

THE CHILDREN'S MUSEUM  
OF ATLANTA, INC.

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2016 AND 2015

THE CHILDREN'S MUSEUM OF ATLANTA, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of The Children's Museum of Atlanta, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Children's Museum of Atlanta, Inc. (the Museum) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities and cash flows 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 that 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 of Atlanta, Inc. as of June 30, 2016 and 2015, 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.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of The Children's Museum of Atlanta, Inc. as a whole. The schedule of functional expenses on page 17 and the schedule of state awards expended on page 19 are presented for purposes of additional analysis and are 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.

*Brooks, McInnis & Company, LLC*

Atlanta, Georgia  
November 7, 2016

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015

ASSETS	2016	2015
Cash and cash equivalents	\$ 811,699	\$ 1,637,728
Inventory	26,389	17,488
Prepaid expenses and other assets	59,927	25,792
Loan closing costs, net	12,172	15,569
Pledges receivable, net	653,024	1,510,064
Grants receivable	-	333,315
Cash restricted for property and equipment	604,787	2,830,579
Property and equipment, net	7,517,195	4,260,799
Beneficial interest in assets held by Community Foundation for Greater Atlanta, Inc.	500,000	500,000
Total assets	\$ 10,185,193	\$ 11,131,334

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 142,255	\$ 219,623
Unearned revenue	267,802	197,895
Note payable	764,111	789,864
Total liabilities	1,174,168	1,207,382
Commitments and contingencies		
Net assets:		
Unrestricted:		
Invested in property and equipment, net of debt	6,765,256	3,486,504
Board designated for long-term investment	500,000	500,000
Available for operations (deficit)	275,919	(671,076)
Total unrestricted	7,541,175	3,315,428
Temporarily restricted	1,469,850	6,608,524
Total net assets	9,011,025	9,923,952
Total liabilities and net assets	\$ 10,185,193	\$ 11,131,334

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

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenues:						
Contributions	\$ 92,847	\$ 786,876	\$ 879,723	\$ 126,030	\$ 4,238,415	\$ 4,364,445
In-kind contributions	248,756	-	248,756	99,226	-	99,226
Grants	-	135,000	135,000	-	1,387,336	1,387,336
Investment income from beneficial interest in assets held by Community Foundation for Greater Atlanta	22,837	-	22,837	21,623	-	21,623
Special events (net of direct costs of \$153,714 and \$230,378)	197,997	-	197,997	236,387	-	236,387
Admissions	957,288	-	957,288	985,638	-	985,638
Memberships	323,930	-	323,930	282,149	-	282,149
Program fees	94,868	-	94,868	142,147	-	142,147
Facility rental and vending	12,325	-	12,325	5,827	-	5,827
Retail store (net of costs of goods sold of \$56,146 and \$48,347)	52,785	-	52,785	60,748	-	60,748
Other income	21,444	-	21,444	5,539	-	5,539
Total public support and revenues	<u>2,025,077</u>	<u>921,876</u>	<u>2,946,953</u>	<u>1,965,314</u>	<u>5,625,751</u>	<u>7,591,065</u>
Net assets released from restrictions	6,060,550	(6,060,550)	-	1,375,594	(1,375,594)	-
Total public support, revenues and net assets released from restrictions	<u>8,085,627</u>	<u>(5,138,674)</u>	<u>2,946,953</u>	<u>3,340,908</u>	<u>4,250,157</u>	<u>7,591,065</u>
Expenses:						
Program Services						
Museum, education and program services	3,141,897	-	3,141,897	2,026,295	-	2,026,295
Supporting Services:						
General and administrative	281,717	-	281,717	344,473	-	344,473
Development and fundraising	436,266	-	436,266	398,965	-	398,965
Total expenses	<u>3,859,880</u>	<u>-</u>	<u>3,859,880</u>	<u>2,769,733</u>	<u>-</u>	<u>2,769,733</u>
Increase (decrease) in net assets	4,225,747	(5,138,674)	(912,927)	571,175	4,250,157	4,821,332
Net assets, beginning of year	<u>3,315,428</u>	<u>6,608,524</u>	<u>9,923,952</u>	<u>2,744,253</u>	<u>2,358,367</u>	<u>5,102,620</u>
Net assets, end of year	<u>\$ 7,541,175</u>	<u>\$ 1,469,850</u>	<u>\$ 9,011,025</u>	<u>\$ 3,315,428</u>	<u>\$ 6,608,524</u>	<u>\$ 9,923,952</u>

