

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**  
*(A Non-Profit Corporation)*

**CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended June 30, 2018 and 2017



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors

### MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

We have audited the accompanying consolidated financial statements of Minnesota Children's Museum and its affiliate, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Minnesota Children's Museum and its affiliate as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the 2018 consolidated financial statements as a whole. The accompanying consolidating statement of financial position as of June 30, 2018 and the consolidating statement of activities and changes in net assets for the year ended June 30, 2018 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Mayer Hoffman McCann P.C.*

Minneapolis, Minnesota  
October 11, 2018

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2018 and 2017

|   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|
| <b><u>ASSETS</u></b>                                      |               |               |
| CURRENT ASSETS  |               |               |
| Cash and cash equivalents                                 | \$ 2,460,716  | \$ 2,419,405  |
| Grants and pledges receivable, net                        | 1,067,667     | 459,981       |
| Accounts receivable                                       | 207,658       | 191,950       |
| Other receivables   | 213,011       | -             |
| Prepaid expenses  | 276,050       | 219,716       |
| TOTAL CURRENT ASSETS                                      | 4,225,102     | 3,291,052     |
| INVESTMENTS   | 4,650,914     | 4,615,829     |
| LEVERAGED LOAN RECEIVABLE                                 | 6,827,800     | 6,827,800     |
| LAND, BUILDING, EXHIBITS AND EQUIPMENT, NET               | 30,761,748    | 32,180,701    |
| CASH RESTRICTED FOR CAPITAL CAMPAIGN<br>AND LOAN RESERVES | 22,406        | 592,391       |
| GRANTS AND PLEDGES RECEIVABLE, LONG-TERM                  | 2,692,289     | 5,275,070     |
| TOTAL ASSETS  | \$ 49,180,259 | \$ 52,782,843 |
| <b><u>LIABILITIES AND NET ASSETS</u></b>                  |               |               |
| CURRENT LIABILITIES                                       |               |               |
| Current portion of long-term debt                         | \$ 600,000    | \$ 800,000    |
| Accounts payable  | 89,772        | 1,549,975     |
| Contractors payable                                       | 1,521,809     | 2,202,100     |
| Accrued compensation                                      | 500,484       | 537,695       |
| Deferred revenue  | 2,050,342     | 1,946,767     |
| TOTAL CURRENT LIABILITIES                                 | 4,762,407     | 7,036,537     |
| NEW MARKET TAX CREDIT LOANS                               | 9,420,000     | 9,420,000     |
| LONG-TERM DEBT, NET OF CURRENT PORTION                    | 750,000       | 1,350,000     |
| TOTAL LIABILITIES   | 14,932,407    | 17,806,537    |
| NET ASSETS  |               |               |
| Unrestricted:   |               |               |
| Undesignated  | 380,313       | 11,588        |
| Board designated reserves                                 | 787,000       | 531,000       |
| Total unrestricted net assets                             | 1,167,313     | 542,588       |
| Temporarily restricted net assets                         | 28,839,217    | 30,192,396    |
| Permanently restricted net assets                         | 4,241,322     | 4,241,322     |
| TOTAL NET ASSETS  | 34,247,852    | 34,976,306    |
| TOTAL LIABILITIES AND NET ASSETS                          | \$ 49,180,259 | \$ 52,782,843 |

See Notes to Consolidated Financial Statements

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended June 30, 2018

|  | <u>Unrestricted</u> | <u>Unrestricted<br/>Designated</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|--|---------------------|------------------------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>REVENUE AND SUPPORT</b>                                   |                     |                                    |                                   |                                   |                      |
| <b>REVENUE</b>   |                     |                                    |                                   |                                   |                      |
| Museum admissions  | \$ 1,999,725        | \$ -                               | \$ -                              | \$ -                              | \$ 1,999,725         |
| Memberships  | 1,714,164           | -                                  | -                                 | -                                 | 1,714,164            |
| Education & groups   | 242,702             | -                                  | -                                 | -                                 | 242,702              |
| Parties & events revenue                                     | 113,468             | -                                  | -                                 | -                                 | 113,468              |
| Exhibit rentals & sales                                      | 1,240,526           | -                                  | -                                 | -                                 | 1,240,526            |
| Endowment revenue  | -                   | -                                  | 325,880                           | -                                 | 325,880              |
| Net unrealized loss on endowment                             | -                   | -                                  | (97,994)                          | -                                 | (97,994)             |
| Other revenue  | 666,634             | -                                  | -                                 | -                                 | 666,634              |
| <b>TOTAL REVENUE</b>   | <u>5,977,219</u>    | <u>-</u>                           | <u>227,886</u>                    | <u>-</u>                          | <u>6,205,105</u>     |
| <b>SUPPORT</b>   |                     |                                    |                                   |                                   |                      |
| Grants and contributions                                     | 905,734             | -                                  | 545,913                           | -                                 | 1,451,647            |
| Government grants  | -                   | -                                  | 1,183,000                         | -                                 | 1,183,000            |
| Fundraising events   | 325,611             | -                                  | -                                 | -                                 | 325,611              |
| In-kind contributions  | 175,456             | -                                  | -                                 | -                                 | 175,456              |
| Capital campaign   | 12,145              | -                                  | 5,050                             | -                                 | 17,195               |
| <b>TOTAL SUPPORT</b>   | <u>1,418,946</u>    | <u>-</u>                           | <u>1,733,963</u>                  | <u>-</u>                          | <u>3,152,909</u>     |
| <b>NET ASSETS RELEASED FROM RESTRICTION</b>                  | <u>3,315,028</u>    | <u>-</u>                           | <u>(3,315,028)</u>                | <u>-</u>                          | <u>-</u>             |
| <b>TOTAL REVENUE AND SUPPORT</b>                             | <u>10,711,193</u>   | <u>-</u>                           | <u>(1,353,179)</u>                | <u>-</u>                          | <u>9,358,014</u>     |
| <b>EXPENSES</b>  |                     |                                    |                                   |                                   |                      |
| Program  | 7,906,993           | -                                  | -                                 | -                                 | 7,906,993            |
| Administrative (management & general, marketing & promotion) | 1,428,767           | -                                  | -                                 | -                                 | 1,428,767            |
| Fundraising  | 750,708             | -                                  | -                                 | -                                 | 750,708              |
| <b>TOTAL EXPENSES</b>  | <u>10,086,468</u>   | <u>-</u>                           | <u>-</u>                          | <u>-</u>                          | <u>10,086,468</u>    |
| <b>TOTAL CHANGE IN NET ASSETS</b>                            | 624,725             | -                                  | (1,353,179)                       | -                                 | (728,454)            |
| Board designated reserve transfer                            | (256,000)           | 256,000                            | -                                 | -                                 | -                    |
| Net assets - beginning of year                               | 11,588              | 531,000                            | 30,192,396                        | 4,241,322                         | 34,976,306           |
| <b>NET ASSETS - END OF YEAR</b>                              | <u>\$ 380,313</u>   | <u>\$ 787,000</u>                  | <u>\$ 28,839,217</u>              | <u>\$ 4,241,322</u>               | <u>\$ 34,247,852</u> |

