

**THE CHILDREN'S MUSEUM**

**Financial Statements and Supplementary Information**

**June 30, 2019 and 2018**

# THE CHILDREN’S MUSEUM

June 30, 2019 and 2018

---

## CONTENTS

Independent Auditor’s Report.....	1
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Cash Flows.....	6
Statement of Functional Expenses (with Comparative Totals for the Year Ended June 30, 2018).....	7
Notes to Financial Statements.....	8
Independent Auditor’s Report on Supplementary Information.....	25
Schedule of Changes in Net Assets from Operations excluding Depreciation and Amortization .....	26

## **Independent Auditor's Report**

To the Board of Trustees  
The Children's Museum  
Boston, Massachusetts

We have audited the accompanying financial statements of The Children's Museum (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, and cash flows, for the years then ended, and functional expenses for the year ended June 30, 2019 with comparative totals for the year ended June 30, 2018, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Museum as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 2, during the year ended June 30, 2019, the Museum adopted Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*Edelstein & Company LLP*

Boston, Massachusetts  
December 18, 2019

# THE CHILDREN'S MUSEUM

## Statements of Financial Position June 30,

	2019	2018
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 8,553,306	\$ 9,640,494
Accounts receivable, net	268,962	201,926
Pledges receivable, net	433,625	308,033
Other receivable	400,000	-
Prepaid expenses	48,708	59,463
<b>Total current assets</b>	<u>9,704,601</u>	<u>10,209,916</u>
<b>Pledges receivable, net</b>	388,797	190,900
<b>Derivative instruments</b>	-	258,973
<b>Marketable securities</b>	16,302,622	16,394,624
<b>Property, exhibits and equipment</b>	30,348,916	31,954,795
<b>Other assets</b>	459,202	541,695
<b>Total assets</b>	<u>\$ 57,204,138</u>	<u>\$ 59,550,903</u>
<b>Liabilities and net assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 464,267	\$ 508,323
Accrued and other short-term liabilities	854,467	871,552
Bonds payable, net (\$500,000 and \$1,500,000 bond, less \$16,312 and \$17,353 unamortized bond issuance costs in 2019 and 2018, respectively)	483,688	1,482,647
<b>Total current liabilities</b>	<u>1,802,422</u>	<u>2,862,522</u>
<b>Long-term liabilities:</b>		
Derivative instruments	287,516	-
Notes payable	327,216	315,237
Deferred revenue	300,000	-
Bonds payable, net (\$11,250,000 and \$11,750,000 bond, less \$166,589 and \$182,901 unamortized bond issuance costs in 2019 and 2018, respectively)	11,083,411	11,567,099
<b>Total long-term liabilities</b>	<u>11,998,143</u>	<u>11,882,336</u>
<b>Net assets:</b>		
<b>Without donor restrictions:</b>		
Undesignated	6,137,094	7,047,502
Quasi-endowment	2,159,161	2,192,881
Board designated	4,413,295	4,482,217
Property, exhibits and equipment	18,389,549	19,061,055
	<u>31,099,099</u>	<u>32,783,655</u>
<b>With donor restrictions</b>	<u>12,304,474</u>	<u>12,022,390</u>
<b>Total net assets</b>	<u>43,403,573</u>	<u>44,806,045</u>
<b>Total liabilities and net assets</b>	<u>\$ 57,204,138</u>	<u>\$ 59,550,903</u>

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

# THE CHILDREN'S MUSEUM

## Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2019 (with Comparative Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	2018 Summarized Total
<b>Revenues and other support:</b>				
Admissions	\$ 3,422,363	\$ -	\$ 3,422,363	\$ 3,496,519
Gifts, contributions and grants	1,301,860	1,676,299	2,978,159	2,003,272
Contracts	525,388	-	525,388	232,747
Membership	1,636,423	-	1,636,423	1,557,814
Other earned income	539,556	-	539,556	567,360
Museum store	119,496	-	119,496	125,862
Traveling exhibits	30,000	-	30,000	60,000
Other income	54,222	-	54,222	64,979
Special events, net	276,641	-	276,641	333,267
Rental income	2,174,282	-	2,174,282	2,290,904
Amounts appropriated for operations pursuant to endowment spending policy	716,096	-	716,096	706,480
Net assets released from restrictions	1,263,162	(1,263,162)	-	-
<b>Total revenues and other support</b>	<b>12,059,489</b>	<b>413,137</b>	<b>12,472,626</b>	<b>11,439,204</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Visitor services	3,239,623	-	3,239,623	3,082,730
Museum programs	2,683,329	-	2,683,329	2,325,503
Exhibits	1,502,167	-	1,502,167	1,672,963
Membership services	272,270	-	272,270	315,259
<b>Supporting services:</b>				
Administration and general	1,153,422	-	1,153,422	1,111,721
Facilities costs	2,414,015	-	2,414,015	2,282,068
Fundraising	682,153	-	682,153	634,002
Marketing	703,212	-	703,212	684,537
<b>Total expenses</b>	<b>12,650,191</b>	<b>-</b>	<b>12,650,191</b>	<b>12,108,783</b>
<b>Change in net assets from operations</b>	<b>(590,702)</b>	<b>413,137</b>	<b>(177,565)</b>	<b>(669,579)</b>
<b>Non-operating revenue, expenses, gains and losses:</b>				
Net investment return	273,871	281,956	555,827	1,159,769
Less amounts appropriated for operations	(293,087)	(423,009)	(716,096)	(706,480)
Unrealized (loss) gain on derivative financial instruments	(546,489)	-	(546,489)	353,320
Interest expense	(428,358)	-	(428,358)	(412,071)
Loss on disposal of other assets	(89,791)	-	(89,791)	-
<b>Total non-operating revenue, expenses, gains and losses</b>	<b>(1,083,854)</b>	<b>(141,053)</b>	<b>(1,224,907)</b>	<b>394,538</b>
<b>Change in net assets before transfers</b>	<b>(1,674,556)</b>	<b>272,084</b>	<b>(1,402,472)</b>	<b>(275,041)</b>
Transfers, net	(10,000)	10,000	-	-
<b>Change in net assets</b>	<b>(1,684,556)</b>	<b>282,084</b>	<b>(1,402,472)</b>	<b>(275,041)</b>
<b>Net assets, beginning of year</b>	<b>32,783,655</b>	<b>12,022,390</b>	<b>44,806,045</b>	<b>45,081,086</b>
<b>Net assets, end of year</b>	<b>\$ 31,099,099</b>	<b>\$ 12,304,474</b>	<b>\$ 43,403,573</b>	<b>\$ 44,806,045</b>