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

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (912,927)	\$ 4,821,332
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	417,570	157,536
Contributions restricted for capital and long term purposes	(1,392,028)	(4,239,585)
Changes in assets and liabilities:		
(Increase) decrease in:		
Inventory	(8,901)	(6,097)
Prepaid expenses and other assets	(34,135)	(12,500)
Pledges receivable	857,040	(458,039)
Grants receivable	333,315	(333,315)
Increase (decrease) in:		
Accounts payable and accrued expenses	(77,368)	71,288
Unearned revenue	69,907	21,988
Net cash provided by (used in) operating activities	(747,527)	22,608
Cash flows from investing activities:		
Cash restricted for property and equipment	2,225,792	(2,142,574)
Construction and purchase of property and equipment	(3,670,569)	(857,965)
Net cash used in investing activities	(1,444,777)	(3,000,539)
Cash flows from financing activities:		
Principal payments on note payable	(25,753)	(23,486)
New borrowings on note payable	-	25,650
Cash proceeds collected on capital campaign	1,392,028	4,239,585
Loan closing costs paid	-	(16,984)
Net cash provided by financing activities	1,366,275	4,224,765
Net increase (decrease) in cash and cash equivalents	(826,029)	1,246,834
Cash and cash equivalents, beginning of year	1,637,728	390,894
Cash and cash equivalents, end of year	\$ 811,699	\$ 1,637,728
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 34,792	\$ 31,984
Refinance of note payable	\$ -	\$ 774,350

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

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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1. Nature of Organization and Significant Accounting Policies

Organization

The Children's Museum of Atlanta, Inc. (the Museum) is a nonprofit corporation which was organized on February 17, 1988 under the laws of the State of Georgia. Its stated mission is to spark imagination and inspire discovery and learning for all children through the power of play. To that end the Museum presents exhibits, programs, cultural activities, and educational workshops for young children and their parents and teachers. From inception to March 2, 2003, the Museum operated as a "Museum Without Walls" in which special events and programs were held at various locations throughout the City of Atlanta. On March 3, 2003, the Museum opened its permanent facility to the public. The Museum's exhibits and discovery zones are "hands-on" and promote a learning environment that addresses the many different ways that children learn.

Since opening, the Museum has welcomed approximately 2.5 million visitors and has expanded its outreach efforts to ensure that programs and exhibits are reaching all children, no matter their circumstances. The outreach programs have been recognized nationally and are a testament to the vision that children's museums inspire and reach families, schools, and children in ways that other organizations do not.

In August 2015, the Museum closed its doors for four months to update, renovate, renew and expand its exhibits and programs. This was the result of a successful \$8,200,000 capital campaign, and since reopening in December 2015, the Museum has seen a significant increase in attendance and reach. A new mezzanine level includes science, technology, engineering and math exhibits designed such that updates and changes are easily accomplished; a giant globe of the earth which visitors can climb into, is centrally located inviting children to learn through hands-on exhibits and activities about the geography and many cultures of our world. All gallery areas have new exhibits and deepened experiences, and a new stage area allows educators and performers to present professional exhibitions, demonstrations, and performances captivating school groups and other guests. The Museum anticipates that nearly 3 million visitors will experience the new Museum over the coming decade.



THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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1. Nature of Organization and Significant Accounting Policies – Continued

Financial Statement Presentation and Basis of Accounting – Continued

The Museum maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Museum is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions, as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions including the carrying value of all property and equipment. Items that affect (i.e., increase or decrease) this net asset category include program revenue and related expenses associated with the core activities of the Museum. In addition to these exchange transactions, changes to this category of net assets include investment income and unrestricted contributions.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that are satisfied by actions of the Museum or the passage of time. Items that affect this net asset category are restricted contributions including pledges for which restrictions have not been met. These amounts are reclassified to unrestricted net assets when such restrictions are met or have expired.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions to be maintained permanently by the Museum. Items that affect this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and that only the income be made available for program operations. The Museum had no permanently restricted net assets as of June 30, 2016 and 2015.

Contributions and Promises to Give

Accounting standards generally accepted in the United States of America require the recognition of pledges as revenue when received and the use of discounting for recording long-term pledges. Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Museum uses the allowance method to determine uncollectible, unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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1. Nature of Organization and Significant Accounting Policies – Continued

Donated Services, Materials and Facilities

All non-cash gifts (other than personal services) are recorded at their estimated fair value at the date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain amounts have been recognized in the financial statements for donated services, as described in Note 6.

Long-Lived Assets

The Museum evaluates its long-lived assets held for use in operations, including real estate, for indicators of impairment and if impaired, records such assets at the lower of cost or fair value. There were no impairment losses recognized during the years ended June 30, 2016 or 2015.

Inventory

The Museum records its gift shop inventory at lower of cost or market under the first-in, first-out (FIFO) method. The FIFO method assumes that items flow through inventory in the order they were purchased. The FIFO method produces an inventory amount that more closely approximates replacement cost since inventory consists of the items that were purchased most recently.

Property and Equipment

The Museum follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Donated property and equipment are stated at cost or estimated fair value at time of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives as stated below. For the years ended June 30, 2016 and 2015, the estimated useful lives of property and equipment were as follows:

Building and improvements	39 years
Museum exhibits	5 years
Furniture, fixtures and equipment	5 years
Computer software	3 years

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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1. Nature of Organization and Significant Accounting Policies – Continued

Property and Equipment – Continued

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Museum reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Museum is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), as amended, and classified by the Internal Revenue Service as other than a private foundation. The Museum is subject to tax on unrelated business income, net of expenses, resulting from the sale of certain gift shop merchandise. There was no unrelated business income tax for the years ended June 30, 2016 and 2015.

Management believes that it has appropriate support for any tax positions taken by the Museum, and as such, does not have any uncertain tax positions that are material to the financial statements. The Museum's income tax returns are subject to examination by the appropriate regulatory authorities for all open years, which include the last three years filed.

Advertising Expense

Advertising costs are expensed as incurred. For the years ending June 30, 2016 and 2015, advertising expense totaled \$347,649 and \$84,906, respectively. Donated advertising expense for the year ended June 30, 2016 and 2015 was \$160,000 and \$12,100, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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1. Nature of Organization and Significant Accounting Policies – Continued

Cash and Cash Equivalents and Concentration of Credit Risk

Cash and cash equivalents are comprised of demand deposit accounts. For purposes of the statements of cash flows, the Museum considers all short-term, interest-bearing deposits with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of deposits with one financial institution as of June 30, 2016 and 2015. The balances in the Museum's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016 and 2015, the Museum's cash balances exceeded the FDIC's insured limits by \$1,172,667 and \$4,218,161, respectively. Management does not believe the credit risk associated with these uninsured balances is significant.

Unearned Revenue

For the years ended June 30, 2016 and 2015, unearned revenue consists of the unearned portion of membership revenue, as well as prepayments of museum admissions and program fees totaling \$204,802 and \$161,245, respectively. The revenues from Museum memberships are recognized pro-rata over the one-year membership period. In addition, unearned revenue as of June 30, 2016 and 2015 includes \$63,000 and \$36,650, respectively, related to special event ticket sales for the golf tournament.

