

The Children's Museum, Inc.
Consolidated Financial Statements and Supplementary Information
For the Fiscal Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Children's Museum, Inc.
Houston, Texas

We have audited the accompanying consolidated financial statements of The Children's Museum, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 auditors' 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

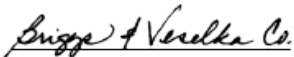
To the Board of Directors of
The Children's Museum, Inc.
Re: Independent Auditors' Report

Opinion

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

Report on Supplementary Information

Our audit was conducted for forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities as of and for the fiscal year ended June 30, 2019 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.


Briggs & Veselka Co.
Houston, Texas

October 23, 2019

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 3,421,716	\$ 3,511,120
Inventory	221,502	221,115
Accounts receivable	577,514	365,712
Operating pledges receivable, net	794,169	768,703
Pledges receivable for donated use of facilities, net	953,972	1,047,726
Property and equipment, net	16,734,773	18,540,724
Investments	19,964,063	19,036,057
Prepaid expenses and other assets	<u>246,684</u>	<u>154,401</u>
TOTAL ASSETS	<u>\$ 42,914,393</u>	<u>\$ 43,645,558</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 548,633	\$ 502,198
Deferred revenue	367,936	375,557
Deferred compensation	<u>366,913</u>	<u>315,491</u>
Total liabilities	1,283,482	1,193,246
Net assets		
Without donor restrictions	21,637,266	22,931,958
With donor restrictions	<u>19,993,645</u>	<u>19,520,354</u>
Total net assets	<u>41,630,911</u>	<u>42,452,312</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 42,914,393</u>	<u>\$ 43,645,558</u>

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

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue			
Contributions	\$ 2,009,990	\$ 1,584,099	\$ 3,594,089
Membership contributions	1,500,909	-	1,500,909
Special events	1,303,053	-	1,303,053
Direct donor benefit costs of special events	(287,976)	-	(287,976)
Admissions	3,611,860	-	3,611,860
Program fees	1,007,245	-	1,007,245
Museum gift shop and café sales	1,556,998	-	1,556,998
Cost of goods sold	(741,398)	-	(741,398)
Government grants	103,165	-	103,165
Parking fees	852,754	-	852,754
Investment return, net	86,772	1,039,329	1,126,101
Other revenue	324,461	-	324,461
Total revenue	11,327,833	2,623,428	13,951,261
Net assets released from restrictions			
Program and capital campaign expenditures	1,710,137	(1,710,137)	-
Endowment earnings appropriated for operations	440,000	(440,000)	-
Totals	13,477,970	473,291	13,951,261
Expenses			
Program services:			
Exhibitions and education	9,978,765	-	9,978,765
Membership and public outreach	1,163,047	-	1,163,047
Gift shop and café	822,758	-	822,758
Visitor services	535,967	-	535,967
Total program services	12,500,537	-	12,500,537
Management and general	1,515,091	-	1,515,091
Fundraising and membership development	757,034	-	757,034
Total expenses	14,772,662	-	14,772,662
Changes in net assets	(1,294,692)	473,291	(821,401)
Net assets, beginning of year	22,931,958	19,520,354	42,452,312
NET ASSETS, END OF YEAR	\$ 21,637,266	\$ 19,993,645	\$ 41,630,911

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

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenue			
Contributions	\$ 2,190,176	\$ 1,437,389	\$ 3,627,565
Membership contributions	1,438,814	-	1,438,814
Special events	1,250,889	-	1,250,889
Direct donor benefit costs of special events	(267,895)	-	(267,895)
Admissions	3,376,070	-	3,376,070
Program fees	964,326	-	964,326
Museum gift shop and café sales	1,494,175	-	1,494,175
Cost of goods sold	(673,419)	-	(673,419)
Government grants	30,669	-	30,669
Parking fees	754,501	-	754,501
Investment return, net	17,759	1,001,236	1,018,995
Other revenue	359,469	-	359,469
Total revenue	<u>10,935,534</u>	<u>2,438,625</u>	<u>13,374,159</u>
Net assets released from restrictions			
Program and capital campaign expenditures	1,366,712	(1,366,712)	-
Endowment earnings appropriated for operations	440,000	(440,000)	-
Totals	<u>12,742,246</u>	<u>631,913</u>	<u>13,374,159</u>
Expenses			
Program services:			
Exhibitions and education	10,231,951	-	10,231,951
Membership and public outreach	1,064,169	-	1,064,169
Gift shop and café	825,375	-	825,375
Visitor services	450,320	-	450,320
Total program services	<u>12,571,815</u>	<u>-</u>	<u>12,571,815</u>
Management and general	1,624,884	-	1,624,884
Fundraising and membership development	687,969	-	687,969
Total expenses	<u>14,884,668</u>	<u>-</u>	<u>14,884,668</u>
Changes in net assets	(2,142,422)	631,913	(1,510,509)
Net assets, beginning of year	<u>25,074,380</u>	<u>18,888,441</u>	<u>43,962,821</u>
NET ASSETS, END OF YEAR	<u>\$ 22,931,958</u>	<u>\$ 19,520,354</u>	<u>\$ 42,452,312</u>

