office equipment with monthly payments of \$439 for 60 months. The lease expires in April 2023.

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 5 DEFERRED RENT LIABILITY AND OPERATING LEASES (CONTINUED)

The future minimum lease payments under all noncancelable operating leases for the next five years are as follows:

<u>Year Ending May 31,</u>	<u>Office</u>	<u>Equipment</u>
2020	\$ 195,873	\$ 5,268
2021	121,366	5,268
2022	26,863	5,268
2023	-	4,829
Total	<u>\$ 344,102</u>	<u>\$ 20,633</u>

Rent expense for the year ended May 31, 2019 was \$201,156, and includes common area charges.

NOTE 6 CONCENTRATIONS

Concentration of Credit Risk

The Museum may, at times, have a cash or cash equivalent balance that exceeds federally insured deposit limits. Management has not experienced any losses and believes there is minimal risk associated with these cash balances.

Three donors comprise 81% of total campaign and pledge receivables at May 31, 2019, and four donors comprise 78% of total contributions for the year ended May 31, 2019.

Regional Concentration

The Museum is located in Tacoma, Washington and members and visitors are primarily from the Pierce County and surrounding region.

NOTE 7 ENDOWMENT

The Museum has adopted the provisions of accounting standards for endowments. The standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to the State of Washington Prudent Management of Institutional Funds Act (SPMIFA) and required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds. The state of Washington enacted a version of SPMIFA effective July 1, 2009.

The Museum's endowment fund consists of a certificate of deposit that was obtained with the funds contributed from a donor to be held in perpetuity.

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 7 ENDOWMENT INVESTMENT (CONTINUED)

Interpretation of Relevant Law

The board of directors has interpreted the Washington State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c), any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not required to be held in perpetuity are available for appropriation for expenditure by the Foundation in a manner consistent with donors' stipulations and the standard of prudence prescribed by SPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the various fund;
- (2) the purposes of the Museum and the donor-restricted endowment fund;
- (3) general economic conditions;
- (4) the possible effect to inflation and deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of the Museum; and
- (7) the Museum's investment policies.

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to provide support for the Museum's ongoing needs while seeking to preserve at necessary and appropriate levels the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to provide a reasonable return for an endowment fund.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through current yield within the interest earned on the certificate of deposit.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Museum has a policy of appropriating the interest earned on the certificate of deposit.

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 7 ENDOWMENT INVESTMENT (CONTINUED)

Endowment net assets and changes in the net assets consisted of the following at May 31, 2019:

Net Assets With Donor Restrictions:	
Beginning of Year	\$ 84,176
Investment Returns:	
Dividends and Interest	1,465
Amounts Appropriated for Current Operations	<u>(1,465)</u>
End of Year	<u>\$ 84,176</u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for future activities, events, and specific program uses. In accordance with GAAP, unconditional promises to give over a specified period are recorded as net assets with donor restrictions in the period that the notice from the donor is received by the Museum. Net assets with donor restrictions are available for the following purposes and time periods at May 31:

Subject to Expenditure for Specified Purpose:	
More than a Museum Capital Campaign	\$ 4,114,916
Child-Centered Community	27,250
Artwork	90,000
Endowment	<u>293</u>
Total	4,232,459
Subject to the Passage of Time:	
Operating Grants for future period	<u>50,000</u>
Total	50,000
Not Subject to Spending Policy or Appropriation:	
Endowment	<u>83,883</u>
Total Net Assets with Donor Restrictions	<u>\$ 4,366,342</u>

CHILDREN'S MUSEUM OF TACOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by the donors for the years ended May 31 as follows:

Expiration of Time Restrictions	\$	95,000
Satisfaction of Purpose Restrictions:		
Debt Service		25,159
Scooter		9,500
Total		129,659
 Restricted-Purpose Spending-Rate		
Distributions and Appropriations:		
Endowment Earnings		1,465
Total		1,465
 Total Operating Net Assets Released from Donor Restrictions	\$	131,124
 Total Nonoperating Net Assets Released from Donor Restrictions - Capital Campaign	\$	491,681

NOTE 9 MORE THAN A MUSEUM CAPITAL CAMPAIGN

In June 2016, the Museum entered into a memorandum of understanding (MOU) with Joint Base Lewis-McChord (JBLM) to place a satellite children's museum on the JBLM base. A feasibility study was launched during the year ended May 31, 2017 to provide structure for funding the JBLM project as well as to raise sustainability funds for the Museum. As a result of this study, the Museum launched the More Than a Museum capital campaign (MTaM) during the year ended May 31, 2018. The goal of the campaign is to raise \$10,000,000 over the next three years.

The key objectives of the MTA campaign is to provide funding for: the creation of a satellite children's museum at JBLM, a new playscape at the downtown flagship location, reserve and/or endowment funds, and the stabilization of the Museum's Pay-As-You-Will admissions program. As of May 31, 2019, the Museum has raised approximately 70% of the funds needed for the MTA campaign. See Note 3 for the net balance in pledges receivable for the campaign. Significant additional pledges and contributions have been received subsequent to May 31, 2019.

NOTE 10 NAME CHANGE

Effective August 22, 2019, the Museum changed its name to Greentrike.