

THE CHILDREN'S MUSEUM

Financial Statements and Supplementary Information

June 30, 2020 and 2019

THE CHILDREN’S MUSEUM

June 30, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020 and 2019, 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.

Edelstein & Company LLP

Boston, Massachusetts
January 18, 2021

THE CHILDREN'S MUSEUM

Statements of Financial Position June 30,

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,190,188	\$ 8,553,306
Accounts receivable, net	153,386	268,962
Pledges receivable, net	394,424	433,625
Other receivable	-	400,000
Prepaid expenses	53,855	48,708
Total current assets	<u>8,791,853</u>	<u>9,704,601</u>
Pledges receivable, net	237,559	388,797
Marketable securities	16,240,927	16,302,622
Property, exhibits and equipment, net	29,665,745	30,348,916
Other assets	895,226	459,202
Total assets	<u>\$ 55,831,310</u>	<u>\$ 57,204,138</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 333,452	\$ 464,267
Accrued and other short-term liabilities	689,430	649,806
Paycheck Protection Program Loan	940,500	-
Bonds payable, net (\$500,000 bond, less \$15,618 and \$16,312 unamortized bond issuance costs in 2020 and 2019, respectively)	484,382	483,688
Total current liabilities	<u>2,447,764</u>	<u>1,597,761</u>
Long-term liabilities:		
Derivative instruments	913,428	287,516
Notes payable	339,650	327,216
Deferred revenue	260,000	300,000
Security deposits	257,087	204,661
Bonds payable, net (\$10,750,000 and \$11,250,000 bond, less \$150,971 and \$166,589 unamortized bond issuance costs in 2020 and 2019, respectively)	10,599,029	11,083,411
Total long-term liabilities	<u>12,369,194</u>	<u>12,202,804</u>
Net assets:		
Without donor restrictions:		
Undesignated	5,126,548	6,137,094
Quasi-endowment	2,147,715	2,159,161
Board designated	4,398,511	4,413,295
Property, exhibits and equipment	17,765,214	18,389,549
	<u>29,437,988</u>	<u>31,099,099</u>
With donor restrictions	<u>11,576,364</u>	<u>12,304,474</u>
Total net assets	<u>41,014,352</u>	<u>43,403,573</u>
Total liabilities and net assets	<u>\$ 55,831,310</u>	<u>\$ 57,204,138</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, 2020 (with Comparative Totals for the Year Ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Total
Revenues and other support:				
Admissions	\$ 2,385,585	\$ -	\$ 2,385,585	\$ 3,422,363
Gifts, contributions and grants	1,473,208	1,212,559	2,685,767	2,978,159
Contracts	459,678	-	459,678	525,388
Membership	1,204,375	-	1,204,375	1,636,423
Other earned income	301,948	-	301,948	539,556
Museum store	62,952	-	62,952	119,496
Traveling exhibits	85,000	-	85,000	30,000
Other income	10,956	-	10,956	54,222
Special events, net	305,918	-	305,918	276,641
Rental income	2,294,550	-	2,294,550	2,174,282
Amounts appropriated for operations pursuant to endowment spending policy	729,030	-	729,030	716,096
Net assets released from restrictions	1,900,021	(1,900,021)	-	-
Total revenues and other support	11,213,221	(687,462)	10,525,759	12,472,626
Expenses:				
Program services:				
Visitor services	2,660,665	-	2,660,665	3,239,623
Museum programs	2,631,161	-	2,631,161	2,683,329
Exhibits	1,640,377	-	1,640,377	1,502,167
Membership services	210,645	-	210,645	272,270
Supporting services:				
Administration and general	1,149,847	-	1,149,847	1,153,422
Facilities costs	2,163,571	-	2,163,571	2,414,015
Fundraising	747,454	-	747,454	682,153
Marketing	679,889	-	679,889	703,212
Total expenses	11,883,609	-	11,883,609	12,650,191
Change in net assets from operations	(670,388)	(687,462)	(1,357,850)	(177,565)
Non-operating revenue, expenses, gains and losses:				
Net investment return	313,155	390,937	704,092	555,827
Less amounts appropriated for operations	(297,445)	(431,585)	(729,030)	(716,096)
Change in fair value of derivative financial instruments	(625,912)	-	(625,912)	(546,489)
Interest expense	(380,521)	-	(380,521)	(428,358)
Loss on disposal of other assets	-	-	-	(89,791)
Total non-operating revenue, expenses, gains and losses	(990,723)	(40,648)	(1,031,371)	(1,224,907)
Change in net assets	(1,661,111)	(728,110)	(2,389,221)	(1,402,472)
Net assets, beginning of year	31,099,099	12,304,474	43,403,573	44,806,045
Net assets, end of year	\$ 29,437,988	\$ 11,576,364	\$ 41,014,352	\$ 43,403,573