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

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Exhibitions and Education	Membership and Public Outreach	Gift Shop and Café	Visitor Services	Total Program Services	Management and General	Fundraising and Membership Development	Total Expenses
Salaries and wages	\$ 4,116,070	\$ 587,628	\$ 445,748	\$ 226,884	\$ 5,376,330	\$ 695,769	\$ 446,213	\$ 6,518,312
Fringe benefits	614,045	71,051	33,896	3,403	722,395	111,494	51,931	885,820
Payroll taxes	329,487	40,372	37,083	13,606	420,548	47,946	34,199	502,693
Advertising	-	-	-	-	-	267,728	-	267,728
Depreciation	1,706,063	33,132	79,644	12,303	1,831,142	72,537	42,612	1,946,291
Contract labor	282,402	179,773	11,554	31,029	504,758	100,942	32,727	638,427
Supplies	559,578	75,989	101,994	79,716	817,277	51,477	33,872	902,626
Exhibit maintenance	623,956	-	-	-	623,956	-	-	623,956
Janitorial	305,662	5,953	25,055	2,230	338,900	12,833	7,432	359,165
Electricity	188,868	3,708	8,860	1,424	202,860	7,635	4,224	214,719
Printing	161,105	49,157	1,051	8,210	219,523	9,860	40,212	269,595
Insurance	212,736	4,180	9,982	8,328	235,226	8,574	4,725	248,525
Repair and maintenance	192,985	3,824	9,090	13,657	219,556	7,460	3,889	230,905
Travel	103,817	862	39	-	104,718	6,163	2,817	113,698
Other occupancy	338,581	6,007	15,205	1,569	361,362	19,942	15,384	396,688
Bank and credit card fees	195	48,109	36,808	121,613	206,725	10,068	20,635	237,428
Dues and subscriptions	11,381	24,466	811	-	36,658	15,877	1,000	53,535
Rent and storage fees	124,703	-	-	-	124,703	6,714	-	131,417
Other	21,140	1,499	1,748	1,211	25,598	1,118	4,858	31,574
Professional fees	1,100	5,995	-	-	7,095	41,932	1,056	50,083
Postage and delivery	6,352	17,709	-	492	24,553	2,704	6,776	34,033
Other utilities	46,503	917	2,185	9,990	59,595	1,847	999	62,441
Equipment rental	16,948	-	-	-	16,948	11,145	266	28,359
Telephone	15,088	2,716	2,005	302	20,111	3,326	1,207	24,644
Totals	<u>\$ 9,978,765</u>	<u>\$ 1,163,047</u>	<u>\$ 822,758</u>	<u>\$ 535,967</u>	<u>\$ 12,500,537</u>	<u>\$ 1,515,091</u>	<u>\$ 757,034</u>	<u>\$ 14,772,662</u>

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

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Exhibitions and Education	Membership and Public Outreach	Gift Shop and Café	Visitor Services	Total Program Services	Management and General	Fundraising and Membership Development	Total Expenses
Salaries and wages	\$ 4,217,494	\$ 451,598	\$ 450,474	\$ 233,760	\$ 5,353,326	\$ 734,330	\$ 388,155	\$ 6,475,811
Fringe benefits	580,172	60,002	32,750	9,683	682,607	110,707	45,740	839,054
Payroll taxes	412,217	34,817	38,650	15,157	500,841	41,735	30,046	572,622
Advertising	-	-	-	-	-	277,603	-	277,603
Depreciation	1,892,261	58,007	91,838	17,539	2,059,645	89,663	46,486	2,195,794
Contract labor	290,716	164,826	10,330	17,824	483,696	113,490	33,422	630,608
Supplies	499,537	89,881	89,178	26,420	705,016	53,477	33,507	792,000
Exhibit maintenance	656,341	-	-	-	656,341	-	-	656,341
Janitorial	321,020	12,470	21,918	2,921	358,329	14,675	7,590	380,594
Electricity	177,979	5,054	8,593	1,608	193,234	8,017	4,098	205,349
Printing	102,426	54,746	468	1,792	159,432	3,537	23,870	186,839
Insurance	218,639	5,915	10,523	1,946	237,023	9,543	4,833	251,399
Repair and maintenance	202,927	5,156	9,729	20,815	238,627	8,512	4,258	251,397
Travel	76,932	716	1,316	5	78,969	6,996	1,964	87,929
Other occupancy	310,244	21,078	16,351	4,069	351,742	26,694	15,522	393,958
Bank and credit card fees	482	60,097	33,234	94,844	188,657	10,301	24,344	223,302
Dues and subscriptions	43,187	18,030	2,932	628	64,777	23,604	4,384	92,765
Rent and storage fees	117,301	-	-	-	117,301	7,459	217	124,977
Other	10,279	668	1,860	449	13,256	15,352	8,981	37,589
Professional fees	2,700	5,050	-	-	7,750	45,270	675	53,695
Postage and delivery	1,047	12,579	-	-	13,626	6,719	7,191	27,536
Other utilities	71,025	1,779	3,402	617	76,823	2,953	1,472	81,248
Equipment rental	15,125	-	-	-	15,125	11,681	-	26,806
Telephone	11,900	1,700	1,829	243	15,672	2,566	1,214	19,452
Totals	<u>\$ 10,231,951</u>	<u>\$ 1,064,169</u>	<u>\$ 825,375</u>	<u>\$ 450,320</u>	<u>\$ 12,571,815</u>	<u>\$ 1,624,884</u>	<u>\$ 687,969</u>	<u>\$ 14,884,668</u>