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

# THE CHILDREN'S MUSEUM

## Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and other support:</b>			
Admissions	\$ 3,496,519	\$ -	\$ 3,496,519
Gifts, contributions and grants	1,211,520	791,752	2,003,272
Contracts	232,747	-	232,747
Membership	1,557,814	-	1,557,814
Other earned income	567,360	-	567,360
Museum store	125,862	-	125,862
Traveling exhibits	60,000	-	60,000
Other income	64,979	-	64,979
Special events, net	333,267	-	333,267
Rental income	2,290,904	-	2,290,904
Amounts appropriated for operations pursuant to endowment spending policy	706,480	-	706,480
Net assets released from restrictions	965,946	(965,946)	-
<b>Total revenues and other support</b>	<u>11,613,398</u>	<u>(174,194)</u>	<u>11,439,204</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Visitor services	3,082,730	-	3,082,730
Museum programs	2,325,503	-	2,325,503
Exhibits	1,672,963	-	1,672,963
Membership services	315,259	-	315,259
<b>Supporting services:</b>			
Administration and general	1,111,721	-	1,111,721
Facilities costs	2,282,068	-	2,282,068
Fundraising	634,002	-	634,002
Marketing	684,537	-	684,537
<b>Total expenses</b>	<u>12,108,783</u>	<u>-</u>	<u>12,108,783</u>
<b>Change in net assets from operations</b>	<u>(495,385)</u>	<u>(174,194)</u>	<u>(669,579)</u>
<b>Non-operating revenue, expenses, gains and losses:</b>			
Net investment return	477,346	682,423	1,159,769
Less amounts appropriated for operations	(289,691)	(416,789)	(706,480)
Unrealized gain derivative financial instruments	353,320	-	353,320
Interest expense	(412,071)	-	(412,071)
<b>Total non-operating revenue, expenses, gains and losses</b>	<u>128,904</u>	<u>265,634</u>	<u>394,538</u>
<b>Change in net assets</b>	(366,481)	91,440	(275,041)
<b>Net assets, beginning of year</b>	<u>33,150,136</u>	<u>11,930,950</u>	<u>45,081,086</u>
<b>Net assets, end of year</b>	<u>\$ 32,783,655</u>	<u>\$ 12,022,390</u>	<u>\$ 44,806,045</u>

# THE CHILDREN'S MUSEUM

## Statements of Cash Flows

For the Years Ended June 30,

2019

2018

### Cash flows from operating activities:

Change in net assets	\$ (1,402,472)	\$ (275,041)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Allowance for uncollectible pledges and accounts receivable	14,634	(14,703)
Depreciation and amortization	2,183,550	2,354,445
Amortization of bond issuance costs	17,353	18,394
Loss on disposal of other assets	89,791	-
Realized investment losses (gains)	281,883	(1,552,239)
Unrealized investment (gains) losses	(465,468)	1,175,304
Unrealized loss (gain) on derivative financial instruments	546,489	(353,320)
Discount for contribution of below market interest debt	11,979	11,541
Contributions restricted for capital improvements	85,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(69,444)	75,408
Pledges receivable, net	(335,715)	304,285
Other receivable	(400,000)	-
Prepaid expenses	10,755	19,367
Accounts payable	(44,056)	(78,226)
Accrued and other short-term liabilities	(17,085)	152,178
Other assets	(67,986)	24,897
Deferred revenue	300,000	-
<b>Net cash provided by operating activities</b>	<u>739,208</u>	<u>1,862,290</u>

### Cash flows from investing activities:

Proceeds from the sale of marketable securities	741,222	706,480
Purchase of marketable securities	(465,635)	(832,604)
Purchase of exhibits, property, equipment and construction in process	(516,983)	(418,401)
<b>Net cash used in investing activities</b>	<u>(241,396)</u>	<u>(544,525)</u>

### Cash flows from financing activities:

Contributions restricted for capital improvements	(85,000)	-
Repayment of bonds payable	(1,500,000)	-
<b>Net cash used in financing activities</b>	<u>(1,585,000)</u>	<u>-</u>

**(Decrease) increase in cash** (1,087,188) 1,317,765

**Cash and cash equivalents, beginning of year** 9,640,494 8,322,729

**Cash and cash equivalents, end of year** \$ 8,553,306 \$ 9,640,494

### Supplemental financial information:

**Cash paid during the year for interest** \$ 400,626 \$ 382,016

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



# THE CHILDREN'S MUSEUM

## Statement of Functional Expenses

For the Year Ended June 30, 2019 (with Comparative Totals for the Year Ended June 30, 2018)