THE CHILDREN'S MUSEUM

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Admissions	\$ 3,422,363	\$ -	\$ 3,422,363
Gifts, contributions and grants	1,301,860	1,676,299	2,978,159
Contracts	525,388	-	525,388
Membership	1,636,423	-	1,636,423
Other earned income	539,556	-	539,556
Museum store	119,496	-	119,496
Traveling exhibits	30,000	-	30,000
Other income	54,222	-	54,222
Special events, net	276,641	-	276,641
Rental income	2,174,282	-	2,174,282
Amounts appropriated for operations pursuant to endowment spending policy	716,096	-	716,096
Net assets released from restrictions	1,263,162	(1,263,162)	-
Total revenues and other support	<u>12,059,489</u>	<u>413,137</u>	<u>12,472,626</u>
Expenses:			
Program services:			
Visitor services	3,239,623	-	3,239,623
Museum programs	2,683,329	-	2,683,329
Exhibits	1,502,167	-	1,502,167
Membership services	272,270	-	272,270
Supporting services:			
Administration and general	1,153,422	-	1,153,422
Facilities costs	2,414,015	-	2,414,015
Fundraising	682,153	-	682,153
Marketing	703,212	-	703,212
Total expenses	<u>12,650,191</u>	<u>-</u>	<u>12,650,191</u>
Change in net assets from operations	<u>(590,702)</u>	<u>413,137</u>	<u>(177,565)</u>
Non-operating revenue, expenses, gains and losses:			
Net investment return	273,871	281,956	555,827
Less amounts appropriated for operations	(293,087)	(423,009)	(716,096)
Change in fair value of derivative financial instruments	(546,489)	-	(546,489)
Interest expense	(428,358)	-	(428,358)
Loss on assets disposal of other assets	(89,791)	-	(89,791)
Total non-operating revenue, expenses, gains and losses	<u>(1,083,854)</u>	<u>(141,053)</u>	<u>(1,224,907)</u>
Change in net assets before transfers	<u>(1,674,556)</u>	<u>272,084</u>	<u>(1,402,472)</u>
Transfers, net	(10,000)	10,000	-
Change in net assets	<u>(1,684,556)</u>	<u>282,084</u>	<u>(1,402,472)</u>
Net assets, beginning of year	<u>32,783,655</u>	<u>12,022,390</u>	<u>44,806,045</u>
Net assets, end of year	<u>\$ 31,099,099</u>	<u>\$ 12,304,474</u>	<u>\$ 43,403,573</u>

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

THE CHILDREN'S MUSEUM

Statements of Cash Flows

For the Years Ended June 30,

2020

2019

Cash flows from operating activities:

Change in net assets	\$ (2,389,221)	\$ (1,402,472)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Allowance for uncollectible pledges and accounts receivable	(2,443)	14,634
Depreciation and amortization	2,111,258	2,183,550
Amortization of bond issuance costs	16,312	17,353
Loss on disposal of other assets	-	89,791
Realized investment losses	216,559	281,883
Unrealized investment gains	(887,196)	(465,468)
Change in fair value of derivative financial instruments	625,912	546,489
Discount for contribution of below market interest debt	12,434	11,979
Contributions restricted for capital improvements	(430,000)	(85,000)
Changes in operating assets and liabilities:		
Accounts receivable	115,866	(69,444)
Pledges receivable, net	192,592	(335,715)
Other receivable	400,000	(400,000)
Prepaid expenses	(5,147)	10,755
Accounts payable	(130,815)	(44,056)
Accrued and other short-term liabilities	39,624	(32,073)
Other assets	(484,611)	(67,986)
Security deposits	52,426	14,988
Deferred revenue	(40,000)	300,000