See Notes to Consolidated Financial Statements

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended June 30, 2017

|  | <u>Unrestricted</u> | <u>Unrestricted<br/>Designated</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|--|---------------------|------------------------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>REVENUE AND SUPPORT</b>                                   |                     |                                    |                                   |                                   |                      |
| <b>REVENUE</b>   |                     |                                    |                                   |                                   |                      |
| Museum admissions  | \$ 720,335          | \$ -                               | \$ -                              | \$ -                              | \$ 720,335           |
| Memberships  | 957,254             | -                                  | -                                 | -                                 | 957,254              |
| Education & groups   | 57,297              | -                                  | -                                 | -                                 | 57,297               |
| Parties & events revenue                                     | 12,273              | -                                  | -                                 | -                                 | 12,273               |
| Exhibit rentals & sales                                      | 955,560             | -                                  | -                                 | -                                 | 955,560              |
| Endowment revenue  | -                   | -                                  | 78,793                            | -                                 | 78,793               |
| Net unrealized loss on endowment                             | -                   | -                                  | 318,411                           | -                                 | 318,411              |
| Other revenue  | 280,359             | -                                  | -                                 | -                                 | 280,359              |
| <b>TOTAL REVENUE</b>   | <u>2,983,078</u>    | <u>-</u>                           | <u>397,204</u>                    | <u>-</u>                          | <u>3,380,282</u>     |
| <b>SUPPORT</b>   |                     |                                    |                                   |                                   |                      |
| Grants and contributions                                     | 882,601             | -                                  | 742,496                           | -                                 | 1,625,097            |
| Government grants  | -                   | -                                  | 475,300                           | -                                 | 475,300              |
| Fundraising events   | 314,240             | -                                  | -                                 | -                                 | 314,240              |
| In-kind contributions  | 112,104             | -                                  | -                                 | -                                 | 112,104              |
| Capital campaign   | 5,762               | -                                  | 532,068                           | -                                 | 537,830              |
| <b>TOTAL SUPPORT</b>   | <u>1,314,707</u>    | <u>-</u>                           | <u>1,749,864</u>                  | <u>-</u>                          | <u>3,064,571</u>     |
| <b>NET ASSETS RELEASED FROM RESTRICTION</b>                  | <u>2,160,487</u>    | <u>-</u>                           | <u>(2,160,487)</u>                | <u>-</u>                          | <u>-</u>             |
| <b>TOTAL REVENUE AND SUPPORT</b>                             | <u>6,458,272</u>    | <u>-</u>                           | <u>(13,419)</u>                   | <u>-</u>                          | <u>6,444,853</u>     |
| <b>EXPENSES</b>  |                     |                                    |                                   |                                   |                      |
| Program  | 5,125,421           | -                                  | -                                 | -                                 | 5,125,421            |
| Administrative (management & general, marketing & promotion) | 1,455,472           | -                                  | -                                 | -                                 | 1,455,472            |
| Fundraising  | 761,380             | -                                  | -                                 | -                                 | 761,380              |
| <b>TOTAL EXPENSES</b>  | <u>7,342,273</u>    | <u>-</u>                           | <u>-</u>                          | <u>-</u>                          | <u>7,342,273</u>     |
| <b>TOTAL CHANGE IN NET ASSETS</b>                            | <u>(884,001)</u>    | <u>-</u>                           | <u>(13,419)</u>                   | <u>-</u>                          | <u>(897,420)</u>     |
| Board designated reserve transfer                            | 299,000             | (299,000)                          | -                                 | -                                 | -                    |
| Net assets - beginning of year                               | 596,589             | 830,000                            | 30,205,815                        | 4,241,322                         | 35,873,726           |
| <b>NET ASSETS - END OF YEAR</b>                              | <u>\$ 11,588</u>    | <u>\$ 531,000</u>                  | <u>\$ 30,192,396</u>              | <u>\$ 4,241,322</u>               | <u>\$ 34,976,306</u> |

See Notes to Consolidated Financial Statements

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2018 and 2017

|   | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Change in net assets  | \$ (728,454)        | \$ (897,420)        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                     |
| Depreciation  | 1,622,561           | 536,668             |
| Unrealized and realized gains and reinvested income on investments                          | (227,886)           | (397,204)           |
| Donated building construction   | -                   | (451,578)           |
| Contributions restricted for capital campaign   | (17,195)            | (537,830)           |
| Capital campaign discount amortization and write-off of uncollectible pledges receivable    | 39,811              | (40,360)            |
| Changes in operating assets and liabilities   |                     |                     |
| Accounts receivable   | (15,708)            | (66,805)            |
| Grants and pledges receivable   | (573,399)           | 354,336             |
| Other receivables   | (213,011)           | -                   |
| Prepaid expenses  | (56,334)            | 6,793               |
| Payables and accrued expenses   | (2,177,705)         | 1,448,638           |
| Deferred revenue  | 103,575             | 463,579             |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES   | <u>(2,243,745)</u>  | <u>418,817</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Endowment draws   | 192,801             | 190,994             |
| Purchase of property, equipment and construction in progress                                | (203,608)           | (13,360,933)        |
| Net change in cash restricted for capital campaign  | 569,985             | 2,338,390           |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES   | <u>559,178</u>      | <u>(10,831,549)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Payments of long-term debt  | (800,000)           | (900,000)           |
| Collection of contributions restricted for capital campaign and loan reserves               | 2,525,878           | 11,947,484          |
| NET CASH PROVIDED BY FINANCING ACTIVITIES   | <u>1,725,878</u>    | <u>11,047,484</u>   |
| NET INCREASE  | 41,311              | 634,752             |
| <b>CASH AND CASH EQUIVALENTS</b>  |                     |                     |
| BEGINNING OF YEAR   | 2,419,405           | 1,784,653           |
| END OF YEAR   | <u>\$ 2,460,716</u> | <u>\$ 2,419,405</u> |
| <b>SUPPLEMENTAL DISCLOSURES</b>   |                     |                     |
| Interest paid   | <u>\$ 210,444</u>   | <u>\$ 194,055</u>   |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES INFORMATION</b>                              |                     |                     |
| Donated building construction   | <u>\$ -</u>         | <u>\$ 451,578</u>   |

