

GREENTRIKE
FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2020



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**GREENTRIKE
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YEAR ENDED MAY 31, 2020**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Greentrike
Tacoma, Washington

We have reviewed the accompanying financial statements of Greentrike (a nonprofit organization), which comprise the statement of financial position as of May 31, 2020, 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.

Accountants' 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.

Accountants' 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
December 16, 2020

GREENTRIKE
STATEMENT OF FINANCIAL POSITION
MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	366,201
Cash Restricted for Child-Centered Community and Operating Reserve		243,102
Accounts Receivable		59,428
Campaign Receivable, Current Portion, Net of Allowances		894,068
Grants and Pledges Receivable, Net of Allowances		113,674
Inventory		6,291
Prepaid Expenses		15,905
Total Current Assets		1,698,669

PROPERTY AND EQUIPMENT

Computers and Equipment		218,960
Office Furniture and Fixtures		151,566
Vehicles		72,832
Leasehold Improvements		3,313,452
Construction in Progress		1,058,222
Total		4,815,032
Less: Accumulated Depreciation		1,637,573
Total Property and Equipment		3,177,459

OTHER ASSETS

Endowment Investment		84,176
Campaign Receivable, Net of Current Portion, Net of Allowances		607,227
Cash Restricted to Long-Term Purposes		1,907,037
Total Other Assets		2,598,440

PERMANENT COLLECTION

		90,000
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Total Assets		\$ 7,564,568
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GREENTRIKE
STATEMENT OF FINANCIAL POSITION (CONTINUED)
MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Deferred Rent Liability, Current Portion	\$ 17,508
Accounts Payable	136,046
Accrued Expenses	40,856
Deferred Revenue	105,217
Current Notes Payable	223,719
Total Current Liabilities	523,346

LONG-TERM LIABILITIES

Deferred Rent Liability, Net of Current Portion	1,428
Total Long-Term Liabilities	1,428

Total Liabilities	524,774
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NET ASSETS

Without Donor Restrictions	2,339,364
With Donor Restrictions	4,700,430
Total Net Assets	7,039,794

Total Liabilities and Net Assets	\$ 7,564,568
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See accompanying Notes to Financial Statements.

GREENTRIKE
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenue, Support, and Gains:			
Contributions and Sponsorships	\$ 388,455	\$ -	\$ 388,455
Grants	795,130	43,000	838,130
In-Kind Contributions	11,352	-	11,352
Preschool	185,891	-	185,891
Membership and Pay-As-You-Will Admissions	407,315	-	407,315
Muse	672,619	-	672,619
Play to Learn	48,793	-	48,793
Parking and Facility Rental Revenue	37,988	-	37,988
Investment Income	9,562	1,671	11,233
Special Events, Net of Direct Costs of \$60,315	469,163	-	469,163
Miscellaneous	1,104	-	1,104
Net Assets Released from Restrictions	62,221	(62,221)	-
Total Revenue, Support, and Gains	3,089,593	(17,550)	3,072,043
EXPENSES AND LOSSES			
Program Services Expense:			
Preschool	166,368	-	166,368
Muse	719,461	-	719,461
Membership and Pay-As-You-Will Admissions	639,869	-	639,869
Education/Product	589,202	-	589,202
Total Program Services Expenses	2,114,900	-	2,114,900
Supporting Services Expense:			
Management and Administration	569,273	-	569,273
Fundraising	752,807	-	752,807
Total Supporting Services Expenses	1,322,080	-	1,322,080
Total Expenses and Losses	3,436,980	-	3,436,980
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(347,387)	(17,550)	(364,937)
NONOPERATING ACTIVITIES			
Contributions and Sponsorships	-	707,506	707,506
Grants	-	553,414	553,414
Capital Campaign Bad Debt	17,700	-	17,700
Net Assets Released from Restrictions	621,808	(621,808)	-
Forgiveness of Government Loan	230,000	-	230,000
Total Nonoperating Activities	869,508	639,112	1,508,620
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	869,508	639,112	1,508,620
TOTAL CHANGE IN NET ASSETS	522,121	621,562	1,143,683
Net Assets - Beginning of Year - as Previously Reported	1,417,550	4,366,342	5,783,892
Correction of Error	399,693	(287,474)	112,219
Net Assets - Beginning of Year - as Restated	1,817,243	4,078,868	5,896,111
NET ASSETS - END OF YEAR	\$ 2,339,364	\$ 4,700,430	\$ 7,039,794

See accompanying Notes to Financial Statements.