	2019										2018
	Visitor Services	Museum Programs	Exhibits	Membership Services	Total Program Services	Administration and General	Facilities Costs	Fundraising	Marketing	Total	Summarized Total
Compensation and related expenses:											
Salaries and wages	\$ 916,110	\$ 1,236,181	\$ 414,587	\$ 157,274	\$ 2,724,152	\$ 515,494	\$ 167,564	\$ 398,330	\$ 298,701	\$ 4,104,241	\$ 3,920,239
Employee benefits	82,444	141,046	46,749	21,330	291,569	58,903	18,737	38,400	39,338	446,947	415,562
Payroll taxes	72,179	90,871	30,044	11,444	204,538	32,778	10,911	26,418	21,142	295,787	280,852
Total compensation and related expenses	1,070,733	1,468,098	491,380	190,048	3,220,259	607,175	197,212	463,148	359,181	4,846,975	4,616,653
Building operating costs	986,987	136,771	279,187	-	1,402,945	6,234	940,092	27,179	284	2,376,734	2,351,387
Depreciation and amortization	430,981	323,622	535,705	33,943	1,324,251	122,127	719,695	17,477	-	2,183,550	2,354,445
Professional/contract services	245,146	386,040	67,930	216	699,332	223,059	244,019	58,152	124,912	1,349,474	1,137,320
Other	126,335	133,454	1,830	30,440	292,059	30,618	19,142	74,611	1,753	418,183	333,778
Repairs and maintenance	154,113	32,609	28,451	-	215,173	3,248	148,489	3,558	-	370,468	223,799
Office expense	37,026	35,822	15,425	12,413	100,686	35,307	32,470	12,766	43,370	224,599	200,272
Advertising	45	17,145	1,923	-	19,113	22	7	117	160,533	179,792	214,025
Insurance	68,207	11,538	14,393	-	94,138	8,803	67,871	1,575	-	172,387	159,420
Computer software and hardware	36,092	7,213	595	1,634	45,534	78,830	23,890	2,543	10,529	161,326	143,777
Materials and supplies	46,392	38,090	35,327	3,349	123,158	30	3,655	2,323	2,626	131,792	168,287
Travel and meetings	9,095	45,262	15,321	227	69,905	17,320	10,897	4,284	-	102,406	81,749
Equipment and rentals	28,069	44,704	13,835	-	86,608	6,775	2,678	350	-	96,411	102,355
Training and development	402	2,961	865	-	4,228	13,310	3,898	-	24	21,460	21,516
Bad debt expense	-	-	-	-	-	564	-	14,070	-	14,634	-
<b>Total expenses presented on the statement of activities and changes in net assets</b>	<b>3,239,623</b>	<b>2,683,329</b>	<b>1,502,167</b>	<b>272,270</b>	<b>7,697,389</b>	<b>1,153,422</b>	<b>2,414,015</b>	<b>682,153</b>	<b>703,212</b>	<b>12,650,191</b>	<b>12,108,783</b>
<b>Items presented separately on the statement of activities and changes in net assets:</b>											
Special event expenses	-	-	-	-	-	-	-	283,423	-	283,423	249,297
Interest expense	-	-	-	-	-	-	428,358	-	-	428,358	412,071
<b>Total expenses</b>	<b>\$ 3,239,623</b>	<b>\$ 2,683,329</b>	<b>\$ 1,502,167</b>	<b>\$ 272,270</b>	<b>\$ 7,697,389</b>	<b>\$ 1,153,422</b>	<b>\$ 2,842,373</b>	<b>\$ 965,576</b>	<b>\$ 703,212</b>	<b>\$ 13,361,972</b>	<b>\$ 12,770,151</b>

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

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 1. Organization Purpose

The Children's Museum (the "Museum") is a nonprofit corporation founded in 1913 for cultural and educational purposes. Its mission is to "engage children and families in joyful discovery experiences that instill an appreciation of our world, develop foundational skills, and spark a lifelong love of learning". For that purpose, the Museum offers educational exhibits and programs to families, children and other educators.

### 2. Summary of Significant Accounting Policies

#### *Financial Statement Presentation*

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Museum, the Museum determines the classification of its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions.

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

- (1) Net assets without donor restrictions represent funds whose use is not restricted by donors. Net assets without donor restrictions are further classified as follows:

*Undesignated net assets* represent resources available for support of the Museum's general operations. *The Quasi-Endowment Fund* represents resources designated by the Board for annual operating support. The funds are distributed according to the Museum's spending policy. *The Board Designated Fund* is composed of resources that have been earmarked for capital and other projects. Disbursement of funds is subject to annual Board approval which is provided as part of the budget approval process.

- (2) Net assets with donor restrictions represent resources restricted by donors and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Income on these invested endowment funds are utilized in accordance with the donors' stipulations.

#### *Recently Adopted Accounting Pronouncements*

During the year ended June 30, 2019, the Museum implemented Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* (the "ASU"). The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Museum has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, with the exception of the statement of functional expenses for 2018 for which summarized totals are presented, as permitted by the ASU.

During the year ended June 30, 2018, the Museum retrospectively adopted Financial Accounting Standards Board's Accounting Standard Update No. 2015-07 *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. As a result, the Museum does not include the investment in TIFF within the fair value hierarchy.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 2. Summary of Significant Accounting Policies (continued)

#### *Fair Value Measurements*

The Museum values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

*Level 1* - Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to *Level 1* inputs.

*Level 2* - Observable inputs other than *Level 1* inputs such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with market data.