See Notes to Consolidated Financial Statements

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2018

|   | Support Services    |                            |                             |                   | Total<br>Support<br>Services | Total<br>2018        |
|---|---------------------|----------------------------|-----------------------------|-------------------|------------------------------|----------------------|
|   | Total<br>Programs   | Management<br>&<br>General | Marketing<br>&<br>Promotion | Fund<br>Raising   |                              |                      |
| Salaries and wages  | \$ 3,500,951        | \$ 617,395                 | \$ 48,903                   | \$ 386,845        | \$ 1,053,143                 | \$ 4,554,094         |
| Payroll taxes   | 282,025             | 75,135                     | 3,576                       | 27,044            | 105,755                      | 387,780              |
| Employee benefits   | 322,320             | 33,877                     | 5,470                       | 45,375            | 84,722                       | 407,042              |
| <b>TOTAL PERSONNEL EXPENSE</b>  | <b>4,105,296</b>    | <b>726,407</b>             | <b>57,949</b>               | <b>459,264</b>    | <b>1,243,620</b>             | <b>5,348,916</b>     |
| Accounting and finance services fees                                  | -                   | 30,760                     | -                           | -                 | 30,760                       | 30,760               |
| Other professional fees & contracted services                         | 457,815             | 238,922                    | 11,061                      | 34,074            | 284,057                      | 741,872              |
| Maintenance / equipment / rent  | 491,273             | 102,920                    | 31                          | 46,644            | 149,595                      | 640,868              |
| Information technology  | 71,362              | 13,781                     | 982                         | 6,399             | 21,162                       | 92,524               |
| Travel  | 30,602              | 1,468                      | 8                           | 1,552             | 3,028                        | 33,630               |
| Training / meetings   | 51,319              | 11,386                     | 607                         | 96,858            | 108,851                      | 160,170              |
| Supplies  | 344,348             | 5,337                      | 166                         | 5,573             | 11,076                       | 355,424              |
| Postage & shipping  | 51,484              | 2,416                      | 4                           | 9,695             | 12,115                       | 63,599               |
| Utilities   | 254,519             | 20,008                     | 204                         | 1,784             | 21,996                       | 276,515              |
| Printing, photography & graphics                                      | 83,611              | 301                        | 2,258                       | 13,102            | 15,661                       | 99,272               |
| Promotion & advertising   | 261,952             | 2,850                      | 27,794                      | 5,526             | 36,170                       | 298,122              |
| Insurance   | 1,962               | 62,345                     | -                           | -                 | 62,345                       | 64,307               |
| Fees / permits / license  | 297,209             | 86,120                     | 12,445                      | 11,218            | 109,783                      | 406,992              |
| Exhibit rental / construction   | 151,784             | -                          | -                           | 2,814             | 2,814                        | 154,598              |
| Capital Project Construction  | 131,269             | -                          | -                           | -                 | -                            | 131,269              |
| Other expenses  | 15,425              | 1,565                      | -                           | 56,154            | 57,719                       | 73,144               |
| <b>TOTAL EXPENSE BEFORE<br/>    DEPRECIATION &amp; CAPITALIZATION</b> | <b>6,801,230</b>    | <b>1,306,586</b>           | <b>113,509</b>              | <b>750,657</b>    | <b>2,170,752</b>             | <b>8,971,982</b>     |
| Capitalization of property and equipment                              | (508,075)           | -                          | -                           | -                 | -                            | (508,075)            |
| Depreciation  | 1,613,838           | 8,672                      | -                           | 51                | 8,723                        | 1,622,561            |
| <b>TOTAL EXPENSES</b>   | <b>\$ 7,906,993</b> | <b>\$ 1,315,258</b>        | <b>\$ 113,509</b>           | <b>\$ 750,708</b> | <b>\$ 2,179,475</b>          | <b>\$ 10,086,468</b> |

See Notes to Consolidated Financial Statements



**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2017

|   | <u>Support Services</u>   |   |  |                         |                                       | <u>Total<br/>2017</u> |
|---|---------------------------|---|--|-------------------------|---------------------------------------|-----------------------|
|   | <u>Total<br/>Programs</u> | <u>Management<br/>&amp;<br/>General</u> | <u>Marketing<br/>&amp;<br/>Promotion</u> | <u>Fund<br/>Raising</u> | <u>Total<br/>Support<br/>Services</u> |                       |
| Salaries and wages  | \$ 3,022,597              | \$ 743,571                              | \$ 151,564                               | \$ 411,099              | \$ 1,306,234                          | \$ 4,328,831          |
| Payroll taxes   | 238,063                   | 62,819                                  | 11,657                                   | 30,374                  | 104,850                               | 342,913               |
| Employee benefits   | 284,817                   | 41,278                                  | 14,059                                   | 45,912                  | 101,249                               | 386,066               |
| <b>TOTAL PERSONNEL EXPENSE</b>                                    | <b>3,545,477</b>          | <b>847,668</b>                          | <b>177,280</b>                           | <b>487,385</b>          | <b>1,512,333</b>                      | <b>5,057,810</b>      |
| Accounting and finance services fees                              | 2,000                     | 29,330                                  | -  | -                       | 29,330                                | 31,330                |
| Other professional fees & contracted services                     | 557,582                   | 89,227                                  | 18,680                                   | 94,070                  | 201,977                               | 759,559               |
| Maintenance / equipment / rent                                    | 455,436                   | 26,490                                  | -  | 16,878                  | 43,368                                | 498,804               |
| Information technology  | 123,036                   | 14,443                                  | 4,386                                    | 11,497                  | 30,326                                | 153,362               |
| Travel  | 40,672                    | 1,443                                   | 84                                       | 660                     | 2,187                                 | 42,859                |
| Training / meetings   | 34,239                    | 7,655                                   | 2,138                                    | 90,929                  | 100,722                               | 134,961               |
| Supplies  | 376,149                   | 4,287                                   | 162                                      | 5,880                   | 10,329                                | 386,478               |
| Postage & shipping  | 60,832                    | 2,243                                   | 626                                      | 8,941                   | 11,810                                | 72,642                |
| Utilities   | 188,900                   | 16,168                                  | 544                                      | 933                     | 17,645                                | 206,545               |
| Printing, photography & graphics                                  | 87,974                    | 771                                     | 8,966                                    | 14,511                  | 24,248                                | 112,222               |
| Promotion & advertising   | 188,471                   | 2,667                                   | 91,063                                   | 27,440                  | 121,170                               | 309,641               |
| Insurance   | 12,635                    | 55,249                                  | -  | -                       | 55,249                                | 67,884                |
| Fees / permits / license  | 385,783                   | 48,333                                  | 11                                       | 2,053                   | 50,397                                | 436,180               |
| Exhibit rental / construction                                     | 231,263                   | -                                       | -  | -                       | -                                     | 231,263               |
| Capital Project Construction                                      | 12,096,548                | -                                       | -  | -                       | -                                     | 12,096,548            |
| Other expenses  | 9,638                     | 536                                     | -  | 203                     | 739                                   | 10,377                |
| <b>TOTAL EXPENSE BEFORE<br/>DEPRECIATION &amp; CAPITALIZATION</b> | <b>18,396,635</b>         | <b>1,146,510</b>                        | <b>303,940</b>                           | <b>761,380</b>          | <b>2,211,830</b>                      | <b>20,608,465</b>     |
| Capitalization of property and equipment                          | (13,802,860)              | -                                       | -  | -                       | -                                     | (13,802,860)          |
| Depreciation  | 531,646                   | 5,022                                   | -  | -                       | 5,022                                 | 536,668               |
| <b>TOTAL EXPENSES</b>   | <b>\$ 5,125,421</b>       | <b>\$ 1,151,532</b>                     | <b>\$ 303,940</b>                        | <b>\$ 761,380</b>       | <b>\$ 2,216,852</b>                   | <b>\$ 7,342,273</b>   |

See Notes to Consolidated Financial Statements

## MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### ( 1 ) Summary of significant accounting policies

**Organizational purpose** - Minnesota Children's Museum's mission is: "Sparking children's learning through play."

Minnesota Children's Museum (MCM or the Museum) is a unique educational and cultural resource that represents the community's interest and investment in our children and their childhoods. MCM provides playful learning experiences and environments where children, families and school and community groups discover and explore their world through participatory, interdisciplinary exhibits and programs in the arts, sciences, and humanities. MCM fosters connections among children and families of all nations and cultures.

The MCM's programs are as follows:

Educational services – Develops and implements all museum program activity, from performances and holiday events to daily interpretive activity in the museum galleries to activities and programs for school and community groups. This program also implements grant-funded projects, often in conjunction with schools and other Museums.

Exhibit production – Designs, builds and maintains exhibits in museum galleries, incorporating educational content. Also implements grant-funded projects that include traveling exhibits and off-site installations.

Visitor services and volunteers – Manages admissions and group reservation functions, monitors safety, operations and overall quality of customer and interpretive services. Screens, trains, supervises and recognizes volunteers and interns in various museum departments.