Net cash (used in) provided by operating activities

(586,450)

569,208

Cash flows from investing activities:

Proceeds from the sale of marketable securities	744,106	741,222
Purchase of marketable securities	(11,774)	(465,635)
Purchase of exhibits, property, equipment and construction in process	(1,379,500)	(516,983)

Net cash used in investing activities

(647,168)

(241,396)

Cash flows from financing activities:

Contributions restricted for capital improvements	430,000	85,000
Proceeds from Paycheck Protection Program Loan	940,500	-
Repayment of bonds payable	(500,000)	(1,500,000)

Net cash provided by (used in) financing activities

870,500

(1,415,000)

Decrease in cash

(363,118)

(1,087,188)

Cash and cash equivalents, beginning of year

8,553,306

9,640,494

Cash and cash equivalents, end of year

\$ 8,190,188

\$ 8,553,306

Supplemental financial information:

Cash paid during the year for interest

\$ 355,794

\$ 400,626

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, 2020 (with Comparative Totals for the Year Ended June 30, 2019)

	2020										2019
	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	\$ 713,732	\$ 1,263,889	\$ 402,635	\$ 127,453	\$ 2,507,709	\$ 562,430	\$ 177,764	\$ 518,585	\$ 337,714	\$ 4,104,202	\$ 4,104,241
Employee benefits	52,275	156,249	52,211	18,390	279,125	73,093	22,119	39,450	46,173	459,960	446,947
Payroll taxes	55,663	91,240	28,888	9,184	184,975	36,557	11,702	35,208	24,395	292,837	295,787
Total compensation and related expenses	821,670	1,511,378	483,734	155,027	2,971,809	672,080	211,585	593,243	408,282	4,856,999	4,846,975
Building operating costs	893,142	120,345	297,050	-	1,310,537	30	800,170	24,034	276	2,135,047	2,376,734
Depreciation and amortization	369,466	345,898	525,261	27,460	1,268,085	120,659	705,352	17,162	-	2,111,258	2,183,550
Professional/contract services	183,265	452,758	222,373	-	858,396	210,841	200,636	42,274	102,383	1,414,530	1,349,474
Repairs and maintenance	121,096	21,948	30,726	-	173,770	873	104,495	2,687	-	281,825	370,468
Other	103,565	12,326	3,039	20,435	139,365	28,531	10,305	38,722	434	217,357	418,183
Insurance	75,963	14,947	14,943	-	105,853	9,578	68,202	1,754	-	185,387	172,387
Office expense	27,760	36,082	8,522	6,048	78,412	30,015	29,860	10,455	27,879	176,621	224,599
Advertising	-	15,000	-	-	15,000	-	-	-	126,792	141,792	179,792
Materials and supplies	28,303	46,342	30,102	1,675	106,422	601	4,432	2,283	815	114,553	131,792
Computer software and hardware	7,695	1,876	568	-	10,139	55,902	16,667	3,846	11,988	98,542	161,326
Equipment and rentals	24,380	30,263	9,964	-	64,607	6,594	4,540	3,388	948	80,077	96,411
Travel and meetings	3,660	18,776	13,938	-	36,374	11,031	6,402	7,494	92	61,393	102,406
Training and development	700	3,222	157	-	4,079	3,112	925	112	-	8,228	21,460
Bad debt expense	-	-	-	-	-	-	-	-	-	-	14,634
Total expenses presented on the statement of activities and changes in net assets	2,660,665	2,631,161	1,640,377	210,645	7,142,848	1,149,847	2,163,571	747,454	679,889	11,883,609	12,650,191
Items presented separately on the statement of activities and changes in net assets:											
Special event expenses	-	-	-	-	-	-	-	290,909	-	290,909	283,423
Interest expense	-	-	-	-	-	-	380,521	-	-	380,521	428,358
Total expenses	\$ 2,660,665	\$ 2,631,161	\$ 1,640,377	\$ 210,645	\$ 7,142,848	\$ 1,149,847	\$ 2,544,092	\$ 1,038,363	\$ 679,889	\$ 12,555,039	\$ 13,361,972

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

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

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 and support, 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 Pronouncement

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a contract or agreement is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. ASU 2018-08 has different effective dates for resource recipients and resource providers. The Museum is not a resource provider as it does not make contributions. As a resource recipient the Museum has applied ASU 2018-08 for the year ended June 30, 2020 on a modified prospective basis. The adoption of this ASU did not have a material impact on changes in net assets, financial position or cash flows.