*Level 3* - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to *Level 3* inputs.

In determining fair value, the Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

#### *Revenues, Gains, and Other Support*

Admissions represent visitor fees paid for access to the Museum as well as gift passes sold. Museum store revenue represents fees paid to the Museum by an outsourced retail vendor as provided in the contract.

Contributions and pledges are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are classified as with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the purpose restriction or expiration of the time restriction.

Membership dues represent fees paid by individual, corporate and library members in exchange for benefits that include admission to the Museum, invitation to member events and exhibit openings, and discounts to the Museum store and special events.

The Museum receives various types of in-kind support in the form of contributed services and other assets. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, as provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of marketable securities and other tangible assets, such as property, equipment and inventory, are recognized at fair value when received.

Additionally, the Museum receives contributed time by volunteers which does not meet the criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Certain space within the Museum is leased primarily to nonprofit and commercial tenants under operating leases. Rental revenue is recorded as income on a straight-line basis over the lease term.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 2. Summary of Significant Accounting Policies (continued)

#### *Revenues, Gains, and Other Support (continued)*

The Museum records interest and dividends on its marketable securities when earned. Gains or losses are recorded when realized. Unrealized gains or losses are recorded based upon changes in the fair value of securities held.

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of checking, savings and time deposit accounts at banks.

The Museum maintains deposits at banks in excess of federally insured limits.

#### *Marketable Securities*

Marketable securities consist of shares held in traditional institutional funds and are carried at estimated fair values using the net asset value per share of the investments, as a practical expedient, as reported by the investment manager. The Museum reviews and evaluates the net asset values reported by the investment manager and believes the amounts reported represent a reasonable estimate of fair value.

#### *Property, Exhibits and Equipment*

Expenditures for property and equipment are stated at cost. Expenditures for maintenance, repairs, and renewals are charged to expense when incurred, whereas additions in excess of \$5,000 are capitalized. The Museum capitalizes the costs of constructing exhibits. Depreciation is recorded to allocate the cost of these assets over their estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Equipment	Three to ten years
Exhibits	Three to ten years
Capital improvements and major renovations	Ten to thirty years
Building	Thirty years

Construction in process is comprised of expenditures that are anticipated to have significant future benefit and are stated at cost. Cost includes contracting and construction, and architectural design services. Exhibits in-process includes expenditures for staff directly involved with exhibit development, consultants, materials used in building exhibits, and design services. Upon completion of construction, the project cost is reclassified to a property and equipment account and depreciated.

Management periodically evaluates its property, exhibits and equipment assets for indications that the value has been impaired. Based on this assessment, management believes that impairment in value has not occurred.

#### *Museum Collection*

In conformity with the practice followed by many museums, the value of property donated for the Museum collection is not reflected on the statement of financial position. The collection is deemed inexhaustible. The collection is maintained for education and research and furtherance of the Museum's goals rather than financial gain. The collection is protected, kept unencumbered and is subject to an organizational policy that encourages permanent possession.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 2. Summary of Significant Accounting Policies (continued)

#### *Functional Expenses*

The Museum allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. The financial statements report certain categories of expenses that are attributed to both program and support services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Facility costs not directly attributable to a function, including building maintenance, utilities and other occupancy costs are allocated among functions based on square footage. General and administrative costs not directly attributable to a function are allocated among functions based on time and effort. These costs include salaries, benefits, payroll taxes and professional/contract services, among others. The combined allocation of general and administrative and facility costs are consistently applied and in accordance with, if not less than, a negotiated indirect cost rate approved by the federal government.

#### *Use of Estimates and Subsequent Events*

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Museum's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on December 18, 2019, the date these financial statements became available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

#### *Income Taxes*

The Museum operates as a publicly supported tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal income taxes on related income pursuant to Section 509(a)(2) of the Code. The Organization is also exempt from Massachusetts income tax under Massachusetts General Law Chapter 180.

#### *Reclassifications*

Certain amounts from 2018 have been reclassified on these financial statements in order to conform to 2019 presentation. The reclassifications did not have an impact on previously reported change in net assets.

### 3. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and a corresponding reserve based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to the receivable. As of June 30, 2019 and 2018, the allowance for uncollectible amounts was \$3,682 and \$1,274, respectively.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 4. Pledges Receivable

Pledges as of June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year:		
Corporations	\$ 115,414	\$ 4,959
Foundations	5,000	75,000
Government	270,677	231,631
Individuals	50,000	-
	<u>441,091</u>	<u>311,590</u>
Less - allowance for uncollectible pledges	(7,466)	(3,557)
Net pledges receivable in less than one year	<u>\$ 433,625</u>	<u>\$ 308,033</u>
Receivable in one to five years:		
Foundations	\$ 110,581	\$ -
Individuals	100,000	-
	<u>210,581</u>	<u>-</u>
Less - discount to net present value	(4,367)	-
Less - allowance for uncollectible pledges	(8,317)	-
Net pledges receivable in one to five years	<u>197,897</u>	<u>-</u>
Interest in Charitable Remainder Trust	190,900	190,900
Net pledges receivable, non-current portion	<u>\$ 388,797</u>	<u>\$ 190,900</u>

Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the net present value of estimated future cash flows.

The present value of estimated future cash flows was measured utilizing a discount rate of 1.71% for the year ended June 30, 2019, an estimate of the risk free rate of return.