Member services – Maintains MCM's family membership program, including ongoing member benefits and programs such as special events.

Other programs – Rentals of museum space by other Museums and individuals, birthday parties for MCM members and other children; overnight events for groups of children from the community.

In September 2015, MCM established MCM Holdings as a nonprofit corporation to hold and manage its existing facility in downtown St. Paul. This transaction was carried out to assist with the facilitation of a new market tax credit structure in conjunction with the expansion and complete renovation of the facility as more fully described in Note 9. The facility continues to be used for the exclusive use and benefit of MCM and MCM is the sole voting member of MCM Holdings. As such, MCM Holdings is consolidated into the financial statements of MCM.

## MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### ( 1 ) Summary of significant accounting policies (continued)

**Principles of consolidation** - The financial statements as of and for the year ended June 30, 2018 and 2017 include the accounts of Minnesota Children's Museum and MCM Holdings. The consolidated Museums are herein referred to as the Museum. All significant intercompany accounts and transactions have been eliminated.

**Financial statement presentation** - Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Museum or passage of time.

Permanently restricted – Those resources subject to donor imposed restriction that they be maintained permanently by the Museum. The donors of these resources permit the Museum to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

**Cash and cash equivalents** - The Museum considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash restricted for the Museum's capital campaign is reported in other assets and is not reported as part of cash and cash equivalents.

**Accounts receivable** - Accounts receivable are stated at unpaid balances, less any allowance for doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts, third-party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. Management considers all receivables to be fully collectible at year-end and accordingly, an allowance for doubtful accounts has not been recorded.

# MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### ( 1 ) Summary of significant accounting policies (continued)

**Grants and pledges receivable** - Grants and pledges that are expected to be collected within one year are recorded at their net realizable value. Grants and pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is expected to be received. Amortization of the discount is included in contribution revenue. Grants and pledges receivable in more than one year are discounted at rates ranging from 1.2% to 2.4%. Conditional pledges are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible grants and pledges receivable is provided based upon management's judgment, including factors such as prior collection history, type of contribution, and nature of fundraising activity. There was an allowance for uncollectible grants and pledges as of June 30, 2018 and 2017 of \$13,000 and \$17,000, respectively.

**Investments** - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 14 for discussion of fair value measurements.

Purchases and sales of investments are reflected on a trade-date basis. Realized gains or losses on sales of investments are based on the cost of specifically identified investments. Changes in unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend dates.

Investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**Land, building, exhibits and equipment** - The Museum capitalizes land, buildings, exhibits and equipment when the cost per item is in excess of \$1,000. Donated fixed assets are capitalized at their fair market value or appraised value. Costs of current repairs and minor replacements are charged to expense as incurred. The Museum provides for depreciation of land, building, exhibits, furniture and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

|                           |              |
|---------------------------|--------------|
| Land lease                | 40 Years     |
| Building and improvements | 40 Years     |
| Furniture and equipment   | 3 - 5 Years  |
| Exhibits                  | 3 - 10 Years |

**Museum admissions** – The Museum recognizes museum admissions as revenue at the time services are provided.

## MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### ( 1 ) Summary of significant accounting policies (continued)

**Memberships** - Membership dues collected are recognized as revenue ratably over the period to which the dues relate. Dues collected in advance are recorded as deferred memberships until they are earned.

**Exhibit rental revenue** - The Museum rents out exhibits to other institutions. Rental revenue is recognized evenly over the period of the rental agreement. Deferred revenue results from prepayments received for exhibits.

**Grants and contributions** - Grants and contributions and unconditional promises to give (pledges receivable) are recognized at fair value and are recorded as made. All grants and contributions are available for unrestricted use unless specifically restricted by the donor.

All donor-restricted grants and contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

It is the Museum's policy to imply a time restriction on gifts of long-lived assets (or gifts of cash or other assets restricted for acquisition of long-lived assets) such that the gifts are reported as restricted support, with the related restrictions expiring over the useful lives of the donated assets. The Museum records restrictions based on donor intent. Capital campaign contributions and pledges are recognized as unrestricted when the purpose restriction has been met, subject to the policy of implying a time restriction on gifts restricted for long-lived assets.

**Government grants** - Government grant funds are considered temporarily restricted grants and are recorded when notification is received.

Expenditures under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Museum will record such disallowance at the time the determination is made.

**Estimates** - Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. 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. Actual results could vary from the estimates that were used.

**Functional allocation of expenses** - The costs of providing various programs and services have been summarized on a functional basis. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related costs, which are not directly identifiable by program or support service, are allocated using the best estimates of management.

**Advertising costs** - Advertising costs are expensed as incurred. Advertising costs for the years ended June 30, 2018 and 2017 were \$298,000 and \$310,000, respectively.

## MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### ( 1 ) Summary of significant accounting policies (continued)

**Long-lived assets** - Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present at June 30, 2018 and 2017.

**Fair value measurements** - The Museum measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Museum may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued using inputs that are quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds and real estate.

## MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### ( 1 ) Summary of significant accounting policies (continued)

**Tax exempt status** – MCM and MCM Holdings are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. They have been classified as Museums that are not private foundations under the Internal Revenue Code. Therefore, contributions qualify as a charitable tax deduction by the contributor.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, MCM and MCM Holdings may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of MCM and MCM Holdings and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2018 and 2017.

**New accounting pronouncements** - In August 2016, the Financial Standards Accounting Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The guidance improves not-for-profit entity (NFP) financial statements to provide more useful information to financial statement users and make reporting less complex for not-for-profit entities. The new guidance will reduce net asset classes from three classes of net assets to two, requires a presentation of expenses by their natural and functional classification and investment returns net of external and direct internal investment expenses. NFP's will also be required to provide more information about their available resources and liquidity. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and is to be applied retroactively, but NFP's will have the option to omit certain information for comparative periods presented in the year of adoption. Early application is permitted. The Museum is assessing the impact this standard will have on its financial statements.

In February 2016, FASB issued ASU 2016-2, "*Lease (Topic 842)*" ("ASU 2016-2"). ASU 2016-2 requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position and disclose key information about leasing arrangements. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current U.S. GAAP. ASU 2016-2 is effective for annual periods beginning after December 15, 2019. The Museum is in the process of assessing the impact of the adoption of ASU 2016-2 on its financial statements.

## MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### ( 1 ) Summary of significant accounting policies (continued)

**New accounting pronouncements (continued)** – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. ASU 2014-09 is effective for annual periods beginning after December 15, 2018; early adoption is permitted. Transition to the new guidance may be done using either a full or modified retrospective method. The Museum is in the process of assessing the impact of the adoption of ASU 2014-09 on its financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance clarifies and improves the scope and the accounting guidance for contributions received and contributions made by all entities that receive or make contributions of cash and other assets. The amendments in this update will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of FASB Topic 958, Not-for-Profit Entities, or as exchange transactions (reciprocal transactions) subject to other guidance and by (2) providing a stronger framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018 in which the entity serves as the resource recipient, and for fiscal years beginning after December 15, 2019 in which the entity serves as the resource provider. ASU 2018-08 is to be applied on a modified prospective basis. Under a modified prospective basis, in the first set of financial statements following the effective date the amendments should be applied to agreements that are either: 1) not completed as of the effective date or 2) entered into after the effective date. The amendments would be applied only to the portion of revenue or expense that has not yet been recognized before the effective date in accordance with current guidance. Retrospective application and early adoption is also permitted. The Museum is assessing the impact this standard will have on its financial statements.



# MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### ( 1 ) Summary of significant accounting policies (continued)

**New accounting pronouncements (continued)** – In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new standard requires that the 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. Organizations will also be required to reconcile such total to amounts on the statement of financial position and disclose the nature of the restrictions. As a result, Organizations will no longer present transfers between cash and cash equivalents and restricted cash and cash equivalents in the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 and will be applied retroactively. Early adoption is permitted. The Museum is assessing the impact this standard will have on its financial statements.

**Subsequent events** - In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through October 11, 2018, the date the financial statements were available to be issued.

### ( 2 ) Concentration of credit risk

The Museum maintains its cash and cash reserves at several financial institutions. At times, the amounts on deposit may exceed the federally insured limits. The pledges and grants receivable, which are unsecured, are due from local governments, corporations, foundations and individuals located in the Twin Cities metropolitan area.

Approximately 58% of the pledges and grants receivable balance is comprised of pledges from two government sources at June 30, 2018. Approximately 77% of the pledges and grants receivable balance is comprised of pledges from two foundations, corporate or government sources at June 30, 2017.

### ( 3 ) Investments

Investment holdings are comprised of the following as of June 30:

|                           | <u>2018</u>         | <u>2017</u>         |
|---------------------------|---------------------|---------------------|
| Fixed income              | \$ 1,476,586        | \$ 1,493,881        |
| Equities - mutual funds   | 2,275,449           | 2,160,657           |
| Complementary strategies  | 475,097             | 468,120             |
| Real assets               | 349,655             | 461,170             |
| Total securities          | <u>4,576,787</u>    | <u>4,583,828</u>    |
| Cash and cash equivalents | 74,127              | 32,001              |
| Total investments         | <u>\$ 4,650,914</u> | <u>\$ 4,615,829</u> |

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 3 ) Investments (continued)**

Investment income was as follows for the years ended June 30:

|                                  | <u>2018</u>       | <u>2017</u>       |
|----------------------------------|-------------------|-------------------|
| Interest and dividends           | \$ 86,186         | \$ 89,301         |
| Net realized gains (losses)      | 282,777           | 30,960            |
| Net unrealized gains (losses)    | (97,994)          | 318,411           |
| Investment expenses              | <u>(43,083)</u>   | <u>(41,468)</u>   |
| Endowment fund investment income | <u>\$ 227,886</u> | <u>\$ 397,204</u> |

Investment income reported in the statement of activities and changes in net assets was as follows for the years ended June 30:

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Endowment revenue                       | \$ 325,880        | \$ 78,793         |
| Net unrealized gain (loss) on endowment | (97,994)          | 318,411           |
| Endowment fund investment income        | <u>\$ 227,886</u> | <u>\$ 397,204</u> |

**( 4 ) Grants and pledges receivable**

The grants and pledges receivable consist of the following as of June 30:

|   | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|
| Programs                                  | \$ 71,494           | \$ 91,279           |
| General operating                         | 996,173             | 403,702             |
| Capital campaign                          | <u>2,721,339</u>    | <u>5,282,022</u>    |
| Total grants and pledges receivable       | <u>\$ 3,789,006</u> | <u>\$ 5,777,003</u> |
| Amount due in:                            |                     |                     |
| Less than one year                        | \$ 3,032,113        | \$ 4,294,703        |
| One to five years                         | <u>756,893</u>      | <u>1,482,300</u>    |
| Subtotal                                  | 3,789,006           | 5,777,003           |
| Less: allowance for uncollectible pledges | (12,850)            | (16,729)            |
| Less: discount on long-term pledges       | <u>(16,200)</u>     | <u>(25,223)</u>     |
| Total net of allowance and discount       | <u>\$ 3,759,956</u> | <u>\$ 5,735,051</u> |

Capital campaign pledges and grants are restricted for a building expansion project. Included in long-term grants and pledges receivable as of June 30, 2018 and 2017 are capital campaign grants and pledges receivable totaling \$1,964,446 and \$3,834,722 that are expected to be received in less than one year.

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 5 ) Land, building, exhibits and equipment**

The Museum has the following assets as of June 30:

|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| Land  | \$ 1,600,000         | \$ 1,600,000         |
| Building and improvements                   | 28,999,566           | 28,941,718           |
| Furniture and fixtures                      | 562,231              | 487,275              |
| Exhibits                                    | 11,962,355           | 11,962,355           |
| Construction in progress                    | 70,804               | -                    |
|   | <u>43,194,956</u>    | <u>42,991,348</u>    |
| Less: accumulated depreciation              | <u>(12,433,208)</u>  | <u>(10,810,647)</u>  |
| Land, building, exhibits and equipment, net | <u>\$ 30,761,748</u> | <u>\$ 32,180,701</u> |

In September 1995, the Museum opened its facility in downtown St. Paul. A portion of the construction financing was provided through public financing requiring that title to the property transfer to the City of St. Paul. The City of St. Paul and the Museum entered into a long-term lease agreement for the property to operate a children's museum. The lease was for 30 years beginning in December 1994 with the option to renew for five periods of 10 years each. Rent was \$100 per year plus minor additional amounts for insurance, assessments and fees. The value assigned to the building was the construction costs of the facility. The portion of the lease attributed to the land had a fair market value of \$1,600,000 and was recorded as a contribution.

During the year ended June 30, 2017, the Museum substantially completed construction on the expansion and complete renovation of its facility in downtown St. Paul. A portion of the construction financing for the project was provided through public financing. In December 2015, in connection with the construction and related public financing, the Museum entered into an amended and restated lease agreement with the City of St. Paul. The new lease agreement terminated the existing lease with MCM and established a new lease with MCM Holdings. The initial lease term is for 20 years from the completion date of the capital improvement project with options for two successive renewal terms, the first shall be for 20 years after the initial term and the second shall be the balance of the period through December 15, 2074. No rental payments are required, but the agreement is a "Net" lease and all costs and expenses attributed to the property are the responsibility of MCM Holdings. The lease contains various terms and conditions as defined in the agreement including continued operation of the facility as a museum. The additional value that was assigned to the building and improvements was the total construction costs of the expansion and renovation. The value assigned to the land is unchanged from the original lease agreement.

Depreciation expense, which includes the amortization of the land lease, was \$1,623,000 and \$537,000 for the years ended June 30, 2018 and 2017, respectively.

Interest capitalized was \$0 and \$93,000 for the years ended June 30, 2018 and 2017, respectively.

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 6 ) Line of credit**

MCM has an unsecured line of credit agreement with a bank which provides working capital financing up to \$500,000. Borrowings bear interest at 3.1% plus the one-month LIBOR rate, an effective rate of 5.08% at June 30, 2018. The line of credit was renewed March 1, 2018 and expires March 1, 2019. The borrowings on the line of credit as of June 30, 2018 and 2017 were \$0.

**( 7 ) Operating leases**

MCM leases space in Rochester, Minnesota. This lease was renewed effective March 2017, for three years at a rate of \$12.00 per square foot, plus the Museum's share of property taxes and operating expenses. Annual rent at this rate is \$65,000.

During the fiscal year ended June 30, 2016, MCM began to lease 4,400 square feet of retail space in the Mall of America. The lease expired April 2017. Annual rent was \$54,000. In addition, MCM paid a percentage of gross sales as additional rent.

