

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

PERIOD FROM JANUARY 1
TO JUNE 30, 2015

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

PERIOD FROM JANUARY 1 TO JUNE 30, 2015

CONTENTS

	Page
Independent Accountant's Review Report	1
Statement of Financial Position.....	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows.....	5
Notes to Financial Statements	6

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
The Zimmer Children's Museum

We have reviewed the accompanying statement of financial position of The Zimmer Children's Museum (a nonprofit organization) (the Museum) for the period from January 1 to June 30, 2015, and the related statements of activities, functional expenses and cash flows for the period then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Museum management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

August 18, 2015
Los Angeles, California

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS

Cash	\$	58,186
Investments		539,779
Contributions Receivable		27,962
Prepaid Expenses		29,099
Property and Equipment (Net)		<u>149,681</u>
TOTAL ASSETS	\$	<u><u>804,707</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts Payable and Accrued Liabilities	\$	44,886
Deferred Revenue		89,095
Line of Credit		<u>50,000</u>
TOTAL LIABILITIES		183,981

NET ASSETS:

Unrestricted:		
Undesignated		80,947
Board Designated		<u>539,779</u>
TOTAL UNRESTRICTED NET ASSETS		<u>620,726</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>804,707</u></u>

See Independent Accountant's Review Report and Accompanying Notes

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Period from January 1 to June 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Contributions	\$ 130,694	\$ -	\$ 130,694
Government Grants and Contracts	9,450	-	9,450
Foundation and Corporate Grants	182,300	-	182,300
Fees for Service	289,961	-	289,961
Membership Income	83,029	-	83,029
Special Events (Net of Costs of Direct Donor Benefits of \$39,340)	102,574	-	102,574
Allocation from Jewish Federation Council	189,000	-	189,000
Investment Income (Net)	2,944	-	2,944
Net Assets Released from Time Restrictions	50,000	(50,000)	-
TOTAL REVENUE AND SUPPORT	1,039,952	(50,000)	989,952
EXPENSES:			
Program Services:			
Museum	550,170	-	550,170
youTHink	366,726	-	366,726
TOTAL PROGRAM SERVICES	916,896	-	916,896
Supporting Services:			
Management and General	211,602	-	211,602
Fundraising	97,441	-	97,441
TOTAL SUPPORTING SERVICES	309,043	-	309,043
TOTAL EXPENSES	1,225,939	-	1,225,939
CHANGE IN NET ASSETS	(185,987)	(50,000)	(235,987)
Net Assets - Beginning of Period	806,713	50,000	856,713
NET ASSETS - END OF PERIOD	\$ 620,726	\$ -	\$ 620,726

See Independent Accountant's Review Report and Accompanying Notes

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Period from January 1 to June 30, 2015

	Program Services			Support Services			Total
	Museum Programs	youTHink Programs	Total Program Services	Management and General	Fundraising	Total Support Services	
Payroll	\$ 214,196	\$ 193,745	\$ 407,941	\$ 133,375	\$ 62,339	\$ 195,714	\$ 603,655
Payroll Taxes and Employee Benefits	69,833	65,202	135,035	36,113	12,224	48,337	183,372
TOTAL PERSONNEL COSTS	284,029	258,947	542,976	169,488	74,563	244,051	787,027
Bank Fees	6,645	6,010	12,655	4,137	1,934	6,071	18,726
Depreciation	12,504	11,310	23,814	7,786	3,639	11,425	35,239
Direct Program Expenses	92,235	43,318	135,553	-	-	-	135,553
Equipment	977	884	1,861	608	284	892	2,753
Insurance	1,421	1,286	2,707	885	414	1,299	4,006
Miscellaneous	318	284	602	195	91	286	888
Office Supplies	2,959	2,676	5,635	1,842	861	2,703	8,338
Postage	597	540	1,137	372	174	546	1,683
Printing	230	208	438	143	67	210	648
Professional Fees	5,852	23,384	29,236	16,098	7,524	23,622	52,858
Rent and Occupancy	135,892	11,990	147,882	5,995	5,995	11,990	159,872
Staff Training	79	72	151	49	23	72	223
Telephone	4,123	3,729	7,852	2,567	1,200	3,767	11,619
Travel and Meetings	2,309	2,088	4,397	1,437	672	2,109	6,506
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 550,170	\$ 366,726	\$ 916,896	\$ 211,602	\$ 97,441	\$ 309,043	\$ 1,225,939

See Independent Accountant's Review Report and Accompanying Notes

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS Period from January 1 to June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (235,987)
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:	
Depreciation	35,239
Net Realized and Unrealized Loss on Investments	6,435
Decrease (Increase) in:	
Grants Receivable	9,650
Contributions Receivable	105,252
Prepaid Expenses	(11,098)
(Decrease) Increase in:	
Accounts Payable and Accrued Liabilities	(25,472)
Deferred Revenue	23,609

