

THE CHILDREN'S MUSEUM  
OF ATLANTA, INC.

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017 AND 2016

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, 2017 and 2016 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, 2017 and 2016, 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 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Brooks, McAnnis & Company, LLC*

Atlanta, Georgia  
October 30, 2017

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 825,714	\$ 811,699
Inventory	26,246	26,389
Prepaid expenses and other assets	147,928	59,927
Pledges receivable, net	384,275	653,024
Certificate of deposit - restricted	150,000	-
Cash restricted for property and equipment and debt reduction	285,000	604,787
Property and equipment, net	6,763,366	7,517,195
Beneficial interest in assets held by Community Foundation for Greater Atlanta, Inc.	<u>500,000</u>	<u>500,000</u>
Total assets	<u>\$ 9,082,529</u>	<u>\$ 10,173,021</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 104,286	\$ 142,255
Unearned revenue	285,876	267,802
Note payable		
Note payable - principal	737,090	764,111
Less unamortized debt issuance costs	<u>(8,775)</u>	<u>(12,172)</u>
Note payable, net	<u>728,315</u>	<u>751,939</u>
Total liabilities	<u>1,118,477</u>	<u>1,161,996</u>
Commitments and contingencies		
Net assets:		
Unrestricted:		
Invested in property and equipment, net of debt	6,035,051	6,765,256
Board designated for long-term investment	500,000	500,000
Available for operations	<u>528,839</u>	<u>275,919</u>
Total unrestricted	7,063,890	7,541,175
Temporarily restricted	<u>900,162</u>	<u>1,469,850</u>
Total net assets	<u>7,964,052</u>	<u>9,011,025</u>
Total liabilities and net assets	<u>\$ 9,082,529</u>	<u>\$ 10,173,021</u>

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, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Public support and revenues:</b>						
Contributions	\$ 229,671	\$ 270,899	\$ 500,570	\$ 92,847	\$ 786,876	\$ 879,723
In-kind contributions	55,923	-	55,923	248,756	-	248,756
Grants	-	293,305	293,305	-	135,000	135,000
Investment income from beneficial interest in assets held by Community Foundation for Greater Atlanta	23,771	-	23,771	22,837	-	22,837
Special events (net of direct costs of \$161,757 and \$153,714)	326,509	-	326,509	197,997	-	197,997
Admissions	1,333,398	-	1,333,398	957,288	-	957,288
Memberships	427,640	-	427,640	323,930	-	323,930
Program fees	203,776	-	203,776	94,868	-	94,868
Facility rental and vending	11,412	-	11,412	12,325	-	12,325
Retail store (net of costs of goods sold of \$72,470 and \$56,146)	73,614	-	73,614	52,785	-	52,785
Other income	10,261	-	10,261	21,444	-	21,444
<b>Total public support and revenues</b>	<b>2,695,975</b>	<b>564,204</b>	<b>3,260,179</b>	<b>2,025,077</b>	<b>921,876</b>	<b>2,946,953</b>
Net assets released from restrictions	1,133,892	(1,133,892)	-	6,060,550	(6,060,550)	-
<b>Total public support, revenues and net assets released from restrictions</b>	<b>3,829,867</b>	<b>(569,688)</b>	<b>3,260,179</b>	<b>8,085,627</b>	<b>(5,138,674)</b>	<b>2,946,953</b>
<b>Expenses:</b>						
Program Services						
Museum, education and program services	3,657,553	-	3,657,553	3,141,897	-	3,141,897
Supporting Services:						
General and administrative	294,902	-	294,902	281,717	-	281,717
Development and fundraising	354,697	-	354,697	436,266	-	436,266
<b>Total expenses</b>	<b>4,307,152</b>	<b>-</b>	<b>4,307,152</b>	<b>3,859,880</b>	<b>-</b>	<b>3,859,880</b>
Increase (decrease) in net assets	(477,285)	(569,688)	(1,046,973)	4,225,747	(5,138,674)	(912,927)
Net assets, beginning of year	7,541,175	1,469,850	9,011,025	3,315,428	6,608,524	9,923,952
Net assets, end of year	<u>\$ 7,063,890</u>	<u>\$ 900,162</u>	<u>\$ 7,964,052</u>	<u>\$ 7,541,175</u>	<u>\$ 1,469,850</u>	<u>\$ 9,011,025</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, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Decrease in net assets	\$ (1,046,973)	\$ (912,927)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation expense	772,655	414,173
Amortization of debt issuance costs	3,397	3,397
Cash proceeds collected on capital campaign	(355,324)	(1,392,028)
Changes in assets and liabilities:		
(Increase) decrease in:		
Inventory	143	(8,901)
Prepaid expenses and other assets	(88,001)	(34,135)
Pledges receivable	268,749	857,040
Grants receivable	-	333,315
Increase (decrease) in:		
Accounts payable and accrued expenses	(37,969)	(77,368)
Unearned revenue	18,074	69,907
Net cash used in operating activities	(465,249)	(747,527)
Cash flows from investing activities:		
Cash restricted for property and equipment	319,787	2,225,792
Purchase of certificate of deposit	(150,000)	-
Construction and purchase of property and equipment	(18,826)	(3,670,569)
Net cash used in investing activities	150,961	(1,444,777)
Cash flows from financing activities:		
Principal payments on note payable	(27,021)	(25,753)
Cash proceeds collected on capital campaign	355,324	1,392,028
Net cash provided by financing activities	328,303	1,366,275
Net decrease in cash and cash equivalents	14,015	(826,029)
Cash and cash equivalents, beginning of year	811,699	1,637,728
Cash and cash equivalents, end of year	\$ 825,714	\$ 811,699
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 33,524	\$ 34,792