THE CHILDREN'S MUSEUM

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Accounting Pronouncement Issued and Not Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which amends the existing accounting standards for revenue recognition. This new revenue standard's core principle is that an entity will recognize revenue when it transfers 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. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Museum has elected to defer the implementation of this ASU until the year ending June 30, 2021, as allowed, and is currently in the process of evaluating the impact of adoption on its financial statements.

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.

Gifts, contributions and grants are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Gifts, contributions and grants 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.

Gifts, contributions and grants are recognized as revenue in the period in which the donor's commitment is made, if unconditional. Conditional gifts, contributions and grants are recognized when performance and/or control barriers are met by the Museum.

THE CHILDREN'S MUSEUM

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenues, Gains, and Other Support (continued)

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, and also includes reimbursements of certain operating costs from the tenants.

Other earned income consists primarily of facility rentals and event fees, which are recognized as revenue as the events occur.

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 and savings accounts and a time deposit account with a maturity of less than three months at a bank.

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.

THE CHILDREN'S MUSEUM

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Property, Exhibits and Equipment

Expenditures for property and equipment are stated at cost, net of accumulated depreciation. 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 and furniture	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.

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 recorded 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.

THE CHILDREN'S MUSEUM

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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 January 18, 2021, 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.

Reclassifications

Certain amounts from 2019 have been reclassified on these financial statements in order to conform to the 2020 presentation. This includes a revision to the 2019 statement of cash flows which was made to reclassify a balance and conform to the 2020 presentation. The reclassifications did not have an impact on previously reported change in net assets.

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.

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, 2020 and 2019, the allowance for uncollectible amounts was \$3,392 and \$3,682, respectively.

THE CHILDREN'S MUSEUM

Notes to Financial Statements

4. Pledges Receivable

Pledges as of June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year:		
Corporations	\$ 123,330	\$ 115,414
Foundations	150,000	5,000
Government	81,799	270,677
Individuals	<u>50,425</u>	<u>50,000</u>
	405,554	441,091
Less - allowance for uncollectible pledges	<u>(11,130)</u>	<u>(7,466)</u>
Net pledges receivable in less than one year	<u><u>\$ 394,424</u></u>	<u><u>\$ 433,625</u></u>
Receivable in one to five years:		
Foundations	\$ -	\$ 110,581
Individuals	<u>50,000</u>	<u>100,000</u>
	50,000	210,581
Less - discount to net present value	(841)	(4,367)
Less - allowance for uncollectible pledges	<u>(2,500)</u>	<u>(8,317)</u>
Net pledges receivable in one to five years	46,659	197,897
Interest in Charitable Remainder Trust	<u>190,900</u>	<u>190,900</u>
Net pledges receivable, non-current portion	<u><u>\$ 237,559</u></u>	<u><u>\$ 388,797</u></u>

Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in more than one year 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 years ended June 30, 2020 and 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 2020 or 2019 because it was not material.

At June 30, 2020, the Museum had conditional federal grants of \$885,862 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, 2020 and 2019 was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at beginning of year	\$ 6,572,456	\$ 9,730,166	\$ 16,302,622
Contributions	-	5,183	5,183
Net investment return	271,215	390,937	662,152
Amounts appropriated for operations per spending policy	(297,445)	(431,585)	(729,030)
Balance at end of year	<u>\$ 6,546,226</u>	<u>\$ 9,694,701</u>	<u>\$ 16,240,927</u>

	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>

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, 2020 and 2019, respectively, was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Quasi-endowment Fund	\$ 2,147,715	\$ -	\$ 2,147,715
Board designated Fund	4,398,511	-	4,398,511
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	4,392,309	4,392,309
Accumulated investment gains	-	5,302,392	5,302,392
Total	<u>\$ 6,546,226</u>	<u>\$ 9,694,701</u>	<u>\$ 16,240,927</u>
	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>