GREENTRIKE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	Program Services					Supporting Services			Total Functional Expenses
	Preschool	Muse	Membership/ Pay-As-You-Will Admissions	Education/ Product	Total Program Services	Management and Administrative	Fundraising	Total Supporting Services	
Salaries and Wages	\$ 95,021	\$ 423,792	\$ 362,176	\$ 299,380	\$ 1,180,369	\$ 195,428	\$ 476,151	\$ 671,579	\$ 1,851,948
Payroll Taxes	7,858	34,612	23,148	25,670	91,288	44,327	36,346	80,673	171,961
Employee Benefits	1,379	66,270	31,006	31,413	130,068	45,199	37,098	82,297	212,365
Advertising and Promotion	-	210	4,239	5,355	9,804	1,679	204	1,883	11,687
Bad Debt Expense - Trade	-	-	-	-	-	-	58,715	58,715	58,715
Bad Debt (Recovery) Expense - Pledges	-	-	-	-	-	-	(17,700)	(17,700)	(17,700)
Bank Fees	4,934	13,134	9,281	238	27,587	9,746	11,606	21,352	48,939
Catering/Food	1,748	2,242	3,250	5,941	13,181	5,622	68,683	74,305	87,486
Contracted Services	-	2,651	17,812	80,897	101,360	41,339	27,647	68,986	170,346
Depreciation	19,023	65,443	55,608	33,719	173,793	127	54,164	54,291	228,084
Dues and Subscriptions	77	3,159	4,951	1,160	9,347	8,803	5,502	14,305	23,652
Insurance	884	1,105	8,839	4,641	15,469	6,630	-	6,630	22,099
Interest Expense	-	-	-	-	-	371	-	371	371
Merchandise	-	-	3,059	31	3,090	-	-	-	3,090
Parking Expense	-	2,088	4,904	1,968	8,960	80	-	80	9,040
Photography	10	130	-	150	290	150	926	1,076	1,366
Postage	8	24	114	890	1,036	768	2,057	2,825	3,861
Printing and Publications	1,333	-	744	7,920	9,997	16,810	9,597	26,407	36,404
Professional Development	330	2,416	1,900	2,443	7,089	4,879	1,368	6,247	13,336
Rent	26,167	49,825	83,377	12,188	171,557	82,994	-	82,994	254,551
Small Equipment and Furniture	498	1,547	2,061	3,980	8,086	593	215	808	8,894
Supplies	5,453	48,643	18,599	60,330	133,025	24,214	18,511	42,725	175,750
Taxes and Licenses	106	899	170	793	1,968	20,654	970	21,624	23,592
Telephone	1,470	1,254	700	696	4,120	42,022	-	42,022	46,142
Travel	69	17	3,931	9,399	13,416	16,838	3,362	20,200	33,616
Total Expenses by Function	166,368	719,461	639,869	589,202	2,114,900	569,273	795,422	1,364,695	3,479,595
Less: Expenses Netted Against Revenue on the Statement of Activities:									
Special Event Expenses	-	-	-	-	-	-	(60,315)	(60,315)	(60,315)
Less: Expenses Included in Nonoperating Activities on the Statement of Activities									
Capital Campaign Bad Debt Expense	-	-	-	-	-	-	17,700	17,700	17,700
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 166,368	\$ 719,461	\$ 639,869	\$ 589,202	\$ 2,114,900	\$ 569,273	\$ 752,807	\$ 1,322,080	\$ 3,436,980

See accompanying Notes to Financial Statements.