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

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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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 over 2.6 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. The new exhibits and expanded space have enabled Museum educators to expand and deepen programs that introduce young children to science, technology, engineering, arts, math, social sciences, geography, and other important topics. Additionally, extensive community outreach programs have reached over 250,000 over the past decade. The Museum is currently developing a new strategic plan to chart its course for the future and to ensure that Atlanta's families and schools continue to benefit from the special experiences that enhance the full development of young children.

Financial Statement Presentation and Basis of Accounting

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.



THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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1. Nature of Organization and Significant Accounting Policies – Continued

Financial Statement Presentation and Basis of Accounting – Continued

- 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, 2017 and 2016.

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.

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 5.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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1. Nature of Organization and Significant Accounting Policies – Continued

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, 2017 or 2016.

Inventory

The Museum records its gift shop inventory at lower of cost or net realizable value 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, 2017 and 2016, 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

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.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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1. Nature of Organization and Significant Accounting Policies – Continued

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, 2017 and 2016.

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 ended June 30, 2017 and 2016, advertising expense totaled \$263,656 and \$347,649, respectively. Donated advertising expense for the year ended June 30, 2017 and 2016 was \$33,416 and \$160,000, respectively, and is included in advertising expense.

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.

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, 2017 and 2016. 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, 2017 and 2016, the Museum's cash balances exceeded the FDIC's insured limits by \$907,715 and \$1,172,667, respectively. Management does not believe the credit risk associated with these uninsured balances is significant.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

Cash and Cash Equivalents and Concentration of Credit Risk – Continued

Cash consisted of the following at June 30:

	2017	2016
Unrestricted	\$ 645,552	\$ 577,024
Restricted for exhibits, education, and other programs	180,162	234,675
Cash and cash equivalents	825,714	811,699
Cash restricted for property and equipment	285,000	604,787
Total cash	\$ 1,110,714	\$ 1,416,486

Unearned Revenue

For the years ended June 30, 2017 and 2016, unearned revenue consists of the unearned portion of membership revenue, as well as prepayments of museum admissions and program fees totaling \$233,276 and \$204,802, respectively. The revenues from Museum memberships are recognized pro-rata over the one-year membership period. In addition, unearned revenue as of June 30, 2017 and 2016 includes \$52,600 and \$63,000, respectively, related to special event ticket sales for the golf tournament.