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

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Changes in net assets	\$ (821,401)	\$ (1,510,509)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Net realized and unrealized gain on investments	(673,852)	(708,361)
Fair value of stock contributed	-	(55,244)
Depreciation	1,946,291	2,195,794
Loss on disposal of property and equipment	(1,203)	-
Contributions restricted for endowment	(10,000)	-
Change in discount on pledges	(69,118)	(86,271)
Donated use of facilities	180,000	180,000
Changes in operating assets and liabilities:		
Inventory	(387)	3,780
Accounts receivable	(211,802)	192,362
Operating pledges receivable	(150,567)	390,545
Prepaid expenses and other assets	(92,283)	(24,669)
Accounts payable and accrued expenses	46,435	(36,939)
Deferred revenue	(7,621)	38,669
Deferred compensation	51,422	61,353
Net cash from operating activities	185,914	640,510
Cash flows from investing activities		
Purchase of investments	(17,580,038)	(1,798,829)
Proceeds from sale of investments	17,127,307	2,257,335
Change in money market mutual funds held as investments	(51,423)	(327,840)
Change in certificates of deposit held as investments	250,000	(230,762)
Purchases of property and equipment	(139,137)	(230,918)
Net cash from investing activities	(393,291)	(331,014)
Cash flows from financing activities		
Proceeds from contributions restricted for capital expansion	107,973	161,360
Proceeds from contributions restricted for endowment	10,000	-
Net cash from financing activities	117,973	161,360
Net change in cash	(89,404)	470,856
Cash, beginning of year	3,511,120	3,040,264
Cash, end of year	\$ 3,421,716	\$ 3,511,120

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Children's Museum, Inc., operating as The Children's Museum of Houston (the "Museum"), a Texas nonprofit corporation, was founded in November 1980 primarily to create a lifelong passion for learning through educational exhibits and programs that provoke curiosity and inspiration. The Museum's mission is to transform communities through innovative, child-centered learning. This mission is achieved through efforts to address six key community needs identified through community forums that involve 1) fostering the development of Houston's significant child population; 2) increasing and supporting parental engagement in their children's learning; 3) providing learning experiences that reinforce and supplement classroom instruction; 4) reducing the effects of poverty on learning; 5) serving a multicultural, multilingual population; and 6) promoting workforce readiness through the development of 21st century skills.

In July 2013, the Museum formed a limited liability company, Fort Bend Children's Discovery Center, LLC (the "LLC") to operate the Fort Bend Children's Discovery Center. The Museum is the sole member of the LLC.

Basis of Consolidation – These consolidated financial statements include the assets, liabilities, net assets and activities of the Museum and the LLC (collectively, the "Organization"). All balances and transactions between the consolidated entities have been eliminated. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Federal Income Tax Status – The Organization is exempt from federal income tax under §501(c) (3) of the Internal Revenue Code (IRC) and are classified as public charities under §170(b) (1) (A) (vi). Contributions to the Organization are tax deductible within the limitations prescribed by the IRC. The Organization files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress.

The Organization records charges for uncertain tax positions when they are considered probable. Based on their evaluation, the Organization has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements.

Cash – Cash consists of demand deposit accounts which may exceed the federally insured limit per depositor, per institution.

Inventory – Inventories of merchandise purchased for resale through the Organization's gift shop and café are stated at lower of cost and net realizable value determined by the specific identification method.

Account Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and an adjustment to a valuation allowance 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 valuation allowance and a credit to accounts receivable. No allowance for doubtful accounts was considered necessary at June 30, 2019 and 2018.

Pledges Receivable – Pledges receivable that are expected to be collected within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

An allowance for uncollectible pledges is estimated based on management's periodic evaluation of past loss experience, known adverse situations that may affect the donor's ability to pay, and current economic conditions (*see Note 3*). It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of pledges receivable.