GREENTRIKE
STATEMENTS OF CASH FLOWS
YEAR ENDED MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,143,683
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	228,084
Bad Debt Expense	41,015
Contributions Restricted to Long-Term Purposes	(1,260,920)
Deferred Rent Liability	(16,810)
Forgiveness of Debt	(230,000)
Changes in Operating Assets and Liabilities:	
Accounts Receivable	(104,592)
Grants and Pledges Receivable	571,546
Inventory	(804)
Prepaid Expense	9,054
Accounts Payable	41,575
Accrued Expenses	706
Deferred Revenue	(10,464)
Net Cash Provided by Operating Activities	412,073

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment	(1,008,669)
Net Cash Used by Investing Activities	(1,008,669)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Contributions and Income Restricted for Long-Term Purposes	1,260,920
Proceeds from Notes Payable	453,719
Payments on Notes Payable	-
Net Cash Provided by Financing Activities	1,714,639

NET CHANGE IN CASH AND CASH EQUIVALENTS

	1,118,043
Cash and Cash Equivalents - Beginning of Year	1,398,297

CASH AND CASH EQUIVALENTS - END OF YEAR

	\$ 2,516,340
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SUMMARY OF CASH

Cash and Cash Equivalents	\$ 366,201
Cash Restricted to Long-Term Purposes	1,907,037
Cash Restricted for Child-Centered Community and Operating Reserve	243,102
Total	\$ 2,516,340

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for:	
Interest	\$ 371

See accompanying Notes to Financial Statements.

GREENTRIKE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Greentrike (the Museum) was formed during 1985 in the state of Washington as a nonprofit organization. Effective August 22, 2019, the Museum changed its name from Children's Museum of Tacoma to Greentrike. 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 restricted revenue when received and released from restrictions 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 statements of activities as Net Assets Released from Restrictions.

GREENTRIKE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Adopted

During the year, the Museum adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard is meant to help nonprofit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB Accounting Standards Codification Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending May 31, 2020 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

As of July 1, 2019, the Museum early adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the year ending May 31, 2020 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

In 2020, the Museum adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Museum has applied the provisions of ASU 2016-18 to retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

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.

GREENTRIKE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

As of May 31, 2020, restricted cash consists of \$243,102, in current assets that is primarily restricted for Child-Centered Community and operating reserve. As of May 31, 2020, the noncurrent restricted cash balance of \$1,907,037, consists of unspent donations made for the More Than a Museum campaign (see Note 12).

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, 2020, management has determined, based on historical experience, all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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, 2020, management estimated that 5% of pledges receivable were uncollectible.

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 year ended May 31, 2020, 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).

GREENTRIKE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 was \$228,084.

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 FASB ASC topic for nonprofit 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.

Revenue Recognition

Revenue from Exchange Transactions: The Museum recognizes revenue in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Museum records the following exchange transaction revenue in its statement of activities for the year ending May 31, 2020:

Preschool Revenue – The Museum provides half-day cooperative preschool activities for children ages two to five years on two campuses. Preschool fees are based on a fee per child per month. Revenue collected for attending preschool is initially recognized over time as deferred revenue and are recognized in the statement of activities after attendance has occurred.

Muse Revenue – The Museum provides licensed childcare to children ages twelve months to five years. Muse fees are based on a fee per child per month. Revenue collected for childcare is initially recognized as over time deferred revenue and are only recognized in the statement of activities after attendance has occurred.

GREENTRIKE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Membership and Pay-As-You Will Admissions Revenue – The Museum provides hands-on interactive displays for children to explore. Access to the museum and the displays is provided for the day by a donation, “Pay As You Will”. Pay-As-You-Will revenue and memberships are recognized point over time when a patron attends the museum. Memberships provide members with a parking pass for the museum, special member programs, member only times, the museum newsletter, and discounts at local vendors. Memberships are recognized as revenue point over time during the annual period of membership. Unused memberships are not recorded as contributions as the amount would be nominal.

Play to Learn Revenue - The Museum provides a free program to over 20 community locations throughout Pierce County for children and adults to play together. Play to Learn revenue comes from the site that requests the Museum to bring the program to their building. Revenue is recognized point over time when the program occurs.

Special Event Revenue – The Museum conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Museum. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Museum. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Museum, are recorded as costs of direct donor benefits in the statement of activities. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Museum. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Museum separately presents in its notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Museum in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Museum follows AICPA guidance (if this is the case) where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Other Revenue – Other revenue consists primarily of rent revenue and is recognized on over time as earned.

Contributions

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.

GREENTRIKE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

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 nonprofit 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. There are no such conditional contributions to give at May 31, 2020.

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.

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.

Advertising

The Museum expenses advertising and marketing costs as they are incurred. Advertising costs totaled \$11,687 for the year ended May 31, 2020.

GREENTRIKE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020.