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, 2020 and 2019, the amounts drawn down from the endowment per the Museum's spending policy were \$729,030 and \$716,096, 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, 2020 and 2019 consisted of the following:

	2020		2019	
	Fair Value	Cost (Average)	Fair Value	Cost (Average)
TIFF Multi-Asset Fund	\$ 7,837,135	\$ 7,928,765	\$ 10,488,591	\$ 11,159,746
TIFF Short-Term Fund	2,395,620	2,400,411	62,991	62,970
The TIFF Centerstone Fund, L.P.	6,008,172	4,944,649	5,751,040	5,000,000
	<u>\$ 16,240,927</u>	<u>\$ 15,273,825</u>	<u>\$ 16,302,622</u>	<u>\$ 16,222,716</u>

The Multi-Asset Fund incurs annual management and other fees which were approximately 0.76% and 0.61% of the Fund's net asset value during the years ended June 30, 2020 and 2019, respectively. The Short-Term Fund incurs annual management and other fees which were approximately 0.26% and 0.23% of the Fund's net asset value during the years ended June 30, 2020 and 2019, respectively. The TIFF Centerstone Fund, L.P. ("TCF") charges annual management fees which are approximately 0.35% 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 0.50% exit fee. As part of this agreement, TIFF agreed to amortize the total amount of the fee over 5 years against the 0.35% 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, 2020 and 2019, there were no unfunded commitments.

7. Property, Exhibits and Equipment

Property, exhibits and equipment consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Property and land	\$ 49,733,094	\$ 49,622,946
Equipment and furniture	2,364,704	2,327,908
Exhibits	11,944,322	10,602,417
Construction in process:		
Building additions and renovations	9,545	18,059
Exhibits	401,147	860,123
	<u>64,452,812</u>	<u>63,431,453</u>
Less - accumulated depreciation	(34,787,067)	(33,082,537)
	<u>\$ 29,665,745</u>	<u>\$ 30,348,916</u>

Depreciation expense during the years ended June 30, 2020 and 2019 was \$2,062,671 and \$2,122,862, respectively. During the years ended June 30, 2020 and 2019, the Museum disposed of certain fully depreciated property, exhibits and equipment with an original cost of \$358,141 and \$78,201, respectively.

8. Other Assets

Other assets consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deferred leasing costs, net of accumulated amortization of \$327,815 and \$279,228 at June 30, 2020 and 2019, respectively	\$ 435,958	\$ 222,464
Rent receivable	459,268	236,738
	<u>\$ 895,226</u>	<u>\$ 459,202</u>

Amortization of the deferred leasing costs during the years ended June 30, 2020 and 2019 was \$48,587 and \$60,688, 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>
2021	\$ 53,313
2022	60,133
2023	59,400
2024	52,330
2025	51,020
Thereafter	159,762

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 cancellable by either party during its term upon ninety days prior notice. As part of the agreement, the catering company agreed to pay the Museum a \$400,000 fee which the Museum recorded as deferred revenue and is amortizing to revenue on a straight-line basis over the term of the agreement. The Museum recognized \$40,000 and \$60,000 of the fee during the years ended June 30, 2020 and 2019, respectively, which is included in contracts revenue on the statement of activities and changes in nets assets.

10. Paycheck Protection Program Loan

On April 23, 2020, the Museum entered into a Paycheck Protection Program (“PPP”) loan agreement for \$940,500 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The funds from the loan were received on April 27, 2020. All or a portion of the loan and accrued interest may be forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. The Museum considers the PPP loan to be debt and, accordingly, will record the amount of forgiveness, if any, when legally released by the lender.

The Museum intends to use the loan proceeds for purposes consistent with the PPP and believes that they will meet the conditions for full forgiveness of the loan. While the Museum has prepared its application for loan forgiveness, the actual amount of forgiveness is not known at the date the financial statements were available to be issued. Any unforgiven portion of the loan would bear interest at a rate of one percent, and would need to be repaid within two years.

THE CHILDREN'S MUSEUM

Notes to Financial Statements

11. 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 12) that provide for fixed interest rate payments on a significant portion of its outstanding debt.