Property and Equipment – Property and equipment are reported at cost if purchased or at fair value at the date of gift, if donated. Expenditures less than \$1,500 are expensed when incurred. Depreciation is calculated using the straight-line method over estimated useful lives of 10 to 30 years for parking garage and buildings and improvements, 10 years for permanent exhibits, and three to five years for furniture, fixtures and equipment.

Investments – Investments are reported at fair value. The Organization's management determines the investment valuation policies utilizing information provided by investment advisors and custodians. Investment return is reported in the consolidated statements of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in net assets with donor restrictions until expended in accordance with donor-imposed restrictions.

Net Asset Classification – Contributions, investment return and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions – Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Donor-restricted contributions whose restrictions are satisfied in the same year the contribution is received are recorded as net assets without donor restrictions. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Donated Materials, Donated Use of Facilities and Services – Donated materials and use of facilities are recognized at fair value as contributions without donor restrictions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under U.S. GAAP.

During 2017, the LLC executed an agreement for the use of a building and land under an operating lease where the lease payments are below market rate. At the time the agreement was made, the contribution was calculated as the net present value of the fair rental value of space occupied under similar conditions and was recorded as a pledge receivable, discounted to its net present value and as an increase in net assets with donor restrictions. Annually, the value of using the space for the period is reported as rent expense in net assets without donor restrictions along with a reclassification of net assets from net assets with donor restrictions (*see Note 3*).

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Fees for Service – Revenue from admissions and program fees, government grants, museum gift shop and café sales, and parking fees are recognized when the related services are provided or a sale occurs. Amounts received in advance of the services being provided are recognized as deferred revenue.

Advertising Costs – Advertising costs are expensed as incurred. The total advertising costs charged to expense were \$267,728 and \$277,603 for the fiscal years ended June 30, 2019 and 2018, respectively.

Use of Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with U.S. GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Functional Expenses – The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, these expenses require allocation on a reasonable basis that is consistently applied. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques as determined by management.

The expenses that are allocated include the following:

<u>Expense Type</u>	<u>Allocation Method</u>
Salaries and benefits	Time and effort
Exhibit Maintenance	Time and effort
Other	Time and effort
Salaries and benefits – buildings and grounds	Square footage
Janitorial	Square footage
Utilities	Square footage
Other occupancy/facilities	Square footage
Depreciation	Square footage
Telephone	Full-time equivalent
Contract labor	Full-time equivalent or time and effort

Recent Accounting Pronouncements – In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities in order to provide more relevant information about the resources (and changes in those resources) to donors, grantors, creditors, and other users. The changes include more qualitative and quantitative requirements about its liquidity, financial performance, and cash flows. ASU No. 2016-14 was effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and should be applied on a retrospective basis.

The Organization adopted ASU 2016-14 and the financial statements now reflect the classification of net assets in two groups (i.e., net assets with donor restrictions and net assets without donor restrictions) based on the existence or absence of donor-imposed restrictions, as well as more qualitative and quantitative requirements about its liquidity, financial performance and cash flows. The effects from this pronouncement are presented in the financial statements.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized.

The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018 for nonpublic entities. The Organization is currently assessing the impact this new accounting standard and its subsequent amendments will have on the financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit (NFP) organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the Organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. With some exceptions, the guidance is effective for annual periods beginning after December 15, 2018 or December 15, 2019 if the NFP is a resource recipient or a resource provider, respectively. Early adoption is permitted. The Organization is currently assessing the effect that the adoption of this standard would have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the consolidated statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective beginning after December 15, 2020, for nonpublic companies. The standard may be early adopted and requires a modified retrospective transition approach to apply. The Organization is currently assessing the effect that ASU No. 2016-02 will have on the financial statements and related disclosures.

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This update modifies the disclosure requirements on fair value measurement in Topic 820, *Fair Value Measurement*. This amendment in this update is effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this update may be early adopted and requires a prospective transition approach for certain prescribed disclosure requirements, with all other amendments applied retrospectively. The Organization is currently evaluating the impact of the adoption of this standard on its financial statements and related disclosures.

Reclassification – Certain reclassifications have been made to the prior year financial statements to conform to the current financial statement presentation. These reclassifications had no effect on previously reported net assets.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 – LIQUIDITY AND AVAILABILITY

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

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash	\$ 3,421,716	\$ 3,511,120
Accounts receivable	577,514	365,712
Pledges receivable	1,748,141	1,816,429
Investments	<u>19,964,063</u>	<u>19,036,057</u>
Total financial assets	<u>25,711,434</u>	<u>24,729,318</u>
Financial assets not available for general expenditure:		
Less: net assets with donor restrictions	(19,993,645)	(19,520,354)
Less: Board-designations:		
Reserve fund	(1,445,627)	(1,391,512)
Future exhibit programs	(585,000)	(600,000)
Facility replacement	(365,010)	(476,000)
Add: net assets with purpose restrictions to be met in less than one year	1,802,619	1,710,137
Add: endowment appropriation approved for upcoming year	<u>440,000</u>	<u>440,000</u>
Total financial assets available for general expenditure	<u>\$ 5,564,771</u>	<u>\$ 4,891,589</u>