Subsequent Events

Management has reviewed subsequent events through December 16, 2020, which is the date that the financial statements were available to be issued.

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, as of May 31, 2020:

Description of Financial Asset	Gross Amount	Less Amounts Unavailable for General Expenditures	Available to Meet Cash Needs Within One Year
Cash and Cash Equivalents	\$ 366,201	\$ -	\$ 366,201
Investments	84,176	(84,176)	-
Accounts Receivable	59,428	-	59,428
Campaign Receivable, Net	1,501,295	(1,501,295)	-
Grants and Pledges Receivable, Net	113,674	-	113,674
Cash Restricted for Operations	225,402	-	225,402
Cash Restricted for Child-Centered Community	17,700	(17,700)	-
Cash Restricted to More than a Museum	1,907,037	(1,907,037)	-
Total	<u>\$ 4,274,913</u>	<u>\$ (3,510,208)</u>	<u>\$ 764,705</u>

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NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The financial assets as of May 31, 2020 include unspent Payroll Protection Program funds.

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 12).

The total receivable is summarized below, as of May 31, 2020:

	Capital Campaign	Grants and Pledges	Total
Within One Year	\$ 965,591	\$ 126,574	\$ 1,092,165
In One to Five Years	694,604	-	694,604
Total	1,660,195	126,574	1,786,769
Less: Discount to Net Present Value at 4.5%	(108,500)	(9,100)	(117,600)
Less: Allowance for Uncollectible Promises to Give	(50,400)	(3,800)	(54,200)
Total	<u>\$ 1,501,295</u>	<u>\$ 113,674</u>	<u>\$ 1,614,969</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>
2021	\$ 965,591	\$ 894,068
2022	427,549	384,215
2023	158,130	134,412
2024	108,925	88,600
Total	<u>\$ 1,660,195</u>	<u>\$ 1,501,295</u>

NOTE 4 LINES 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 2021. Interest is fixed at 4.0% and is collateralized by a certificate of deposit. There was no outstanding balance on the line of credit at May 31, 2020.

In April 2020, the Museum entered into an agreement with Commencement Bank for a second line of credit, with total available credit of \$1,500,000. The line of credit expires in April 2021. Interest is variable at *The Wall Street Journal* Prime Rate, plus a margin of 1.00% (4.25% as of May 31, 2020). The line of credit is collateralized by real and personal property. There was no outstanding balance on the line of credit at May 31, 2020.

GREENTRIKE
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NOTE 5 PAYROLL PROTECTION PROGRAM NOTE PAYABLE

On April 13, 2020, the Museum received a loan from Commencement Bank in the amount of \$454,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Museum fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The Museum has elected the 24-week covered period starting on April 13, 2020 through September 27, 2020 as the time that it will spend their PPP Loan funds.

The Museum intends to use the proceeds for purposes consistent with the PPP. The Museum currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan but cannot guarantee that the Museum will be ineligible for forgiveness of the loan, in whole or in part.

As of May 31, 2020, the Museum has estimated \$230,000 of the loan as forgivable, and has recognized this amount as income on the statement of activities. As of May 31, 2020, the estimated remaining loan balance of \$223,719 has been included on the statement of financial position as current notes payable.

NOTE 6 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 approximately \$10,262 during the year ended May 31, 2020.

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.

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NOTE 6 DEFERRED RENT LIABILITY AND OPERATING LEASES (CONTINUED)

The Museum entered into an amendment to the lease in August 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, 2020.

The Museum also entered into a four-year lease agreement with the Hoyt School to provide early learning services in one of its classrooms. The lease calls for payments of \$1,746 per month with 3% annual increases throughout the term of the lease, which expires in July 2024.

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.

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

<u>Year Ending May 31,</u>	<u>Office</u>	<u>Equipment</u>
2021	\$ 186,308	\$ 5,268
2022	48,339	5,268
2023	22,120	4,829
2024	22,497	-
2025	3,759	-
Total	<u>\$ 283,023</u>	<u>\$ 15,365</u>

Rent expense for the year ended May 31, 2020 was \$254,551, and includes common area charges.