The Museum has been named the beneficiary of an irrevocable charitable remainder trust. Upon the death of the beneficiary, the Museum will receive a share of the remaining trust property. The Museum's interest in the remainder of the trust is adjusted annually based upon the trust's market value, actuarial tables and discounting at prevailing market rates. An adjustment to the charitable remainder trust was not recorded in 2019 or 2018 because it was not material.

At June 30, 2019, the Museum had conditional pledges of \$494,933 which will not be recognized as assets in the statements of financial position until such time as the Museum meets the conditions of the promises to give.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 5. Endowment

Activity in the Museum's endowment funds for the years ended June 30, 2019 and 2018 was:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at beginning of year	\$ 6,675,098	\$ 9,719,526	\$ 16,394,624
Contributions	-	141,693	141,693
Net investment return	190,445	281,956	472,401
Transfer	-	10,000	10,000
Amounts appropriated for operations per spending policy	(293,087)	(423,009)	(716,096)
Balance at end of year	<u>\$ 6,572,456</u>	<u>\$ 9,730,166</u>	<u>\$ 16,302,622</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at beginning of year	\$ 6,492,823	\$ 9,448,742	\$ 15,941,565
Contributions	-	5,150	5,150
Net investment return	471,966	682,423	1,154,389
Amounts appropriated for operations per spending policy	(289,691)	(416,789)	(706,480)
Balance at end of year	<u>\$ 6,675,098</u>	<u>\$ 9,719,526</u>	<u>\$ 16,394,624</u>

The Museum's endowment consists of donor-restricted endowment funds established for a variety of purposes and Board designated funds that bear no donor restrictions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

### 5. Endowment (continued)

Endowment net asset composition by type of fund at June 30, 2019 and 2018, respectively, were:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Quasi-Endowment Fund	\$ 2,159,161	\$ -	\$ 2,159,161
Board Designated Fund	4,413,295	-	4,413,295
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	4,387,125	4,387,125
Accumulated investment gains	-	5,343,041	5,343,041
Total	<u>\$ 6,572,456</u>	<u>\$ 9,730,166</u>	<u>\$ 16,302,622</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Quasi-Endowment Fund	\$ 2,192,881	\$ -	\$ 2,192,881
Board Designated Fund	4,482,217	-	4,482,217
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	4,235,432	4,235,432
Accumulated investment gains	-	5,484,094	5,484,094
Total	<u>\$ 6,675,098</u>	<u>\$ 9,719,526</u>	<u>\$ 16,394,624</u>

The Museum has interpreted the *Uniform Prudent Management of Institutional Funds Act of 2006* ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as donor restricted net assets held in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets held in perpetuity is classified as net assets with donor restrictions until appropriated and expended. Accordingly, the income earned and appreciation/depreciation of the perpetual endowment has been classified as net assets with donor restrictions subject to endowment spending policy and appropriation.



# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 5. Endowment (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 organization 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 organization
- (7) The investment policies of the organization.

Accordingly, under the Museum's endowment spending policy, four-and-a-half percent of the average of the fair value of each of the previous twelve quarters is appropriated to support the current operations. For the years ended June 30, 2019 and 2018, the amounts drawn down from the endowment per the Museum's spending policy were \$716,096 and \$706,480, respectively. Amounts appropriated for current operations include the spending policy net of investment management and custody fees.

### 6. Marketable Securities

Marketable securities at June 30, 2019 and 2018 consisted of the following:

	2019		2018	
	Fair Value	Cost (Average)	Fair Value	Cost (Average)
TIFF Multi-Asset Fund	\$ 10,488,591	\$ 11,159,746	\$ 16,330,956	\$ 16,716,408
TIFF Short-Term Fund	62,991	62,970	63,668	63,778
The TIFF Centerstone Fund, L.P.	5,751,040	5,000,000	-	-
	<u>\$ 16,302,622</u>	<u>\$ 16,222,716</u>	<u>\$ 16,394,624</u>	<u>\$ 16,780,186</u>

The Multi-Asset Fund incurs annual management and other fees which were approximately 0.61% and 0.94% of the Fund's net asset value during the years ended June 30, 2019 and 2018, respectively. The Short-Term Fund incurs annual management and other fees which were approximately .23% and .24% of the Fund's net asset value during the years ended June 30, 2019 and 2018, respectively. The TIFF Centerstone Fund, L.P. ("TCF") charges annual management fees which are approximately .35% of the capital account of each limited partner. In conjunction with an agreement between the Museum and TIFF, on January 1, 2019 the Museum moved \$5 million in assets from the TIFF Multi-Asset Fund ("MAF") to the TIFF Centerstone Fund, L.P. ("TCF") and paid a .50% exit fee. As part of this agreement, TIFF agreed to amortize the total amount of the fee over 5 years against the .35% annual management fee paid to TCF. The management fee will be reduced each year by approximately \$5,025, provided that the management fee for any year will not be reduced by more than 25% of the management fee payable prior to such reduction. In the event that the 25% limit is reached, any excess reduction amount will be carried forward to future quarters.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 6. Marketable Securities (continued)

In addition, the Multi-Asset Fund charges entry fees on purchases and exit fees on redemptions at the rate of .50% with the exception of drawdowns for the spending policy up to 6% of the fund value. The Short-Term Fund and Centerstone Fund do not charge purchase or exit fees. The redemption frequency of the Multi-Asset and Short-Term Funds are daily and there is no redemption notice period. The Centerstone Fund allows redemptions at the end of each quarter with 75 days' prior written notice. As of June 30, 2019 and 2018, there were no unfunded commitments.