Assets unavailable for general expenditures include receivable balances with donor-imposed restrictions, designated reserve to be used upon board approval for general operations (*see Note 9*), as well as pledges receivable to be received after one year, and pledges receivable for donated building space (*see Note 3*).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Museum considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of available funds. The Museum's Board of Directors has designated a portion of its resources without donor restrictions as Board-designated. Although the Museum does not intend to spend from the Board-designated funds, amounts from the Board-designated funds could be made available if necessary.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable include operating pledges, pledges receivable for donated use of facilities and other pledges and are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Pledges receivable in less than one year	\$ 672,000	\$ 653,500
Pledges receivable in one to five years	1,032,500	1,022,500
Pledges receivable in more than five years	<u>360,000</u>	<u>540,000</u>
Total pledges receivable	2,064,500	2,216,000
Allowance for uncollectible pledges	(1,105)	(1,105)
Discount to present value ranging from 1.55% to 8.0%	<u>(315,254)</u>	<u>(398,466)</u>
Total pledges receivable, net	<u>\$ 1,748,141</u>	<u>\$ 1,816,429</u>

THE CHILDREN’S MUSEUM, INC.
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The Fort Bend Children’s Discovery Center – The Fort Bend Children’s Discovery Center opened to the public on May 28, 2016 and occupies a 12,000 square-foot first floor space of a restored historical building and houses four exhibits. It gives the Organization the opportunity to enrich the educational lives of Fort Bend’s children by expanding cultural and educational family-focused opportunities. Beginning in 2013, the Organization held a capital campaign to fund the new facility, with a goal of raising \$3,650,000. The Organization raised approximately \$4,000,000, of which \$14,895 and \$124,895 is included in net pledges receivable in the consolidated statements of financial position as of June 30, 2019 and 2018, respectively.

During 2017, the Organization received a promise for the use of the Fort Bend Children’s Discovery Center’s building and land through an operating lease agreement significantly below market value (see Note 1). The agreement is for a term of 99 years, which expires on May 20, 2115. The lease is cancelable by either party with a one-year written notice. Management has determined the estimated economic useful life of the assets to be equal to the useful life of the leasehold improvements, which is 10 years. The lease was recognized as a pledge receivable for \$1,800,000, discounted to net present value, and annual rent expense of \$180,000 is recorded over 10 years.

At June 30, 2019 and 2018, the pledge receivable and net assets with donor restrictions related to the donated use of the facilities was \$953,972 and \$1,047,726, respectively. Additionally, the unamortized discount at June 30, 2019 and 2018 was \$309,528 and \$392,274, respectively. Management performed a risk-based analysis and determined the appropriate discount rate for this pledge was 8%.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,977,070	\$ 2,977,070
Buildings and improvements	18,482,577	18,445,182
Permanent exhibits	11,447,374	11,416,615
Education annex building	2,736,565	2,714,143
Parking garage	2,096,251	2,096,251
Equipment	495,923	462,724
Furniture and fixtures	232,095	217,845
	<u>38,467,855</u>	<u>38,329,830</u>
Less: accumulated depreciation	<u>(21,733,082)</u>	<u>(19,789,106)</u>
Total property and equipment, net	<u>\$ 16,734,773</u>	<u>\$ 18,540,724</u>

Depreciation expense was \$1,946,291 and \$2,195,794 for the fiscal years ended June 30, 2019 and 2018, respectively.

Approximately \$1,200,000 of the total cost of the parking garage was paid through a federal grant passed through to the Organization from the Greater Southeast Management District (the “District”) and from the Federal Transportation Agency (the “FTA”). Upon completion of the parking garage in December 2007, the Organization entered into a 26½-year lease with the District at a cost of \$1 per year that allows for public parking for individuals not using public transit. Under the terms of the lease agreement and the grant award, the FTA will maintain an 80% ownership interest in the parking garage throughout the term of the lease, at which time all ownership interests transfer to the Organization. The lease may be canceled by the Organization upon return of a pro-rata share of the federal funding amortized over the life of the lease.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 – INVESTMENTS

Investments are comprised of the following at June 30:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 16,733,718	\$ 16,150,872
Limited partnership	144,336	115,015
Certificates of deposit	2,719,096	2,454,679
Equity securities	<u>366,913</u>	<u>315,491</u>
Total investments	<u>\$ 19,964,063</u>	<u>\$ 19,036,057</u>

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

Investment return includes earnings on cash and consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 511,006	\$ 414,288
Net realized and unrealized gain on investments	673,852	708,361
Investment management fees	<u>(58,757)</u>	<u>(103,654)</u>
Investment return, net	<u>\$ 1,126,101</u>	<u>\$ 1,018,995</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