NET CASH USED IN OPERATING ACTIVITIES (92,372)

CASH FLOWS USED IN INVESTING ACTIVITIES:

Reinvested Interest and Dividends	(9,379)
Purchase of Property and Equipment	(2,209)

NET CASH USED IN INVESTING ACTIVITIES (11,588)

NET DECREASE IN CASH (103,960)

Cash - Beginning of Period 162,146

CASH - END OF PERIOD \$ 58,186

See Independent Accountant's Review Report and Accompanying Notes

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - ORGANIZATION

The Zimmer Children's Museum (the Museum), a California nonprofit corporation, operates the *Zimmer Children's Museum* and *youTHink* in Los Angeles, California. The Museum incorporates community values and ethics to teach children and their families about making a difference in their homes and in the world. The Museum promotes community responsibility and cultural sensitivity by highlighting the concepts of respect for others, generosity of heart, helping those in need, accepting differences and celebrating uniqueness. Through its on-site activities and public school-based *youTHink* programs, the Museum reaches broad audiences and is a venue for visitors of varied backgrounds to discover shared ideals.

The Museum is an affiliated agency of the Jewish Federation Council of Greater Los Angeles (JFC). The accompanying financial statements exclude the accounts of JFC and any other organization affiliated with JFC, as the organizations operate independently and none of the assets of any organization are used to finance the operations of the other organizations. JFC provides certain services to the Museum including administration of the pension and other employee benefit plans, and obtaining general and liability insurance. The Museum reimburses JFC for the costs of these services on a monthly basis. The Museum received an allocation from JFC of \$189,000 for the period from January 1 to June 30, 2015.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Museum are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted-Undesignated.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions. The Museum has \$80,947 of unrestricted undesignated net assets at June 30, 2015.
- **Unrestricted-Board Designated.** These are comprised of resources which the Board of Directors has designated for investment purposes to be maintained as reserves for future use to fund the general operations of the Museum with prior approval from the Board of Directors. Accordingly, these amounts are shown as Board designated net assets. The balance at June 30, 2015 was \$539,779.

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **Temporarily Restricted.** The Museum reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Donor restricted contributions whose restrictions have been met in the same reporting period are reported as unrestricted support in the statement of activities. The Museum has no temporarily restricted net assets at June 30, 2015.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Museum to expend all of the income (or other economic benefits) derived from the donated assets. The Museum has no permanently restricted net assets at June 30, 2015.

(c) CASH

The Museum maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Museum has not experienced any losses in such accounts. The Museum believes it is not exposed to any significant credit risk on cash.

(d) INVESTMENTS

Investments in cash equivalents, equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

Unconditional contributions, including pledges, are recorded at fair value and are recognized as revenue in the period received. The Museum reports unconditional contributions as restricted support if such contributions are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met.

As of June 30, 2015, the Museum evaluated the collectability of contributions receivable and determined that an allowance for uncollectible contributions receivable was not deemed necessary.

(f) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Property and equipment are capitalized if the cost of the asset is greater than or equal to \$500 and the useful life is greater than one year. Depreciation is computed on the straight-line basis over the estimated useful lives of the property and equipment as follows:

Museum Exhibits	7 Years
Furniture and Equipment	5 Years
Computers and Information Technology Equipment	3 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

(g) LONG-LIVED ASSETS

The Museum reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the period from January 1 to June 30, 2015.

(h) DEFERRED REVENUE

Deferred revenue includes funds received, in advance, for membership dues, special event fees and conditional grants. Membership dues are recognized as income over the period of the membership while special event fees and conditional grants are deferred and recognized as income in the period in which the related services are performed.

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) GOVERNMENT GRANTS AND CONTRACTS

The Museum recognizes revenue to the extent of eligible costs incurred up to the maximum subcontract or grant amount.

(j) CONTRIBUTED GOODS AND SERVICES

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the period from January 1 to June 30, 2015, the Museum received in-kind donations of goods and services (Refer to Note 10).

(k) INCOME TAXES

The Museum is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d).

(l) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Museum's programs and other activities have been presented in the statement of functional expenses. During the period from January 1 to June 30, 2015, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Allocations are based on management's estimate of the benefit derived from costs as they relate to each activity. Rent and depreciation are based on square footage. Other shared costs are based on employee salaries per department.