### 7. Property, Exhibits and Equipment

Property, exhibits and equipment consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Property and land	\$ 49,622,946	\$ 49,455,227
Equipment and furniture	2,327,908	2,385,259
Exhibits	10,602,417	10,608,067
Construction in process:		
Building additions and renovations	18,059	55,380
Exhibits	860,123	488,738
	<u>63,431,453</u>	<u>62,992,671</u>
Less - accumulated depreciation	(33,082,537)	(31,037,876)
	<u>\$ 30,348,916</u>	<u>\$ 31,954,795</u>

Depreciation expense during the years ended June 30, 2019 and 2018 was \$2,122,862 and \$2,300,776, respectively. During the years ended June 30, 2019 and 2018, the Museum disposed of certain fully depreciated property, exhibits and equipment with an original cost of \$78,201 and \$2,146,529, respectively.

### 8. Other Assets

Other assets consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Deferred leasing costs, net of accumulated amortization of \$279,228 and \$218,540 at June 30, 2019 and 2018, respectively	\$ 222,464	\$ 212,270
Rent receivable	236,738	329,425
	<u>\$ 459,202</u>	<u>\$ 541,695</u>

Amortization of the deferred leasing costs during the years ended June 30, 2019 and 2018 was \$60,688 and \$53,669, respectively. During the year ended June 30, 2019, the Museum recognized a loss of \$89,791 on unamortized deferred leasing costs upon termination of the associated lease.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 8. Other Assets (continued)

Amortization expense of the deferred leasing costs for each of the following five years and thereafter is as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2020	\$ 44,133
2021	31,669
2022	24,769
2023	24,036
2024	16,966
Thereafter	80,891

### 9. Catering Agreement

Effective January 1, 2018, the Museum entered into a catering agreement with a third-party to provide catering services at the Museum for a 10-year term. Under the terms of the agreement, the catering company has the exclusive rights to provide substantially all catering services at the Museum. The agreement is cancelable by either party during its term upon ninety days prior notice. The Museum is entitled to an annual percentage of gross catering revenues generated at the Museum for each year under the term of the agreement. In addition, the catering company agreed to pay the Museum a \$400,000 fee which the Museum has recorded as deferred revenue and is amortizing to revenue on a straight-line basis over the term of the agreement. During the year ended June 30, 2019, the Museum recognized \$60,000 of the fee which is included in contracts revenue on the statement of activities and changes in nets assets.

### 10. Bonds Payable

On September 26, 2006, the Museum issued \$30 million in Variable Rate Demand Revenue Bonds through the Massachusetts Development Finance Agency ("MDFA"). Bond proceeds were used, in part, to refinance The Children's Museum Issue Series 2001 bond issuance which had an outstanding balance of \$6,905,000 at the time of the refinancing. Bond proceeds also provided the financing associated with a renovation and construction project which was completed in 2007.

On July 2, 2012, and consistent with the provisions provided for in the original MDFA bond agreement (the "Agreement"), Citizens Bank (the "Bank") purchased the Museum's outstanding bond obligations of \$18 million. Under the terms of the purchase, the Museum is obligated to pay variable interest at a rate based on adjusted LIBOR and is subject to certain restrictive covenants including attaining certain liquidity and debt service covenants and additional indebtedness. In addition, the Museum entered into swap agreements (see Note 11) that provide for fixed interest rate payments on a significant portion of its outstanding debt.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 10. Bonds Payable (continued)

The bonds mature on April 1, 2036 as provided for in the original bond issuance through MDFA. Interest on the bonds is payable monthly and the principal is payable each April 1. During the years ended June 30, 2019 and 2018, the sum of the interest on the bonds and the amortization of the bond issuance costs was \$416,379 and \$400,530, respectively, of which \$17,353 and \$18,394 was amortization of the bond issuance costs.

Under the terms of the agreement, the Museum is subject to certain restrictive covenants involving attaining certain liquidity ratios, additional indebtedness, and the use of assets financed by the bonds. The Museum was in compliance with all debt covenant requirements at June 30, 2019.

The bond issue requires future principal repayments in accordance with the following schedule:

<u>Years ending June 30.</u>	<u>Amount</u>
2020	\$ 500,000
2021	500,000
2022	500,000
2023	500,000
2024	500,000
Thereafter	9,250,000

Amortization expense of the bond issuance costs for each of the following five years and thereafter is as follows:

<u>Years ending June 30.</u>	<u>Amount</u>
2020	\$ 16,312
2021	15,618
2022	14,924
2023	14,229
2024	13,535
Thereafter	108,283

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 11. Derivative Instruments

The Museum entered into two interest rate swap agreements on July 2, 2012 and April 27, 2016 with the Bank. The swap agreements were designated as a cash flow hedge of the floating-rate debt. The effect of the swaps is to convert floating-rate interest expense to fixed-rate interest expense. Under the 2012 interest rate contract, the Museum makes the variable interest payments required under the bond indenture and either receives or pays additional interest to arrive at a fixed rate of 1.4225%. Under the 2016 interest rate contract, which applies to interest payments after July 1, 2022, the Museum will make the variable interest payments required under the bond indenture and either receive or pay additional interest to arrive at a fixed rate of 1.895%. The fair value of the swap contracts was a liability of \$287,516 and an asset of \$258,973 at June 30, 2019 and 2018, respectively.

The estimated fair value of the interest rate swap agreements was computed by using the net present value of the difference between fixed and floating future cash flows estimated through the use of various forward interest rate yield curves. The net unrealized gain or loss on the interest rate swaps is reflected in the statement of activities and changes in net assets.