U.S. GAAP requires that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- **Level 1** – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- **Level 2** – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- **Level 3** – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Assets measured at fair value at June 30, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds:				
Investment grade bonds	\$ 6,738,129	\$ -	\$ -	\$ 6,738,129
International equity	3,952,993	-	-	3,952,993
U.S. small-cap equity	6,042,596	-	-	6,042,596
Limited partnership:				
Black Stone Minerals, L.P. (a) (Note 14)	144,336	-	-	144,336
Certificates of deposit	-	2,719,096	-	2,719,096
Other securities:				
Large-cap equity (Note 7)	<u>366,913</u>	<u>-</u>	<u>-</u>	<u>366,913</u>
Total assets measured at fair value	<u>\$ 17,244,967</u>	<u>\$ 2,719,096</u>	<u>\$ -</u>	<u>\$ 19,964,063</u>

Assets measured at fair value at June 30, 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds:				
U.S. large-cap equity	\$ 4,297,537	\$ -	\$ -	\$ 4,297,537
Money market	456,956	-	-	456,956
U.S. taxable fixed income	4,235,715	-	-	4,235,715
Commodities	856,533	-	-	856,533
International equity	5,799,188	-	-	5,799,188
U.S. small-cap equity	259,399	-	-	259,399
Real estate	245,544	-	-	245,544
Limited partnership:				
Black Stone Minerals, L.P. (a) (Note 14)	-	-	115,015	115,015
Certificates of deposit	-	2,454,679	-	2,454,679
Other securities:				
Large-cap equity (Note 7)	<u>315,491</u>	<u>-</u>	<u>-</u>	<u>315,491</u>
Total assets measured at fair value	<u>\$ 16,466,363</u>	<u>\$ 2,454,679</u>	<u>\$ 115,015</u>	<u>\$ 19,036,057</u>

- (a) Black Stone Minerals, L.P. (BSM or the "Partnership") is a publicly traded Delaware limited partnership that owns oil and natural gas mineral interests, which make up the vast majority of the asset base. The Partnership's assets also include nonparticipating royalty interests and overriding royalty interests. These interests, which are substantially non-cost-bearing, are collectively referred to as "mineral and royalty interests." The Partnership's mineral and royalty interests are located in 41 states in the continental United States, including all of the major onshore producing basins. The Partnership also owns nonoperated working interests in certain oil and natural gas properties. The Partnership's common units trade on the New York Stock Exchange under the symbol "BSM."

The subordination period under BSM's partnership agreement ended on May 24, 2019. Accordingly, the 9,312 subordinated units were converted into 9,312 of common shares.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Valuation methods used for assets measured at fair value are as follows:

- **Mutual Funds** – Mutual funds are valued at the reported net asset value (NAV) of shares held.
- **Limited Partnership** – The limited partnership is valued by the general partner based on the Organization's percentage of ownership in the net equity of the partnership. The net is based on valuations provided by a third-party consultant using a weighted average of the NAV method, the guideline company method, the comparable transaction method, the exchange offer, and the dividend discount model. Significant Level 3 assumptions used in the calculation of the limited partnership's valuation included estimates of future oil and gas prices, production costs, development expenditures, estimated timing of production of proved reserves, appropriate risk-adjusted discount rates, and other relevant data.
- **Certificates of Deposit, U.S. Treasury Securities, Corporate Bonds and Mortgage-Backed Securities** – Certificates of deposit, U.S. Treasury securities, corporate bonds and mortgage-backed securities are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas, which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.
- **Private Equity Funds** – Investment funds are valued at the NAV per share as determined by the issuer and these values are reported in the audited financial statements as a practical expedient because these investments do not have a readily determinable fair value. The NAV is calculated on the basis of pricing information obtained from various sources, including pricing vendors used by the administrator and custodian, the fund (or its investment manager), one or more broker/dealers as directed by the fund (or its investment manager), and administrators of funds in which the fund may have invested (Pricing Information).
- **Equity Securities** – Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Changes in the fair value of Level 3 assets for the fiscal years ended June 30, consists of the following:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 115,015	\$ 1,741,206
Purchases	-	169,014
Redemptions	-	(1,969,474)
Net realized loss	-	(2,989)
Net unrealized gain	29,321	177,258
Transfer out of Level 3	<u>(144,336)</u>	<u>-</u>
Ending balance	<u>\$ -</u>	<u>\$ 115,015</u>

During 2019, the Organization transferred \$144,336 of the limited partnership securities from level 3 into level 1 based on the conversion of BSM subordinated shares to common shares.

THE CHILDREN’S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 – DEFERRED COMPENSATION

The Organization has a deferred compensation agreement with the Executive Director of the Museum that accrues at \$30,000 per year until attainment of age 65 or termination of employment. The Organization has restricted funds related to this agreement in large-cap equity investments. The deferred compensation liability of \$366,913 and \$315,491 at June 30, 2019 and 2018, respectively, is adjusted annually for the related investment unrealized gains and losses.