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, 2020 and 2019, the sum of the interest on the bonds and the amortization of the bond issuance costs was \$366,335 and \$416,379, respectively, of which \$16,312 and \$17,353 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, minimum unrestricted earnings, additional indebtedness, and the use of assets financed by the bonds. The Museum was in compliance with all debt covenant requirements at June 30, 2020.

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

<u>Years ending June 30,</u>	<u>Amount</u>
2021	\$ 500,000
2022	500,000
2023	500,000
2024	500,000
2025	500,000
Thereafter	8,750,000

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>
2021	\$ 15,618
2022	14,924
2023	14,229
2024	13,535
2025	12,841
Thereafter	95,442

THE CHILDREN'S MUSEUM

Notes to Financial Statements

12. 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 \$913,428 and \$287,516 at June 30, 2020 and 2019, 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 change in fair value of the interest rate swaps is reflected in the statement of activities and changes in net assets.

13. 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, 2020 and 2019, respectively:

	2020		
	Level 1	Level 2	Level 3
Liabilities:			
Interest rate swap	\$ -	\$ 913,428	\$ -
	<u> </u>	<u> </u>	<u> </u>
	2019		
	Level 1	Level 2	Level 3
	<u> </u>	<u> </u>	<u> </u>
Liabilities:			
Interest rate swap	\$ -	\$ 287,516	\$ -
	<u> </u>	<u> </u>	<u> </u>

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

14. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specified purpose:		
Exhibits	\$ 199,753	\$ 985,544
Capital improvements	804,897	511,890
Community engagement	229,205	358,519
Discounted admissions and programming	260,974	231,100
Program development	34,548	132,000
Educational programs	100,136	129,327
Early childhood	11,250	35,028
	<u>1,640,763</u>	<u>2,383,408</u>
Subject to the passage of time:		
Time restrictions	50,000	-
Beneficial interest in charitable trust held by others	190,900	190,900
	<u>240,900</u>	<u>190,900</u>
Endowments:		
Accumulated investment gains subject to the Museum's endowment spending policy:		
Educational programs	1,899,186	1,920,761
Cultural programs	1,774,352	1,787,450
Early childhood education/programs	688,322	687,009
Collections	488,036	491,552
Discounted admissions and programming	230,894	233,183
General use	221,602	223,086
	<u>5,302,392</u>	<u>5,343,041</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	786,602
Collections	423,418	418,235
Discounted admissions and programming	200,000	200,000
General use	150,479	150,478
	<u>4,392,309</u>	<u>4,387,125</u>
	<u>\$ 11,576,364</u>	<u>\$ 12,304,474</u>

THE CHILDREN'S MUSEUM

Notes to Financial Statements

14. Net Assets with Donor Restrictions (continued)

Net assets released from restrictions for the years ending June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Exhibits	\$ 827,458	\$ 307,017
Capital improvements	136,993	56,875
Community engagement	200,798	284,511
Discounted admissions and programming	325,987	404,446
Program Development	197,066	-
Educational programs	176,691	163,001
Early childhood	35,028	14,559
Operations	-	32,753
	<u>\$ 1,900,021</u>	<u>\$ 1,263,162</u>

15. 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 \$12,434 and \$11,979 during the years ended June 30, 2020 and 2019, respectively. Amounts shown as notes payable on the statement of financial position were \$339,650 and \$327,216 at June 30, 2020 and 2019, respectively.

16. 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, 2020 and 2019, or during the years then ended.

THE CHILDREN'S MUSEUM

Notes to Financial Statements

17. 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, 2020 and 2019, were comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,277,406	\$ 5,917,806
Accounts receivable	85,647	204,198
Pledges receivable	105,711	91,527
Endowment spending policy distributions	315,433	313,921
	<u>\$ 6,784,197</u>	<u>\$ 6,527,452</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 \$2,147,715 and \$2,159,161 at June 30, 2020 and 2019, 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 \$4,398,511 and \$4,413,295 at June 30, 2020 and 2019, 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 has a tenant cash account (not included in the above cash and cash equivalents total) with a balance of \$557,392 and \$815,119 at June 30, 2020 and 2019, 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 operating activities, 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 in more detail in Note 16. As of June 30, 2020 and 2019, \$1,000,000 remained available on the Museum's line-of-credit.