### 12. Fair Value Disclosures

The valuation of the Museum's assets and liabilities within the fair value hierarchy, as described in Note 2, consisted of the following at June 30, 2019 and 2018, respectively:

	2019		
	Level 1	Level 2	Level 3
<b>Liabilities:</b>			
Interest rate swap	\$ -	\$ 287,516	\$ -
	2018		
	Level 1	Level 2	Level 3
<b>Assets:</b>			
Interest rate swap	\$ -	\$ 258,973	\$ -

As described in Note 2, the Museum estimates the fair value of its marketable securities using the net asset value per share of the investments.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 13. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specified purpose:		
Exhibits	\$ 985,544	\$ 1,023,592
Capital improvements	511,755	532,764
Community engagement	358,519	269,764
Discounted admissions and programming	231,100	114,800
Program development	132,000	-
Educational programs	124,080	124,438
Early childhood	33,028	8,088
Operations	7,382	38,518
	<u>2,383,408</u>	<u>2,111,964</u>
Subject to the passage of time:		
Beneficial interest in charitable trust held by others	<u>190,900</u>	<u>190,900</u>
Endowments:		
Accumulated investment gains subject to the Museum's endowment spending policy:		
Educational programs	1,920,761	1,984,317
Cultural programs	1,787,450	1,826,032
Early childhood education/programs	687,009	700,210
Collections	491,552	505,152
Discounted admissions	233,183	239,934
General use	223,086	228,449
	<u>5,343,041</u>	<u>5,484,094</u>
Net assets restricted in perpetuity:		
Educational programs	2,149,095	2,149,095
Cultural programs	682,715	682,715
Early childhood education/programs	786,602	650,000
Collections	418,235	413,144
Discounted admissions	200,000	200,000
General use	150,478	140,478
	<u>4,387,125</u>	<u>4,235,432</u>
	<u>\$ 12,304,474</u>	<u>\$ 12,022,390</u>

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 13. Net Assets with Donor Restrictions (continued)

Net assets released from restrictions for the years ending June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Exhibits	\$ 307,017	\$ 228,489
Capital improvements	56,010	11,336
Community engagement	284,511	140,483
Discounted admissions and programming	404,446	304,411
Educational programs	163,001	219,499
Early childhood	14,559	7,874
Operations	33,618	53,854
	<u>\$ 1,263,162</u>	<u>\$ 965,946</u>

### 14. Note Payable

In May 2007, the Museum borrowed \$900,000 from the City of Boston, the proceeds of which were used to finance the building renovations. The loan bears interest at 1% and has a term of fifty years, at which time the outstanding balance and accrued interest will be due and payable. Interest has been imputed at the risk-free rate of 3.8% at the time the loan was made. The dollar value of the difference between the stated rate of 1% and the imputed rate of 3.8% was recorded as a contribution during year end June 30, 2007. The associated interest expense is recorded over the term of the loan, and was \$11,979 and \$11,541 during the years ended June 30, 2019 and 2018, respectively. Amounts shown as notes payable on the statement of financial position were \$327,216 and \$315,237 on June 30, 2019 and 2018, respectively.

### 15. Line-of-Credit

The Museum has a line-of-credit with its bank permitting advances up to \$1,000,000. Advances bear interest at the LIBOR rate plus 2.75%. The line-of-credit agreement was extended through January 31, 2021. There were no outstanding balances on the line-of-credit at June 30, 2019 and 2018, or during the years then ended.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 16. Availability and Liquidity

The Museum's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date at June 30, 2019 and 2018, were comprised of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,917,806	\$ 5,377,898
Accounts receivable	204,198	145,288
Pledges receivable	91,527	69,033
Endowment spending policy distributions	313,921	309,276
	<u>\$ 6,527,452</u>	<u>\$ 5,901,495</u>

The Museum's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments (Board Designated and Quasi Endowment funds). Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Museum's Quasi Endowment of \$2,159,161 and \$2,192,881 at June 30, 2019 and 2018, respectively, is subject to an annual spending policy of four-and-a-half percent of the average fair value of each of the previous twelve quarters. Although the Museum does not intend to spend from this Quasi Endowment, these amounts could be made available if necessary.

The Museum's Board Designated endowment of \$4,413,295 and \$4,482,217 at June 30, 2019 and 2018, respectively, is subject to an annual spending policy of four-and-a-half percent of the average fair value of each of the previous twelve quarters. Although the Museum does not intend to spend from this Board Designated Endowment (other than amounts appropriated for capital and other projects as part of the Board's annual budget approval), these amounts could be made available, if necessary.

The Museum cash accounts include a tenant account (not included in the above cash and cash equivalents total) with a balance of \$815,119 and \$2,530,633 at June 30, 2019 and 2018, respectively, which is used to fund expenses related to tenant activities and to make all debt service payments. Although the Museum does not intend to use these funds for operations, these funds (other than those required for debt service) could be made available, if necessary.

As part of the Museum's liquidity management plan, the Museum invests cash in excess of daily requirements in short-term investments. Additionally, the Museum maintains a \$1,000,000 line-of-credit, as discussed more in Note 15. As of June 30, 2019 and 2018, \$1,000,000 remained available on the Museum's line-of-credit.



# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

---

### 17. Retirement Plan

The Museum participates in a contributory retirement plan and makes contributions to the plan for the benefit of all eligible employees. The Museum's contributions were \$102,991 and \$99,936 for the years ended June 30, 2019 and 2018, respectively.

### 18. Advertising Costs

The Museum expenses the costs of advertising when the advertisement takes place. Advertising expenses for the years ended June 30, 2019 and 2018 were \$179,792 and \$214,025, respectively.