(m) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(n) SUBSEQUENT EVENTS

The Museum has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2015 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through August 18, 2015, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - INVESTMENTS

The Museum has implemented accounting standards which define fair value for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about the Museum's assets that are measured at fair value on a recurring basis at June 30, 2015 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Period from January 1 to June 30, 2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	\$ 8,198	\$ 8,198	\$ -	\$ -
Mutual Funds:				
Managed Futures	27,029	27,029	-	-
Real Estate	16,496	16,496	-	-
Mid-Cap Blend	39,406	39,406	-	-
Mid-Cap Growth	23,139	23,139	-	-
Large Growth	98,309	98,309	-	-
Foreign Large Growth	21,442	21,442	-	-
Foreign Large Blend	119,944	119,944	-	-
Bonds:				
High Yield Bond	62,995	62,995	-	-
Intermediate Term Bond	95,903	95,903	-	-
Nontraditional Bond	26,918	26,918	-	-
TOTAL INVESTMENTS	\$ 539,779	\$ 539,779	\$ -	\$ -

The fair values of mutual funds and debt securities within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal period.

Net investment income consists of the following for the period from January 1 to June 30, 2015:

Interest and Dividends	\$ 9,379
Net Realized and Unrealized Loss	(6,435)
NET INVESTMENT INCOME	\$ 2,944

THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions receivable are for future operations of the Museum and are expected to be realized in less than one year.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 are summarized as follows:

Museum Exhibits	\$ 478,539
Furniture and Equipment	111,994
Computers and Information Technology Equipment	<u>107,078</u>
TOTAL	697,611
Less: Accumulated Depreciation	<u>(547,930)</u>
NET PROPERTY AND EQUIPMENT	<u><u>\$ 149,681</u></u>

Depreciation expense for the period from January 1 to June 30, 2015 was \$35,239.

NOTE 6 - LINE OF CREDIT

The Museum has a revolving bank line of credit through March 2016 with maximum borrowing of up to \$250,000. The line of credit is secured by the Museum's financial assets and bears interest at the prime rate plus 0.50%. At June 30, 2015, there was \$50,000 outstanding on the line of credit. The prime rate was 3.25% at June 30, 2015.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2015 consist of the following:

Accounts Payable	\$ 14,492
Accrued Vacation	25,225
Accrued Payroll and Payroll Taxes	<u>5,169</u>
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u><u>\$ 44,886</u></u>

THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 - DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2015:

Membership Dues	\$ 48,595
Special Events	<u>40,500</u>
<i>TOTAL DEFERRED REVENUE</i>	<u>\$ 89,095</u>

NOTE 9 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Museum leases office space and facilities under a month-to-month operating lease from JFC.

Rent and occupancy expense under operating leases for the period from January 1 to June 30, 2015 was \$159,872. Rent and occupancy payments are withheld from the monthly allocation support received from JFC.

(b) GOVERNMENT GRANTS

The Museum's grants are subject to inspection and audit by the corresponding funding agencies. The purpose is to determine whether the funds were used in accordance with funding agency guidelines and regulations. The potential exists for disallowance of previously funded costs. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined.

NOTE 10 - CONTRIBUTED GOODS AND SERVICES

During the period from January 1 to June 30, 2015, the Museum received in-kind donations of \$6,777, which were included in special event costs.

NOTE 11 - RETIREMENT PLAN

The Zimmer Children's Museum participates with other agencies in the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles, (employer identification number: 95-1643388; plan number: 001), a multiemployer defined benefit and contribution pension plan (the Multiemployer Plan). The risks of participating in the Multiemployer Plan are different from single-employer plans in the following aspects:

- Assets contributed to the Multiemployer Plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Museum chooses to stop participating in the Multiemployer Plan, the Museum may be required to pay the Multiemployer Plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

THE ZIMMER CHILDREN'S MUSEUM

(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 11 - RETIREMENT PLAN (continued)

The Multiemployer Plan covers substantially all employees. The Museum's contribution to the defined benefit pension plan and defined contribution pension plan for the period from January 1 to June 30, 2015 totaled \$64,796 and \$9,793, respectively. Management believes the defined benefit pension plan is underfunded; however, the amount attributable to the Museum is indeterminable at this time and, therefore, any underfunding is not reflected on the accompanying financial statements.

On January 1, 2014, the Plan's funded percentage was 80% (the Green Zone). The funded percentage is determined by dividing the value of the plan's assets by the plan's liability for accrued pension benefits, measured as of the first day of the plan year.

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the Multiemployer Plan currently and in future years. The funding policy of the Multiemployer Plan is to fund the plan based on contributions from the Participating Employers. The Participating Employers are required to make contributions that, collectively, are designed to meet or exceed the minimum ERISA funding requirements. The minimum ERISA funding requirements are determined by an actuary on an annual basis. The Participating Employers' contributions for the Multiemployer Plan's year ended December 31, 2014 exceeded the minimum funding requirements of ERISA.

The Plan has been amended to provide that employees hired after December 31, 2005 will not be eligible to participate in the defined benefit pension plan; in response the Museum has established an Internal Revenue Code Section 403(b) retirement plan for the benefit of all full-time employees hired after December 31, 2005 (the retirement plan).

At its discretion, the Museum may match participant contributions. During the period from January 1 to June 30, 2015, the Museum did not contribute to the retirement plan.