2. Pledges Receivable, Net

In July 2011, the Museum began a capital fundraising campaign for renovation of the Museum and to reduce accumulated debt. Pledges receivable are recorded at net realizable value upon receipt. Contributions to be received after one year are discounted at 3.7%, commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and utilized in accordance with donor imposed restrictions on the contribution.

Pledges receivable consisted of the following at June 30:

	2016	2015
Amounts due in:		
Less than one year	\$ 429,041	\$ 1,146,062
One to five years	258,000	437,333
Less:		
Discount on pledges receivable	(24,017)	(43,331)
Allowance for uncollectible pledges	(10,000)	(30,000)
Pledges receivable, net	\$ 653,024	\$ 1,510,064

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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3. Grant Revenues and Receivables

In November and December 2014, the Museum received two grants from corporate foundations totaling \$777,336, which are restricted for the Museum's capital campaign and program purposes. As of June 30, 2015, \$333,315 is included in grants receivable. There were no grants receivable at June 30, 2016.

4. Property and Equipment, Net

Property and equipment are summarized as follows at June 30:

	2016	2015
Furniture, fixtures and other	\$ 207,704	\$ 196,999
Museum exhibits	2,936,270	2,364,213
Office equipment	191,068	278,621
Computer hardware	40,502	90,198
Computer software	58,581	109,587
Vehicles	26,187	26,187
Building and improvements	8,013,766	5,048,604
	11,474,078	8,114,409
Less accumulated depreciation	(3,956,883)	(4,843,071)
	7,517,195	3,271,338
Construction work in progress	-	989,461
	\$ 7,517,195	\$ 4,260,799

Depreciation expense for the years ending June 30, 2016 and 2015 was \$414,173 and \$156,121, respectively.

5. Note Payable

In January 2015, the Museum refinanced its existing debt with another financial institution and obtained a term loan in the amount of \$800,000. The term loan requires monthly installments of both principal and interest and is collateralized by substantially all real property owned by the Museum. The effective interest rate on the loan at June 30, 2016 and 2015 was 3.70% and 4.48% (5 year SWAP Curve plus 2.7%), respectively. The Museum incurred interest expense of \$34,792 and \$31,984 for the years ended June 30, 2016 and 2015, respectively. The loan also requires the Museum to maintain a debt service ratio of at least 1:1. At June 30, 2016 and 2015, the Museum was in compliance with or obtained waivers for this covenant. The balance of the note payable as of June 30, 2016 and 2015 is \$764,111 and \$789,864, respectively. The maturity date of the loan is January 22, 2020.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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5. Note Payable – Continued

Loan closing costs totaling \$16,985 are amortized over the loan period of 60 months, and are shown net of accumulated amortization of \$4,813 and \$1,416 in the accompanying financial statements for the years ended June 30, 2016 and 2015, respectively.

In January 2015, the Museum secured a line of credit in the amount of \$200,000 with the same financial institution. The interest rate at June 30, 2016 and 2015 is a variable rate based on the Wall Street Journal published Prime Rate of 3.25%. There were no draws on this line of credit during the years ended June 30, 2016 and 2015. The maturity date of the line of credit is January 22, 2020.

Principal maturities of the note payable subsequent to June 30, 2016 are as follows:

<u>For the year ended June 30:</u>	
2017	\$ 27,021
2018	28,251
2019	29,537
2020	<u>679,302</u>
	<u>\$ 764,111</u>

6. Donated Services, Materials and Facilities

Donated services, materials, and facilities are included in contributions revenue and special event revenue in the accompanying statements of activities, and are summarized as follows for the years ending June 30:

	2016	2015
Advertising and marketing	\$ 179,638	\$ 56,667
Special events	1,730	102,310
Legal services	32,253	33,646
Property and Equipment	31,109	-
Other	<u>5,756</u>	<u>8,913</u>
Total donated services, materials and facilities	<u>\$ 250,486</u>	<u>\$ 201,536</u>