### 19. Rental Income

The Museum leases a portion of its space to outside tenants. Minimum future base rentals to be received on these leases are:

<u>Years ending June 30,</u>	<u>Amount</u>
2020	\$ 1,816,471
2021	1,771,058
2022	1,552,268
2023	1,249,330
2024	557,721
Thereafter	2,653,335

### 20. Lease

In 2000, the Museum entered into a twenty-year non-cancellable lease for exhibit production and storage space. The lease requires the Museum to pay base rental payments, real estate taxes and insurance. Rent expense was \$117,809 and \$125,429 for the years ended June 30, 2019 and 2018, respectively, and is included in building operating costs on the statements of functional expenses. Future minimum base lease payments are \$114,976 for the year ending June 30, 2020.

# THE CHILDREN'S MUSEUM

## Notes to Financial Statements

### 21. In-Kind Contributions

The Museum received in-kind contributions of services and materials in the amount of \$121,256 and \$60,542 during the years ending June 30, 2019 and 2018, respectively. The in-kind contributions were used in the following programs and supporting services for the years ending June 30, 2019 and 2018:

	2019				
	Visitor Services	Museum Programs	Facilities Costs	Fundraising	Total
Supplies	\$ 3,000	\$ 40,616	\$ -	\$ -	\$ 43,616
Consulting services	-	75,000	-	-	75,000
Printing	-	-	-	2,640	2,640
	<u>\$ 3,000</u>	<u>\$ 115,616</u>	<u>\$ -</u>	<u>\$ 2,640</u>	<u>\$ 121,256</u>
	2018				
	Visitor Services	Museum Programs	Facilities Costs	Fundraising	Total
Legal services	\$ -	\$ -	\$ 53,500	\$ -	\$ 53,500
Food and reception	-	-	-	4,479	4,479
Printing	-	-	-	2,563	2,563
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,500</u>	<u>\$ 7,042</u>	<u>\$ 60,542</u>

### 22. Park Agreements

On March 15, 2018, the Museum entered into two agreements with the City of Boston (the "City") related to the construction and operation of a park designed for public use and dedicated to the memory of Martin Richard, (the "Park"). The City, in collaboration with the Martin W. Richard Charitable Foundation, Inc., (the "Foundation"), has established a public park on land partially owned by the City and partially owned by the Museum. The Park has an elevated portion that is supported by a concrete garage built on the Museum's property, primarily for the benefit of the Museum. The Memorandum of Understanding and the Reciprocal Easement Agreement detail the obligations for the construction of the garage, and the rights, easements and obligations benefitting and burdening the Museum property and the City property in order to permit the construction, operation and use of the Park. The Park is operated and maintained by the City and the Foundation. In the event that the City property ceases to be used for a public park, provisions are in place that ensure that the Museum's garage building is protected and can continue to operate independently of the City property, including access easements, in perpetuity.

## **Independent Auditor's Report on Supplementary Information**

To the Board of Trustees  
The Children's Museum  
Boston, Massachusetts

We have audited the financial statements of The Children's Museum (a nonprofit organization) as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon dated December 18, 2019, which contained an unmodified opinion on the financial statements as a whole. Our audit was performed for the purposes of forming an opinion on the financial statements as a whole.

The schedule of changes in net assets from operations excluding depreciation and amortization for the year ended June 30, 2019 with comparative totals for the year ended Jun 30, 2018 is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Edelstein & Company LLP*

Boston, Massachusetts  
December 18, 2019

# THE CHILDREN'S MUSEUM

## Schedule of Change in Net Assets from Operations excluding Depreciation and Amortization For the Year Ended June 30, 2019 (with Comparative Totals for the Year Ended June 30, 2018)

	2019			2018 Summarized Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues and other support:</b>				
Admissions	\$ 3,422,363	\$ -	\$ 3,422,363	\$ 3,496,519
Gifts, contributions and grants	1,301,860	1,676,299	2,978,159	2,003,272
Contracts	525,388	-	525,388	232,747
Membership	1,636,423	-	1,636,423	1,557,814
Other earned income	539,556	-	539,556	567,360
Museum store	119,496	-	119,496	125,862
Traveling exhibits	30,000	-	30,000	60,000
Other income	54,222	-	54,222	64,979
Special events, net	276,641	-	276,641	333,267
Rental income	2,174,282	-	2,174,282	2,290,904
Amounts appropriated for operations pursuant to endowment spending policy	716,096	-	716,096	706,480
Net assets released from restrictions	1,263,162	(1,263,162)	-	-
<b>Total revenues and other support</b>	<b>12,059,489</b>	<b>413,137</b>	<b>12,472,626</b>	<b>11,439,204</b>
<b>Expenses:</b>				
<b>Program Services:</b>				
Visitor services	2,808,642	-	2,808,642	2,677,576
Museum programs	2,359,707	-	2,359,707	2,019,869
Exhibits	966,462	-	966,462	955,884
Membership services	238,327	-	238,327	273,825
<b>Supporting Services:</b>				
Administration and general	1,031,295	-	1,031,295	990,354
Facilities costs	1,694,320	-	1,694,320	1,534,513
Fundraising	664,676	-	664,676	617,780
Marketing	703,212	-	703,212	684,537
<b>Total expenses</b>	<b>10,466,641</b>	<b>-</b>	<b>10,466,641</b>	<b>9,754,338</b>
<b>Change in net assets from operations excluding depreciation and amortization</b>	<b>\$ 1,592,848</b>	<b>\$ 413,137</b>	<b>\$ 2,005,985</b>	<b>\$ 1,684,866</b>