New Accounting Policy

In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this update.

For the update above, the guidance requires retrospective application and is effective for business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. Accordingly, the amendment has been applied to the December 31, 2015 Statement of Financial Position. The new accounting policy above did not affect net assets.

In July 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which requires the measurement of inventory at the lower of cost and net realizable value. The guidance requires prospective application and is effective for all entities for fiscal years beginning after December 15, 2016. Early adoption is permitted. The Museum elected to early adopt the provisions of this new standard for the year ended June 30, 2017, but this change did not affect the stated value of inventory or results of operations.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

Reclassification

Certain amounts previously reported have been reclassified to conform to the current year financial statement presentation.

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:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 244,305	\$ 429,041
One to five years	165,000	258,000
Less:		
Discount on pledges receivable	(15,030)	(24,017)
Allowance for uncollectible pledges	(10,000)	(10,000)
Pledges receivable, net	<u>\$ 384,275</u>	<u>\$ 653,024</u>

3. Property and Equipment, Net

Property and equipment are summarized as follows at June 30:

	<u>2017</u>	<u>2016</u>
Furniture, fixtures and other	\$ 213,781	\$ 207,704
Museum exhibits	2,941,630	2,936,270
Office equipment	190,337	191,068
Computer hardware	45,997	40,502
Computer software	61,206	58,581
Vehicles	26,187	26,187
Building and improvements	8,013,766	8,013,766
	<u>11,492,904</u>	<u>11,474,078</u>
Less accumulated depreciation	(4,729,538)	(3,956,883)
Total property and equipment, net	<u>\$ 6,763,366</u>	<u>\$ 7,517,195</u>

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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3. Property and Equipment, Net – Continued

Depreciation expense for the years ended June 30, 2017 and 2016 was \$772,655 and \$414,173, respectively.

4. Note Payable

Previously, the Museum refinanced its existing debt with a 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 interest rate on the loan at June 30, 2017 and 2016 was 4.40%. The Museum incurred interest expense of \$33,524 and \$34,792 for the years ended June 30, 2017 and 2016, respectively. The loan also requires the Museum to maintain a debt service ratio of at least 1:1. At June 30, 2017 and 2016, the Museum was in compliance with or obtained waivers for this covenant. The balance of the note payable as of June 30, 2017 and 2016 is \$737,090 and \$764,111, respectively. The maturity date of the loan is January 22, 2020. Loan closing costs totaling \$16,985 are amortized over the loan period of 60 months using the straight-line method, which approximates the effective interest method. Total accumulated amortization at June 30, 2017 and 2016 was \$8,210 and \$4,813, respectively. For both of the years ended June 30, 2017 and 2016, amortization charged to expense was \$3,397 and is included in interest expense on the Schedule of Functional Expenses.

The Museum has a line of credit in the amount of \$200,000 with the same financial institution. The interest rate at June 30, 2017 and 2016 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, 2017 and 2016. 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>	
2018	\$ 28,251
2019	29,537
2020	<u>679,302</u>
	<u>\$ 737,090</u>

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

5. 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 ended June 30:

	<u>2017</u>	<u>2016</u>
Advertising and marketing	\$ 33,416	\$ 179,638
Special events	13,500	1,730
Legal services	12,000	32,253
Property and equipment	-	31,109
Other	10,507	5,756
Total donated services, materials and facilities	<u>\$ 69,423</u>	<u>\$ 250,486</u>

6. Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Purpose and time restricted for capital campaign	\$ 720,000	\$ 1,231,925
Purpose and time restricted for the endowment fund	-	3,250
Purpose and time restricted for education and other programs	154,594	206,814
Purpose restricted for museum exhibits	<u>25,568</u>	<u>27,861</u>
Total temporarily restricted net assets	<u>\$ 900,162</u>	<u>\$ 1,469,850</u>

7. 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 ended June 30:

	<u>2017</u>	<u>2016</u>
Capital campaign and debt reduction	\$ 525,110	\$ 5,337,464
Endowment fund	3,250	14,250
Museum exhibits	165,598	144,728
Education and other programs and activities	429,934	564,108
Other	<u>10,000</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 1,133,892</u>	<u>\$ 6,060,550</u>

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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8. 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.