THE CHILDREN'S MUSEUM

Notes to Financial Statements

18. 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 \$98,007 and \$102,991 for the years ended June 30, 2020 and 2019, respectively.

19. Advertising Costs

The Museum expenses the costs of advertising when the advertisement takes place. Advertising expenses for the years ended June 30, 2020 and 2019 were \$141,792 and \$179,792, respectively.

20. 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>
2021	\$ 1,997,342
2022	2,308,615
2023	2,043,036
2024	1,374,647
2025	1,322,758
Thereafter	4,634,667

21. Lease

In 2000, the Museum entered into a twenty-year non-cancellable lease for exhibit production and storage space, which expired during the year ended June 30, 2020 and was not renewed. The lease required the Museum to pay base rental payments, real estate taxes and insurance. Rent expense was \$124,159 and \$117,809 for the years ended June 30, 2020 and 2019, respectively, and is included in building operating costs on the statements of functional expenses.

THE CHILDREN'S MUSEUM

Notes to Financial Statements

22. In-Kind Contributions

The Museum received in-kind contributions of services and materials in the amount of \$5,000 and \$121,256 during the years ending June 30, 2020 and 2019, respectively, which are included in gifts, contributions and grants on the statements of activities. The in-kind contributions were used in the following programs and supporting services for the years ending June 30, 2020 and 2019:

	2020			
	Visitor Services	Museum Programs	Fundraising	Total
Consulting services	\$ -	\$ -	\$ 5,000	\$ 5,000

	2019			
	Visitor Services	Museum Programs	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>\$ 2,640</u>	<u>\$ 121,256</u>

23. 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.

THE CHILDREN'S MUSEUM

Notes to Financial Statements

24. Uncertainty Regarding the Impact of COVID-19

The Museum is subject to risks and uncertainties as a result of the current COVID-19 pandemic. The COVID-19 pandemic has presented a substantial public health and economic challenge around the world and is affecting the U.S. economy and other economies worldwide. The full extent to which the COVID-19 pandemic may impact the Museum depends on future developments that are highly uncertain and may not be accurately predicted, including the duration and severity of the pandemic. The Museum is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

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, 2020 and 2019, and have issued our report thereon dated January 18, 2021, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose 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, 2020 with comparative totals for the year ended Jun 30, 2019, 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 audits 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
January 18, 2021

THE CHILDREN'S MUSEUM

Schedule of Changes in Net Assets from Operations excluding Depreciation and Amortization For the Year Ended June 30, 2020 (with Comparative Totals for the Year Ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Total
Revenues and other support:				
Admissions	\$ 2,385,585	\$ -	\$ 2,385,585	\$ 3,422,363
Gifts, contributions and grants	1,473,208	1,212,559	2,685,767	2,978,159
Contracts	459,678	-	459,678	525,388
Membership	1,204,375	-	1,204,375	1,636,423
Other earned income	301,948	-	301,948	539,556
Museum store	62,952	-	62,952	119,496
Traveling exhibits	85,000	-	85,000	30,000
Other income	10,956	-	10,956	54,222
Special events, net	305,918	-	305,918	276,641
Rental income	2,294,550	-	2,294,550	2,174,282
Amounts appropriated for operations pursuant to endowment spending policy	729,030	-	729,030	716,096
Net assets released from restrictions	1,900,021	(1,900,021)	-	-
Total revenues and other support	11,213,221	(687,462)	10,525,759	12,472,626
Expenses:				
Program Services:				
Visitor services	2,291,199	-	2,291,199	2,808,642
Museum programs	2,285,263	-	2,285,263	2,359,707
Exhibits	1,115,116	-	1,115,116	966,462
Membership services	183,185	-	183,185	238,327
Supporting Services:				
Administration and general	1,029,188	-	1,029,188	1,031,295
Facilities costs	1,458,219	-	1,458,219	1,694,320
Fundraising	730,292	-	730,292	664,676
Marketing	679,889	-	679,889	703,212
Total expenses	9,772,351	-	9,772,351	10,466,641
Change in net assets from operations excluding depreciation and amortization	\$ 1,440,870	\$ (687,462)	\$ 753,408	\$ 2,005,985