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2016	2015
Purpose and time restricted for capital campaign	\$ 1,231,925	\$ 6,073,413
Purpose and time restricted for the endowment fund	3,250	17,500
Purpose and time restricted for education and other programs	206,814	500,022
Purpose restricted for museum exhibits	27,861	17,589
Total temporarily restricted net assets	\$ 1,469,850	\$ 6,608,524

8. Net Assets Released from Restrictions

Temporarily restricted net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the years ending June 30:

	2016	2015
Capital campaign and debt reduction	\$ 5,337,464	\$ 964,680
Endowment fund	14,250	-
Museum exhibits	144,728	177,400
Education and other programs and activities	564,108	233,514
Total net assets released from restrictions	\$ 6,060,550	\$ 1,375,594

9. Retirement Plans

The Museum maintains a defined contribution 401(k) plan for all employees meeting minimum service and age requirements. Generally, employees can defer up to 15% of their compensation into the plan, not to exceed regulatory limits. Employee contributions to the plan are deducted from gross salaries before they are taxed. Benefit payments are available in the form of an annuity, specified payment option (SPO), or a single lump sum.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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10. Lease Commitments

The Museum leases office equipment under a non-cancelable operating lease. The future minimum payments required under the operating lease are as follows:

<u>For the year ended June 30:</u>	
2017	\$ 4,536
2018	<u>756</u>
	<u>\$ 5,292</u>

Rent expense for the years ending June 30, 2016 and 2015 was \$4,771 and \$3,981, respectively.

11. Commitments and Contingencies

The Museum entered into various contracts during fiscal 2016 and subsequent to year end related to exhibits. The total of these contracts is \$227,000 with \$187,500 outstanding at June 30, 2016. In addition, the Museum signed a maintenance contract in June 2016 for fiscal years 2017 and 2018, totaling \$155,659.

Contributions represent a significant portion of the Museum's revenue. The ability of certain contributors and grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions. While the Museum's Board of Directors believes the Museum has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors. Grants, bequests, and endowments often require fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill the conditions could result in the return of funds to the grantors; however, the Board of Directors deems this contingency unlikely.

12. Accounts at Community Foundation for Greater Atlanta

During the year ended June 30, 2004, a private foundation placed \$500,000 with The Community Foundation for Greater Atlanta, Inc. ("Community Foundation") as a permanent endowment for the benefit of the Museum. Provided that the Museum meets certain conditions, it is entitled to a perpetual income stream from this endowment in accordance with the Community Foundation's spending policy (currently 5% of the three-year rolling average value of the assets). However, the Community Foundation has variance power over the income stream, and thus, this beneficial interest is not recorded in these financial statements. The income distributions related to this investment that are recorded as contributions in the statements of activities, are \$22,837 and \$21,623 for the years ended June 30, 2016 and 2015, respectively.



THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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12. Accounts at Community Foundation for Greater Atlanta – Continued

As a condition of the donation by the private foundation, the Museum was required to raise and hold an additional \$500,000 for long-term purposes. The Museum has raised \$500,000 as of June 30, 2016 and 2015, and has invested this amount with the Community Foundation. The Museum has named itself as the beneficiary of this investment and is entitled to a perpetual income stream in accordance with the Community Foundation's spending policy. The Museum's beneficial interest in this perpetual income stream was recorded in the amount of \$500,000, in accordance with GAAP, as the fair value of the invested assets approximates the net present value of the perpetual income stream. This amount is evaluated annually and adjusted if facts and circumstances are deemed to warrant an impairment or enhancement of the expected perpetual income stream. The income distributions related to this investment are recorded as "investment income from beneficial interest in Community Foundation for Greater Atlanta, Inc." in the statements of activities. Investment income from beneficial interest in assets held by the Community Foundation totaled \$22,837 and \$21,623, respectively, for the years ended June 30, 2016 and 2015.