Future payments required as of June 30, are as follows:

| <u>Years Ending June 30,</u> | <u>Amount</u>     |
|------------------------------|-------------------|
| 2019                         | \$ 65,000         |
| 2020                         | 43,000            |
| Total minimum lease payments | <u>\$ 108,000</u> |

Rent expense was \$102,000 and \$161,000 for the years ended June 30, 2018 and 2017, respectively.

**( 8 ) Deferred revenue**

Deferred revenue consists of the following as of June 30:

|                         | <u>2018</u>         | <u>2017</u>         |
|-------------------------|---------------------|---------------------|
| Membership dues         | \$ 761,853          | \$ 753,095          |
| Deferred exhibit income | 1,070,586           | 994,337             |
| Other deferred income   | 217,903             | 199,335             |
| Total                   | <u>\$ 2,050,342</u> | <u>\$ 1,946,767</u> |

## MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### ( 9 ) New market tax credit loans and leveraged loan receivable

During 2016, MCM, through its MCM Holdings affiliate, embarked on a series of transactions to effectuate a new market tax credit structure to assist with construction costs for the expansion and complete renovation of its downtown St. Paul facility. Under a transaction of this kind, the long-term benefits allow for larger net proceeds than would otherwise be available under classic financing thereby producing a public benefit greater than would otherwise be achieved. MCM loaned funds (leveraged loan) in concert with the capital contribution of an investor into a new entity set up for this purpose. The entity then invested in Community Development Enterprises ("CDEs") who loaned the funds net of transaction costs to MCM Holdings for use with the renovation project. Thus the effect of MCM's leveraged loan of \$6,827,800 is to effectively avail itself to approximately \$8,900,000 in funds net of fees and transaction costs. The following sets forth more detailed information on this transaction.

In conjunction with the leveraged loan, CNMC Sub-CDE 95, LLC (CNMC) and BH New Markets Sub-CDE V, LLC (BH) collectively known as the CDEs each made new market tax credit enhanced mortgage loans (the NMTC Loans) to MCM Holdings to finance the project.

The CDEs received allocations of new market tax credits (NMTC) pursuant to Section 45D of the Internal Revenue Code in order to assist eligible businesses in making investments in certain low-income communities. The availability of NMTC allowed Chase NMTC MCM Investment Fund LLC (Chase NMTC) to invest \$3,112,200 in MCM Holdings Investment Fund (the "Investment Fund"). In addition, MCM made a leveraged loan of \$6,827,800 from the proceeds of the BMO Harris Bank bridge loan and MCM equity. The Investment Fund used the combined amount to make equity contributions of \$8,000,000 to BH and \$1,500,000 to CNMC. The CDEs, in turn, used the contributions to make the NMTC Loans to MCM Holdings. The NMTC Loans are secured by mortgages on the property of MCM Holdings, assignment of leases and rents, and a guarantee by MCM. MCM Holdings must also comply with various loan covenants.

The NMTC Loans mature on December 1, 2045 and principal is payable in quarterly installments commencing March 1, 2023. Interest is payable quarterly and commenced March 1, 2016 at the following interest rates:

|                                   | <u>Principal<br/>Amounts</u> | <u>Interest<br/>Rate</u> |
|-----------------------------------|------------------------------|--------------------------|
| BH                                | \$ 7,920,000                 | 1.27691%                 |
| CNMC                              | 1,500,000                    | 1.27691%                 |
| Total new market tax credit loans | <u>\$ 9,420,000</u>          |                          |

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 9 ) New market tax credit loans and leveraged loan receivable (continued)**

Simultaneously with the new market tax credit transaction, MCM Holdings entered into a Sublease agreement with MCM pursuant to which MCM will lease the Project for a period of 16 years from the lease commencement date. The lease commenced on April 1, 2017 and requires quarterly rental payments to MCM Holdings at an initial annual rate of \$155,100 increasing to an annual rate of \$568,800 throughout the lease term. MCM has an option to renew for an additional 16 year period at a then determined fair market value lease rate. Rental payments will be used by MCM Holdings to pay the interest and principal payments on the NMTC loans. Total rental income and expense of \$497,000 and \$39,000 was recorded by MCM Holdings and MCM, respectively for the years ended June 30, 2018 and 2017, respectively, and is eliminated in the consolidated financial statements.

MCM expects, in turn, to receive quarterly interest on the leveraged loan receivable at an annual interest rate of 1%. The leveraged loan receivable matures on December 31, 2045 and principal is payable in monthly installments commencing March 10, 2023. Amounts received from the Investment Fund as payment on the leveraged loan receivable will be used by MCM to fund rental payments on the lease with MCM Holdings.

On December 11, 2022, Chase Community Equity, LLC (100% owner of Chase NMTC) has a right and option, but not an obligation, for a period of 90 days, to require MCM to purchase all of Chase Community Equity, LLC's interest in the Investment Fund for a put exercise price of \$1,000. If the put is not exercised, then MCM has the right to purchase Chase Community Equity, LLC's interest in the Investment Fund at an amount equal to the fair market value of Chase Community Equity, LLC's interest in the Investment Fund.

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 10 ) Long-term debt**

|   | <b>June 30,</b> |              |
|---|-----------------|--------------|
|   | <b>2018</b>     | <b>2017</b>  |
| <p>Note payable to BMO Harris Bank with annual interest at an adjusted LIBOR rate plus 2.75% (4.75% at June 30, 2018). Principal and interest is payable quarterly based on a set principal payment schedule. The note matures in March 2020. MCM is required to deposit all capital campaign funds received by it in a Capital Campaign Account maintained with BMO Harris Bank to be used as collateral on the note. The funds cannot be withdrawn except for the purpose of making payment on the note. Additionally the note is secured by the assets of MCM excluding its rights to sublease the property of MCM Holdings. MCM must also comply with various loan covenants.</p> | \$ 1,350,000    | \$ 2,150,000 |
| Less current maturities   | (600,000)       | (800,000)    |
| Total long-term debt  | \$ 750,000      | \$ 1,350,000 |

Aggregate maturities expected under the agreement are as follows:

**Years Ending June 30,**

|      |  |              |
|------|--|--------------|
| 2019 |  | \$ 600,000   |
| 2020 |  | 750,000      |
|      |  | \$ 1,350,000 |

**( 11 ) Net assets**

**Unrestricted – board designated** - The board of directors have designated by board action, the following designations of unrestricted net assets as of June 30:

|                         | <b>2018</b> | <b>2017</b> |
|-------------------------|-------------|-------------|
| Fixed asset replacement | \$ 531,000  | \$ 531,000  |
| Cash operating reserve  | 256,000     | -           |
| Total                   | \$ 787,000  | \$ 531,000  |

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 11 ) Net assets (continued)**

**Temporarily restricted** - Net assets temporarily restricted consist of the following as of June 30:

|                               | <u>2018</u>          | <u>2017</u>          |
|-------------------------------|----------------------|----------------------|
| Land, building and equipment  | \$ 27,649,710        | \$ 29,175,736        |
| Endowment investment earnings | 409,592              | 374,507              |
| Capital campaign              | 5,050                | -                    |
| Future programs               | 774,865              | 642,153              |
| Total                         | <u>\$ 28,839,217</u> | <u>\$ 30,192,396</u> |

**Permanently restricted** - Permanently restricted net assets consist of donor gifts, the income of which can be used for the Museum's general operating activities.