NOTE 8 – OPERATING LEASES

The Organization leases storage space and office equipment under noncancelable operating leases with total monthly payments ranging from approximately \$300 to \$5,700. The agreements having an original term of more than one year expire on various dates through January 2024. The Organization records these rent expenses on a straight-line basis over the term of the leases. Rent expense totaled \$88,314 and \$86,243 at June 30, 2019 and 2018, respectively.

Future minimum lease payments for noncancelable operating leases consist of the following:

For the Fiscal Year Ending June 30,	Amount
2020	\$ 114,089
2021	112,745
2022	114,514
2023	105,198
2024	<u>58,841</u>
Total	<u>\$ 505,387</u>

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 1,078,615	\$ 638,700
Board-designated:		
Property	15,113,519	16,687,775
Reserve fund	1,445,627	1,391,512
Future exhibit programs	585,000	600,000
Facility replacement	365,010	476,000
Fort Bend Children’s Discovery Center – property	1,619,615	1,852,950
Fort Bend Children’s Discovery Center	<u>1,429,880</u>	<u>1,285,021</u>
Total net assets without donor restrictions	<u>\$ 21,637,266</u>	<u>\$ 22,931,958</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Accumulated endowment earnings for general operations	\$ 5,492,615	\$ 4,893,285
Fort Bend Children’s Discovery Center	35,580	127,080
Fort Bend Children’s Discovery Center donated use of facilities	950,472	1,047,726
Exhibition, curatorial and program support	1,904,789	1,916,521
Future operations	224,751	160,303
To be held in perpetuity	<u>11,385,438</u>	<u>11,375,439</u>
Net assets with donor restrictions	<u>\$ 19,993,645</u>	<u>\$ 19,520,354</u>

NOTE 11 – ENDOWMENT

The Organization’s endowment consists of two donor-restricted funds. One was established to support general operations and one was established to support the Organization’s Inclusion of Children with Disabilities and Their Families Program. The Board of Directors of the Organization has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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 Organization classifies the original value of gifts donated to the permanent endowment as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate the donor-restricted endowment fund:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

From time-to-time, the fair value of assets associated with the endowment fund may fall below the level that the donor or TUPMIFA requires the Organization to retain as a fund of perpetual duration as a result of temporary unfavorable market fluctuations. At June 30, 2019 and 2018, there were no deficiencies of this nature that required to be reported as net assets without donor restrictions.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Investment Policy – The overriding investment objective is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the endowment's investment horizon.

To meet the stated investment objective, the investment strategy shall be to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income.

The primary objective of the investment policy is the management of investments in such a manner as to emphasize long-term growth of principal while managing risk. The long-term goal is 4% return, net of investment management fees and expenses plus inflation.

These objectives have been established after a comprehensive review of current and projected financial requirements. The Board of Directors recognizes and acknowledges that some risk must be assumed to achieve the long-term objectives of the investment policy and in establishing risk tolerances for this investment policy, the Organization's ability to withstand short and intermediate-term variability were considered.

The investment horizon is defined as 10 years. However, due to capital market volatility, the return may vary significantly over shorter periods of time.

Spending Policy – Spending in any fiscal year will be no more than 4% of the endowment's average portfolio value (calculated on the basis of market values determined quarterly) for the five-year period ending the last day of the immediately preceding fiscal year. Distributions from the endowment will be at the direction of the Board of Directors and budget approval process, to allow flexibility with regard to distributions for endowment growth or preservation in times of great market distress. This discretion does not supersede any restricted gifts that mandate annual support for a particular program or facility.

Changes in net assets of the donor-restricted endowment fund are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, June 30, 2017	\$ -	\$ 15,700,578	\$ 15,700,578
Contributions	-	6,910	6,910
Investment return, net	-	1,001,236	1,001,236
Appropriations for expenditure	-	(440,000)	(440,000)
Endowment net assets, June 30, 2018	-	16,268,724	16,268,724
Contributions	-	10,000	10,000
Investment return, net	-	1,039,329	1,039,329
Appropriations for expenditure	-	(440,000)	(440,000)
Endowment net assets, June 30, 2019	<u>\$ -</u>	<u>\$ 16,878,053</u>	<u>\$ 16,878,053</u>

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Endowment net assets composition as of June 30, 2019 and 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds:			
General operations fund	\$ -	\$ 15,268,724	\$ 15,268,724
Inclusion of Children with Disabilities and Their Families fund	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Endowment net assets, June 30, 2018	<u>\$ -</u>	<u>\$ 16,268,724</u>	<u>\$ 16,268,724</u>
Donor-restricted endowment funds:			
General operations fund	\$ -	\$ 15,878,053	\$ 15,878,053
Inclusion of Children with Disabilities and Their Families fund	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Endowment net assets, June 30, 2019	<u>\$ -</u>	<u>\$ 16,878,053</u>	<u>\$ 16,878,053</u>

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash in financial institution accounts which, at times, exceeds federally insured limits. The Organization has not experienced any losses related to such accounts. Cash is placed with highly-accredited, quality financial institutions and management believes it is not exposed to any significant credit risk.