13. Subsequent Events

Management has evaluated events and transactions which occurred through November 7, 2016, which was the date the financial statements were available to be issued. There are no significant subsequent events requiring recognition or disclosure in the financial statements with the exception to the commitments further discussed in Note 11.

14. Related Party Transactions

A member of the Board of Directors donated \$29,516 and \$33,646 of legal services to the Museum for the years ended June 30, 2016 and 2015, respectively. The value of these services are recorded as in-kind donations in the statement of activities. A member of the Board of Directors has a financial interest in the company that was hired by the Museum to build and design their new website. Amounts capitalized as of June 30, 2015 and included in property and equipment in the accompanying statement of financial position totaled \$36,150. During fiscal 2016, a member of the Board of Directors was employed by the bank in which the Museum held its cash and loan accounts.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.

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SUPPLEMENTARY INFORMATION

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE TOTALS FOR 2015

	Program Services	General and Administrative	Development and Fundraising	2016 Total Expenses	2015 Total Expenses
Salaries and wages	\$ 1,196,792	\$ 143,465	\$ 284,179	\$ 1,624,436	\$ 1,319,891
Benefits and payroll taxes	179,299	19,600	33,148	232,047	208,505
Total personnel	<u>1,376,091</u>	<u>163,065</u>	<u>317,327</u>	<u>1,856,483</u>	<u>1,528,396</u>
Marketing	391,983	30,153	8,615	430,751	140,081
Capital project	87,838	-	87,399	175,237	125,595
Exhibits and education	83,837	-	-	83,837	89,844
Rent	28,247	1,901	543	30,691	4,191
Common area maintenance	39,807	3,062	875	43,744	51,855
Utilities	84,347	6,488	1,854	92,689	90,935
Security	6,550	504	144	7,198	6,839
Transaction processing and finance fees	55,931	1,428	379	57,738	58,641
Interest	31,661	2,435	696	34,792	31,984
Professional fees	50,303	3,869	1,386	55,558	58,785
Depreciation and amortization	379,989	29,230	8,351	417,570	157,536
Telecommunications	17,135	1,318	377	18,830	15,084
Travel and training	41,501	3,291	374	45,166	9,180
Repairs and maintenance	193,380	14,614	4,158	212,152	216,963
Insurance and licenses	37,415	2,101	600	40,116	34,091
Supplies	110,070	7,925	1,102	119,097	55,907
Postage and delivery	17,101	5,249	422	22,772	13,975
Printing and copying	15,563	1,026	306	16,895	42,992
Contract services and temporary help	87,307	1,200	-	88,507	29,116
Dues and subscriptions	2,003	2,249	1,043	5,295	6,343
Recruiting and volunteer appreciation	3,838	609	315	4,762	1,157
Sales tax and miscellaneous expenses	-	-	-	-	243
Total expenses	<u>\$ 3,141,897</u>	<u>\$ 281,717</u>	<u>\$ 436,266</u>	<u>\$ 3,859,880</u>	<u>\$ 2,769,733</u>
2016 Percentage of total expenses	82%	7%	11%		
2015 Percentage of total expenses	74%	12%	14%		

THE CHILDREN'S MUSEUM OF ATLANTA, INC.



OTHER SCHEDULES AS REQUIRED BY  
THE STATE OF GEORGIA

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
 SCHEDULE OF STATE AWARDS EXPENDED  
 FOR THE YEAR ENDED JUNE 30, 2016

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<u>State Contract Number</u>	<u>Earned Revenues</u>	<u>Receipts</u>	<u>Due From (To) State Agency</u>
Pass through Georgia Department of Agriculture - Eat a Rainbow Program and Georgia Farm Exhibition - 14- SCBGP-GA-0013 / CFDA # 10.170	\$ <u>100,000</u>	\$ <u>100,000</u>	\$ <u>-</u>
	\$ <u><u>100,000</u></u>	\$ <u><u>100,000</u></u>	\$ <u><u>-</u></u>