**( 12 ) Net assets released from restrictions**

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2018 and 2017 are as follows:

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| Purpose restrictions:                  |                     |                     |
| Expiration of long lived asset gifts   | \$ 1,526,027        | \$ 398,785          |
| Program                                | 1,146,235           | 945,514             |
| Subtotal program restrictions released | <u>2,672,262</u>    | <u>1,344,299</u>    |
| Endowment draw                         | 192,801             | 190,993             |
| Time restrictions                      | 449,965             | 447,509             |
| Capital restrictions                   | -                   | 177,686             |
| Total restrictions released            | <u>\$ 3,315,028</u> | <u>\$ 2,160,487</u> |

**( 13 ) Endowments**

The Museum's endowment consists of funds established for general operating purposes. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law** - The Board of Directors of the Museum has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment.



**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 13 ) Endowments (continued)**

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 fund
- (2) The purposes of the Museum and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Museum
- (7) The investment policies of the Museum.

Endowment net asset composition by type and changes in endowment net assets for the years ended June 30 is as follows:

|  | <u>Unrestricted<br/>Designated</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u> |
|--|------------------------------------|-----------------------------------|-----------------------------------|--------------|
| Endowment net assets,<br>June 30, 2017 | \$ -                               | \$ 374,507                        | \$ 4,241,322                      | \$ 4,615,829 |
| Investment Return:                     |                                    |                                   |                                   |              |
| Interest and dividend income           | -                                  | 86,186                            | -                                 | 86,186       |
| Net realized gains (losses)            | -                                  | 282,777                           | -                                 | 282,777      |
| Net unrealized gains (losses)          | -                                  | (97,994)                          | -                                 | (97,994)     |
| Investment expenses                    | -                                  | (43,083)                          | -                                 | (43,083)     |
| Total investment return                | -                                  | 227,886                           | -                                 | 227,886      |
| New contributions                      | -                                  | -                                 | -                                 | -            |
| Spending rate draw                     | -                                  | (192,801)                         | -                                 | (192,801)    |
| Endowment net assets,<br>June 30, 2018 | \$ -                               | \$ 409,592                        | \$ 4,241,322                      | \$ 4,650,914 |
|  |                                    |                                   |                                   |              |
|  | <u>Unrestricted<br/>Designated</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u> |
| Endowment net assets,<br>June 30, 2016 | \$ -                               | \$ 168,296                        | \$ 4,241,322                      | \$ 4,409,618 |
| Investment Return:                     |                                    |                                   |                                   |              |
| Interest and dividend income           | -                                  | 89,301                            | -                                 | 89,301       |
| Net realized gains (losses)            | -                                  | 30,960                            | -                                 | 30,960       |
| Net unrealized gains (losses)          | -                                  | 318,411                           | -                                 | 318,411      |
| Investment expenses                    | -                                  | (41,468)                          | -                                 | (41,468)     |
| Total investment return                | -                                  | 397,204                           | -                                 | 397,204      |
| New contributions                      | -                                  | -                                 | -                                 | -            |
| Spending rate draw                     | -                                  | (190,993)                         | -                                 | (190,993)    |
| Endowment net assets,<br>June 30, 2017 | \$ -                               | \$ 374,507                        | \$ 4,241,322                      | \$ 4,615,829 |

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 13 ) Endowments (continued)**

**Investment objectives and strategies** - The Museum has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, the primary investment objective is achieving real growth in invested capital consistent with preservation of capital, maintenance of liquidity, and obtaining the best total return while minimizing market and investment risk. As of June 30, 2018 these assets are invested in an endowment fund at Wells Fargo and are allocated to five major asset classes including cash and cash equivalents, fixed income securities, mutual funds, complementary strategies and real assets.

**Spending policy** - The Museum has a policy of appropriating for distribution each year approximately 3.0% to 5.0% of its endowment fund's 12 quarter trailing average fair value.

**( 14 ) Fair value measurements**

Assets measured at fair value on a recurring basis as of June 30, 2018 and 2017 are:

|                          | <b>2018</b>    |                |                |              |
|--------------------------|----------------|----------------|----------------|--------------|
|                          | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| Fixed income             | \$ 1,476,586   | \$ -           | \$ -           | \$ 1,476,586 |
| Equities - mutual funds  | 2,275,449      | -              | -              | 2,275,449    |
| Complementary strategies | 475,097        | -              | -              | 475,097      |
| Real assets              | 349,655        | -              | -              | 349,655      |
| Total securities         | \$ 4,576,787   | \$ -           | \$ -           | \$ 4,576,787 |

  

|                          | <b>2017</b>    |                |                |              |
|--------------------------|----------------|----------------|----------------|--------------|
|                          | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| Fixed income             | \$ 1,493,881   | \$ -           | \$ -           | \$ 1,493,881 |
| Equities - mutual funds  | 2,160,657      | -              | -              | 2,160,657    |
| Complementary strategies | 468,120        | -              | -              | 468,120      |
| Real assets              | 461,170        | -              | -              | 461,170      |
| Total securities         | \$ 4,583,828   | \$ -           | \$ -           | \$ 4,583,828 |

Following is a description of the valuation methodologies used for assets measured at fair value. All assets have been valued using a market approach. There have been no changes in the methodologies used as of June 30, 2018 and 2017.

Mutual funds and exchange-traded funds: Valued at the net asset value (NAV) of shares held by the Museum at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### ( 15 ) In-kind contributions

The Museum records in-kind contributions at fair market value at date of donation. In-kind contributions expended or capitalized were \$175,000 and \$564,000 for the years ended June 30, 2018 and 2017, respectively.

During 2017, the Museum received an in-kind gift of \$45,000 in the form of office space at the Ecolab building to be used for Museum administration employees during the renovation project.

#### ( 16 ) Leased store and food court revenue

The Museum leased space to an organization that is paying a royalty ranging from 10%-20% based on gross revenues generated from gift store sales, foodservice, vending and catering operated by the tenant. The term of the agreement is from June 2017 to June 2027 with options for two additional 5 year terms. Either party may terminate the lease agreement upon 90 days written notice. Royalty revenue was \$170,000 and \$18,000 for the years ended June 30, 2018 and 2017, respectively, and is included in other revenue in the statement of activities.

#### ( 17 ) Retirement plan

MCM established a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers all employees who meet eligibility requirements and elect to participate in the plan. The Museum will match 100% of the employee's contributions up to a maximum of 3% of the employee's compensation. The retirement plan expense was \$86,000 and \$82,000 for the years ended June 30, 2018 and 2017, respectively.

#### ( 18 ) Commitments and contingencies

The Museum has entered into various rental agreements for exhibits. As of June 30, 2018 and 2017, the total commitment owed under these rental agreements was \$233,000 and \$129,000, respectively.

#### ( 19 ) Interest

Interest for the years ended June 30, 2018 and 2017, consists of the following components:

|                         | <u>2018</u>       | <u>2017</u>       |
|-------------------------|-------------------|-------------------|
| Interest capitalized    | \$ -              | \$ 92,525         |
| Interest expense        | 210,444           | 101,530           |
| Total interest incurred | <u>\$ 210,444</u> | <u>\$ 194,055</u> |

#### ( 20 ) Related party transactions

Pledge commitments commonly span multiple years. Total contributions received from board members for the years ended June 30, 2018 and 2017 was \$110,000 and \$71,000, respectively. Total outstanding receivables from board members included in pledges receivable as of June 30, 2018 and 2017 was \$29,000 and \$39,000, respectively.

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 21 ) Reclassification**

Certain reclassifications have been made to the financial statements for the year ended June 30, 2017 to conform with classifications of the current year. The reclassifications did not affect financial position or results of operations.