NOTE 13 – RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 2019 and 2018, approximately 28% and 33%, respectively, of the Organization's contribution revenue were from Board members and affiliates. At June 30, 2019 and 2018, the pledges receivable from these Board members and affiliates, approximated 8% and 10%, respectively, of total pledges receivable, net of discount.

NOTE 14 – SUBSEQUENT EVENTS

In October 2019 management sold 9,312 of BSM's common shares at \$13.15 per share for a total sales price of \$122,478 (see *Note 6*).

Management has evaluated subsequent events through October 23, 2019, the date which the financial statements were available for issuance. Except as noted above, no subsequent events occurred which require adjustment or disclosure to the financial statements at June 30, 2019.

THE CHILDREN'S MUSEUM, INC.
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	The Children's Museum, Inc.	Fort Bend Children's Discovery Center	Eliminations	Consolidated Total
ASSETS				
Cash	\$ 2,537,374	\$ 884,342	\$ -	\$ 3,421,716
Inventory	219,836	1,666	-	221,502
Accounts receivable	513,480	64,034	-	577,514
Intercompany receivable	-	36,374	(36,374)	-
Operating pledges receivable, net	779,274	14,895	-	794,169
Pledges receivable for donated use of facilities, net	-	953,972	-	953,972
Property and equipment, net	15,115,158	1,619,615	-	16,734,773
Investments	19,463,226	500,837	-	19,964,063
Prepaid expenses and other assets	242,246	4,438	-	246,684
TOTAL ASSETS	<u>\$ 38,870,594</u>	<u>\$ 4,080,173</u>	<u>\$ (36,374)</u>	<u>\$ 42,914,393</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 505,557	\$ 43,076	\$ -	\$ 548,633
Intercompany payable	36,374	-	(36,374)	-
Deferred revenue	366,386	1,550	-	367,936
Deferred compensation	366,913	-	-	366,913
Total liabilities	1,275,230	44,626	(36,374)	1,283,482
Net assets				
Without donor restrictions	18,587,771	3,049,495	-	21,637,266
With donor restrictions	19,007,593	986,052	-	19,993,645
Total net assets	<u>37,595,364</u>	<u>4,035,547</u>	<u>-</u>	<u>41,630,911</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,870,594</u>	<u>\$ 4,080,173</u>	<u>\$ (36,374)</u>	<u>\$ 42,914,393</u>

See independent auditors' report.

THE CHILDREN'S MUSEUM, INC.
SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	The Children's Museum, Inc.	Fort Bend Children's Discovery Center	Eliminations	Consolidated Total
Revenue				
Contributions	\$ 3,326,168	\$ 267,921	\$ -	\$ 3,594,089
Membership contributions	1,233,310	267,599	-	1,500,909
Special events	1,255,078	47,975	-	1,303,053
Direct donor benefit costs of special events	(284,147)	(3,829)	-	(287,976)
Admissions	3,298,208	313,652	-	3,611,860
Program fees	973,902	33,343	-	1,007,245
Museum gift shop and café sales	1,556,998	-	-	1,556,998
Cost of goods sold	(739,454)	(1,944)	-	(741,398)
Government grants	103,165	-	-	103,165
Parking fees	852,754	-	-	852,754
Investment return, net	1,121,230	4,871	-	1,126,101
Other revenue	<u>324,461</u>	<u>-</u>	<u>-</u>	<u>324,461</u>
Total revenue	13,021,673	929,588	-	13,951,261
Expenses				
Program services:				
Exhibitions and education	9,038,539	940,226	-	9,978,765
Membership and public outreach	1,136,127	26,920	-	1,163,047
Gift shop and café	804,226	18,532	-	822,758
Visitor services	<u>483,673</u>	<u>52,294</u>	<u>-</u>	<u>535,967</u>
Total program services	11,462,565	1,037,972	-	12,500,537
Management and general	1,454,741	60,350	-	1,515,091
Fundraising and membership development	<u>648,538</u>	<u>108,496</u>	<u>-</u>	<u>757,034</u>
Total expenses	<u>13,565,844</u>	<u>1,206,818</u>	<u>-</u>	<u>14,772,662</u>
Changes in net assets	(544,171)	(277,230)	-	(821,401)
Net assets, beginning of year	<u>38,139,535</u>	<u>4,312,777</u>	<u>-</u>	<u>42,452,312</u>
NET ASSETS, END OF YEAR	<u>\$ 37,595,364</u>	<u>\$ 4,035,547</u>	<u>\$ -</u>	<u>\$ 41,630,911</u>

See independent auditors' report.