9. 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>	
2018	\$ 4,536
2019	4,536
2020	3,336
2021	<u>756</u>
	<u>\$ 13,164</u>

Rent expense for the years ended June 30, 2017 and 2016 was \$4,586 and \$4,771, respectively.

10. Commitments and Contingencies

The Museum entered into various contracts during fiscal 2017 related to exhibits. The total of these contracts is \$240,000 with \$118,000 outstanding at June 30, 2017. The Museum also signed various maintenance contracts for fiscal years 2017 through 2022, totaling \$88,659. Finally, during the year ended June 30, 2017, the Museum entered into a contract to obtain accounting and other software for the Museum. The contract ends in fiscal 2021. The total remaining on this contract is approximately \$69,261 at June 30, 2017.

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.



THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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11. 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 \$23,771 and \$22,837 for the years ended June 30, 2017 and 2016, respectively.

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, 2017 and 2016, 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 beneficial interest is included in designated net assets on the Statements of Financial Position. 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 \$23,771 and \$22,837, respectively, for the years ended June 30, 2017 and 2016.

12. Related Party Transactions

Various members of the Board of Directors donated legal services to the Museum totaling \$12,000 and \$29,516 for the years ended June 30, 2017 and 2016, respectively. The value of these services are recorded as in-kind donations in the statement of activities. During fiscal 2017 and 2016, a member of the Board of Directors was employed by the bank in which the Museum held its cash and loan accounts. Various members of the Board of Directors work for broadcasting companies who the Museum paid a total of \$47,410 to for advertising during the year ended June 30, 2017.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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13. Subsequent Events

Management has evaluated events and transactions which occurred through October 30, 2017, 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.

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, 2017  
WITH COMPARATIVE TOTALS FOR 2016

	Program Services	General and Administrative	Development and Fundraising	2017 Total Expenses	2016 Total Expenses
Salaries and wages	\$ 1,359,951	\$ 147,906	\$ 273,084	\$ 1,780,941	\$ 1,624,436
Benefits and payroll taxes	204,258	17,749	33,924	255,931	232,047
Total personnel	1,564,209	165,655	307,008	2,036,872	1,856,483
Marketing	312,490	24,038	6,868	343,396	430,751
Capital project	-	-	-	-	175,237
Exhibits and education	159,628	-	-	159,628	83,837
Rent	45,708	3,331	952	49,991	30,691
Common area maintenance	44,286	3,407	973	48,666	43,744
Utilities	84,076	6,467	1,848	92,391	92,689
Security	10,484	757	216	11,457	7,198
Transaction processing and finance fees	81,619	1,904	544	84,067	57,738
Interest	33,598	2,584	738	36,920	38,189
Professional fees	35,967	3,530	1,602	41,099	55,558
Depreciation	703,116	54,086	15,453	772,655	414,173
Telecommunications	19,058	1,466	419	20,943	18,830
Travel and training	52,711	2,880	5,464	61,055	45,166
Repairs and maintenance	188,601	13,997	3,999	206,597	212,152
Insurance and licenses	41,078	3,224	904	45,206	40,116
Supplies	102,728	2,310	1,346	106,384	119,097
Postage and delivery	40,770	1,019	1,516	43,305	22,772
Printing and copying	21,371	1,175	683	23,229	16,895
Contract services and temporary help	82,582	32	1,159	83,773	88,507
Dues and subscriptions	5,691	1,351	2,341	9,383	5,295
Recruiting and volunteer appreciation	3,149	339	277	3,765	4,762
Bad debt	16,965	1,305	373	18,643	-
Sales tax and miscellaneous expenses	7,668	45	14	7,727	-
Total expenses	\$ 3,657,553	\$ 294,902	\$ 354,697	\$ 4,307,152	\$ 3,859,880
2017 Percentage of total expenses	85%	7%	8%		
2016 Percentage of total expenses	82%	7%	11%		