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

June 30, 2018

|   | <b>Minnesota<br/>Children's<br/>Museum</b> | <b>MCM Holdings</b> | <b>Eliminations</b> | <b>Total</b>  |
|---|--|---------------------|---------------------|---------------|
|   | <b><u>ASSETS</u></b>                       |                     |                     |               |
| CURRENT ASSETS  |  |                     |                     |               |
| Cash and cash equivalents                                 | \$ 2,460,716                               | \$ -                | \$ -                | \$ 2,460,716  |
| Grants and pledges receivable, net                        | 1,067,667                                  | -                   | -                   | 1,067,667     |
| Accounts receivable                                       | 207,658                                    | -                   | -                   | 207,658       |
| Other receivables   | -  | 213,011             | -                   | 213,011       |
| Deferred rent   | -  | 338,194             | (338,194)           | -             |
| Prepaid expenses  | 275,388                                    | 662                 | -                   | 276,050       |
| TOTAL CURRENT ASSETS                                      | 4,011,429                                  | 551,867             | (338,194)           | 4,225,102     |
| INVESTMENTS   | 4,650,914                                  | -                   | -                   | 4,650,914     |
| LEVERAGED LOAN RECEIVABLE                                 | 6,827,800                                  | -                   | -                   | 6,827,800     |
| LAND, BUILDING, EXHIBITS AND EQUIPMENT, NET               | 7,613,841                                  | 23,147,907          | -                   | 30,761,748    |
| CASH RESTRICTED FOR CAPITAL CAMPAIGN<br>AND LOAN RESERVES | 22,406                                     | -                   | -                   | 22,406        |
| GRANTS AND PLEDGES RECEIVABLE, LONG-TERM                  | 2,692,289                                  | -                   | -                   | 2,692,289     |
| DUE FROM RELATED PARTY                                    | -  | 8,646,409           | (8,646,409)         | -             |
| TOTAL ASSETS  | \$ 25,818,679                              | \$ 32,346,183       | \$ (8,984,603)      | \$ 49,180,259 |
|   | <b><u>LIABILITIES AND NET ASSETS</u></b>   |                     |                     |               |
| CURRENT LIABILITIES                                       |  |                     |                     |               |
| Current portion of long term debt                         | \$ 600,000                                 | \$ -                | \$ -                | \$ 600,000    |
| Accounts payable  | 89,772                                     | -                   | -                   | 89,772        |
| Contractors payable                                       | 59,751                                     | 1,462,058           | -                   | 1,521,809     |
| Accrued compensation                                      | 500,484                                    | -                   | -                   | 500,484       |
| Deferred rent   | 338,194                                    | -                   | (338,194)           | -             |
| Deferred revenue  | 2,050,342                                  | -                   | -                   | 2,050,342     |
| TOTAL CURRENT LIABILITIES                                 | 3,638,543                                  | 1,462,058           | (338,194)           | 4,762,407     |
| DUE TO RELATED PARTY                                      | 8,646,409                                  | -                   | (8,646,409)         | -             |
| NEW MARKET TAX CREDIT LOANS                               | -  | 9,420,000           | -                   | 9,420,000     |
| LONG TERM DEBT, NET OF CURRENT PORTION                    | 750,000                                    | -                   | -                   | 750,000       |
| TOTAL LIABILITIES   | 13,034,952                                 | 10,882,058          | (8,984,603)         | 14,932,407    |
| NET ASSETS  |  |                     |                     |               |
| Unrestricted:   |  |                     |                     |               |
| Undesignated  | 31,217                                     | 349,096             | -                   | 380,313       |
| Board designated reserves                                 | 377,000                                    | 410,000             | -                   | 787,000       |
| Total unrestricted net assets                             | 408,217                                    | 759,096             | -                   | 1,167,313     |
| Total temporarily restricted net assets                   | 8,134,188                                  | 20,705,029          | -                   | 28,839,217    |
| Permanently restricted net assets                         | 4,241,322                                  | -                   | -                   | 4,241,322     |
| TOTAL NET ASSETS  | 12,783,727                                 | 21,464,125          | -                   | 34,247,852    |
| TOTAL LIABILITIES AND NET ASSETS                          | \$ 25,818,679                              | \$ 32,346,183       | \$ (8,984,603)      | \$ 49,180,259 |

**MINNESOTA CHILDREN'S MUSEUM AND AFFILIATE**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended June 30, 2018

|   | <u>Minnesota<br/>Children's<br/>Museum</u> | <u>MCM Holdings</u>  | <u>Eliminations</u> | <u>Total</u>         |
|---|--|----------------------|---------------------|----------------------|
| REVENUE AND SUPPORT   |  |                      |                     |                      |
| REVENUE   |  |                      |                     |                      |
| Museum admissions   | \$ 1,999,725                               | \$ -                 | \$ -                | \$ 1,999,725         |
| Memberships   | 1,714,164                                  | -                    | -                   | 1,714,164            |
| Education & groups  | 242,702                                    | -                    | -                   | 242,702              |
| Parties & events revenue  | 113,468                                    | -                    | -                   | 113,468              |
| Exhibit rentals & sales   | 1,240,526                                  | -                    | -                   | 1,240,526            |
| Endowment revenue   | 325,880                                    | -                    | -                   | 325,880              |
| Net unrealized gain on endowment                                | (97,994)                                   | -                    | -                   | (97,994)             |
| Other revenue   | 497,460                                    | 665,993              | (496,819)           | 666,634              |
| TOTAL REVENUE   | <u>6,035,931</u>                           | <u>665,993</u>       | <u>(496,819)</u>    | <u>6,205,105</u>     |
| SUPPORT   |  |                      |                     |                      |
| Grants and contributions  | 1,451,647                                  | -                    | -                   | 1,451,647            |
| Government grants   | 1,183,000                                  | -                    | -                   | 1,183,000            |
| Fundraising events  | 325,611                                    | -                    | -                   | 325,611              |
| In-kind contributions   | 175,456                                    | -                    | -                   | 175,456              |
| Capital campaign  | 17,195                                     | -                    | -                   | 17,195               |
| TOTAL SUPPORT   | <u>3,152,909</u>                           | <u>-</u>             | <u>-</u>            | <u>3,152,909</u>     |
| SUPPORT   | <u>9,188,840</u>                           | <u>665,993</u>       | <u>(496,819)</u>    | <u>9,358,014</u>     |
| EXPENSES  |  |                      |                     |                      |
| Program   | 7,155,192                                  | 1,248,620            | (496,819)           | 7,906,993            |
| Administrative (management &<br>general, marketing & promotion) | 1,428,767                                  | -                    | -                   | 1,428,767            |
| Fundraising   | 750,708                                    | -                    | -                   | 750,708              |
| TOTAL EXPENSES  | <u>9,334,667</u>                           | <u>1,248,620</u>     | <u>(496,819)</u>    | <u>10,086,468</u>    |
| TOTAL CHANGE IN NET ASSETS                                      | (145,827)                                  | (582,627)            | -                   | (728,454)            |
| Net Assets - Beginning of Year                                  | <u>12,929,554</u>                          | <u>22,046,752</u>    | <u>-</u>            | <u>34,976,306</u>    |
| NET ASSETS - END OF YEAR  | <u>\$ 12,783,727</u>                       | <u>\$ 21,464,125</u> | <u>\$ -</u>         | <u>\$ 34,247,852</u> |