NOTE 7 DEFERRED REVENUE

The activity and balances for deposits and deferred revenue from contracts with customers are shown in the following table:

	<u>Muse</u>	<u>Luncheon</u>	<u>Preschool</u>	<u>Memberships</u>	<u>Total</u>
Balance at May 31, 2019	\$ 59,098	\$ 50	\$ 23,124	\$ 33,409	\$ 115,681
Revenue Recognized	(59,098)	(50)	(23,124)	(33,409)	(115,681)
Payments Received for Future Performance Obligations	<u>40,817</u>	<u>650</u>	<u>32,970</u>	<u>30,780</u>	<u>105,217</u>
Balance at May 31, 2020	<u>\$ 40,817</u>	<u>\$ 650</u>	<u>\$ 32,970</u>	<u>\$ 30,780</u>	<u>\$ 105,217</u>

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NOTE 8 SPECIAL EVENTS

Gross receipts from special fundraising events recorded by the Museum consist of exchange transaction revenue and contribution revenue. As a result of adopting FASB ASU 2014-09 during 2020, the Museum is required to separately present the components of this revenue. The Museum conducts special events to help fund current operations. The revenue and related expenses from such events are as follows at May 31, 2020:

	Luncheon	Gala	Total
Contributions	\$ 96,905	\$ 371,273	\$ 468,178
Special Event Revenue	13,650	47,650	61,300
Special Event Revenue - Gross	110,555	418,923	529,478
Less Cost of Direct Benefit to Participants	(12,377)	(47,938)	(60,315)
Special Event Revenue - Net	<u>\$ 98,178</u>	<u>\$ 370,985</u>	<u>\$ 469,163</u>

NOTE 9 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, 2020, and two donors comprise 32% of total contributions for the year ended May 31, 2020.

Regional Concentration

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

NOTE 10 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.

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NOTE 10 ENDOWMENT (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 SPMIFA, 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.

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NOTE 10 ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy
(Continued)

Endowment net assets and changes in the net assets consisted of the following at May 31, 2020:

Net Assets With Donor Restrictions:	
Beginning of Year	\$ 84,176
Investment Returns:	
Dividends and Interest	1,671
Amounts Appropriated for Current Operations	<u>(1,671)</u>
End of Year	<u>\$ 84,176</u>

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, 2020:

Subject to Expenditure for Specified Purpose:	
More than a Museum Capital Campaign	\$ 4,466,554
Child-Centered Community	17,700
Endowment Earnings	<u>293</u>
Total	<u>4,484,547</u>

Subject to the Passage of Time:	
Operating Grants for Future Period	<u>42,000</u>
Total	42,000

Not Subject to Spending Policy or Appropriation:	
Permanent Collection Held in Perpetuity	90,000
Endowment	<u>83,883</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,700,430</u>

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NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

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 year ended May 31, 2020 as follows:

Expiration of Time Restrictions		\$	50,000
Satisfaction of Purpose Restrictions:			
Debt Service			-
Scooter			10,550
Total			<u>60,550</u>
Restricted-Purpose Spending-Rate			
Distributions and Appropriations:			
Endowment Earnings			1,671
Total			<u>1,671</u>
Total Operating Net Assets Released from Donor Restrictions		\$	<u>62,221</u>
Total Nonoperating Net Assets Released from Donor Restrictions - Capital Campaign		\$	<u>621,808</u>

NOTE 12 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 MTaM 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, 2020, the Museum has raised approximately 86% of the funds needed for the MTaM 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, 2020.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 13 CORRECTION OF ERRORS

During the year ended May 31, 2020, management determined that there were errors in the financial statements for the year ended May 31, 2019. Contracted services related to the JBLM project totaling \$129,245 should have been capitalized as construction in progress, contracted services totaling \$16,383 should have been capitalized as leasehold improvements, and deferred revenue for unearned museum membership totaling \$33,409 was not reported on the statement of financial position at May 31, 2019. The net impact on net asset without donor restriction was an increase of \$112,219.

In addition, net assets with donor restrictions related to the MTaM campaign had been overstated by \$287,474 as of May 31, 2019.

The net impact of these errors for net assets without donor restrictions as of May 31, 2019 was of an increase of \$399,693.

NOTE 14 UNCERTAINTY

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had, and continues to have, significant effects on global markets, supply chains, businesses, and communities. Specific to the Museum, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, potential loss of revenue due to reductions in certain revenue streams, potential shortages of personnel, additional costs for emergency preparedness, and costs for increased use of technology. Management believes the Museum is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events have continued to develop subsequent to year-end.