

THE ZIMMER CHILDREN'S MUSEUM

(A CALIFORNIA NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

June 30, 2018
(With Comparative Totals for 2017)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Zimmer Children's Museum

Report on the Financial Statements

We have audited the accompanying financial statements of The Zimmer Children's Museum (the Museum), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Museums' 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the 2017 audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
January 25, 2019

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

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

ASSETS

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 2,088,039	\$ 189,121
Investments	467,732	454,312
Contributions receivable	4,379,971	328,556
Prepaid expenses	24,265	15,589
Property and equipment, net	956,121	135,341
TOTAL ASSETS	\$ 7,916,128	\$ 1,122,919

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued liabilities	\$ 216,670	\$ 106,181
Line of credit	25,000	-
Deferred revenue	112,346	139,258
TOTAL LIABILITIES	354,016	245,439

COMMITMENTS AND CONTINGENCIES (Note 10)

NET ASSETS		
Unrestricted net assets		
Undesignated	823,568	183,168
Board designated	467,732	454,312
	1,291,300	637,480
Temporarily restricted net assets	6,270,812	240,000
TOTAL NET ASSETS	7,562,112	877,480
TOTAL LIABILITIES AND NET ASSETS	\$ 7,916,128	\$ 1,122,919

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

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 534,163	\$ 7,257,000	\$ 7,791,163	\$ 743,883
Foundation and corporate grants	255,050	-	255,050	536,000
Government grants and contracts	25,715	-	25,715	39,580
Fees for service	598,403	-	598,403	729,768
Membership income	130,476	-	130,476	146,066
Special events (net of costs of direct donor benefits of \$219,768 and \$193,433, respectively)	554,718	-	554,718	582,735
Donated services	48,695	-	48,695	91,460
Investment gains, net	12,680	-	12,680	35,156
Net assets released from restrictions	<u>1,226,188</u>	<u>(1,226,188)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>3,386,088</u>	<u>6,030,812</u>	<u>9,416,900</u>	<u>2,904,648</u>
EXPENSES				
Program services				
Museum	1,007,926	-	1,007,926	1,183,221
youTHink	<u>513,588</u>	<u>-</u>	<u>513,588</u>	<u>562,885</u>
Total program services	<u>1,521,514</u>	<u>-</u>	<u>1,521,514</u>	<u>1,746,106</u>
Supporting services				
Management and general	272,302	-	272,302	368,834
Fundraising	<u>938,452</u>	<u>-</u>	<u>938,452</u>	<u>443,893</u>
Total supporting services	<u>1,210,754</u>	<u>-</u>	<u>1,210,754</u>	<u>812,727</u>
TOTAL EXPENSES	<u>2,732,268</u>	<u>-</u>	<u>2,732,268</u>	<u>2,558,833</u>
CHANGE IN NET ASSETS	653,820	6,030,812	6,684,632	345,815
NET ASSETS, BEGINNING OF YEAR	<u>637,480</u>	<u>240,000</u>	<u>877,480</u>	<u>531,665</u>
NET ASSETS, END OF YEAR	<u>\$ 1,291,300</u>	<u>\$ 6,270,812</u>	<u>\$ 7,562,112</u>	<u>\$ 877,480</u>

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

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018						2017	
	Program Services			Support Services			Total	Total
	Museum Programs	youTHink Programs	Total Program Services	Management and General	Fundraising	Total Support Services		
Payroll	\$ 544,833	\$ 250,625	\$ 795,458	\$ 115,673	\$ 430,560	\$ 546,233	\$ 1,341,691	\$ 1,316,003
Payroll taxes and employee benefits	82,703	56,765	139,468	20,286	151,618	171,904	311,372	303,777
TOTAL PERSONNEL COSTS	627,536	307,390	934,926	135,959	582,178	718,137	1,653,063	1,619,780
Bank fees	16,147	7,428	23,575	3,428	12,760	16,188	39,763	34,798
Direct program expenses	81,198	140,488	221,686	-	-	-	221,686	299,436
Insurance	3,474	1,598	5,072	738	2,745	3,483	8,555	6,720
Legal fees, donated	-	-	-	48,695	-	48,695	48,695	91,460
Miscellaneous	2,075	954	3,029	441	9,631	10,072	13,101	7,875
Office supplies	2,408	1,108	3,516	511	1,903	2,414	5,930	5,516
Postage	1,383	636	2,019	294	1,093	1,387	3,406	2,672
Printing	2,611	1,201	3,812	554	2,064	2,618	6,430	2,301
Professional fees	34,577	18,441	53,018	63,397	299,541	362,938	415,956	244,000
Rent and occupancy	197,316	14,245	211,561	7,179	7,179	14,358	225,919	157,833
Staff training	4,031	2,150	6,181	1,254	1,523	2,777	8,958	1,562
Telephone	7,922	3,644	11,566	1,682	6,261	7,943	19,509	20,208
Travel and meetings	3,104	1,428	4,532	659	2,453	3,112	7,644	9,355
Depreciation	24,144	12,877	37,021	7,511	9,121	16,632	53,653	55,317
TOTAL FUNCTIONAL EXPENSES	\$ 1,007,926	\$ 513,588	\$ 1,521,514	\$ 272,302	\$ 938,452	\$ 1,210,754	\$ 2,732,268	\$ 2,558,833

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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,684,632	\$ 345,815
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	53,653	55,317
Net realized and unrealized gains on investments	(8,327)	(26,731)
Donated stock	(31,428)	-
Proceeds from capital campaign	(3,209,750)	(68,200)
Change in operating assets and liabilities:		
Contributions receivable	(4,051,415)	(177,750)
Prepaid expenses	(8,676)	24,018
Accounts payable and accrued liabilities	110,489	20,901
Deferred revenue	(26,912)	(128,801)
Net Cash Provided By Operating Activities	(487,734)	44,569
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	326,538	199,666
Purchases of investments	(296,453)	(106,668)
Reinvested interests and dividends	(3,750)	(8,425)
Purchases of property and equipment	(874,433)	(21,786)
Net Cash Provided By (Used In) Investing Activities	(848,098)	62,787
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital campaign	3,209,750	68,200
Drawdown on line of credit	25,000	-
Net Cash Provided By Financing Activities	3,234,750	68,200
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,898,918	175,556
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	189,121	13,565
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,088,039	\$ 189,121

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

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.

On February 17, 2017, the Museum's Board of Directors voted to change the name of the organization to Sharewell. The organization has filed a Fictitious Business Name Statement and is in the process of amending the articles of incorporation and bylaws.

During 2017, the Museum began a capital campaign to raise funds for the buildout of a new children's museum, to be named the Cayton Children's Museum. The Museum's new location will feature a new, expanded experience and a curated museum shop with a budgeted cost of \$10.7 million. The campaign will continue through 2019 with an estimated opening date of Spring 2019.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

THE ZIMMER CHILDREN'S MUSEUM
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted-Undesignated - Net assets that are not subject to donor-imposed restrictions.

Unrestricted-Board Designated - These are comprised of resources that 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.

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.

Permanently Restricted - Net assets that have been restricted by the donor in perpetuity and cannot be expended by the Museum. Generally, the donors of these assets permit the Museum to use the income earned on these assets for general or specific purposes. The Museum had no permanently restricted net assets at June 30, 2018 and 2017.

Prior-Period Information

The financial statements include certain prior-period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**THE ZIMMER CHILDREN'S MUSEUM
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Museum considers all short-term financial instruments purchased with original maturities of three months or less to be cash equivalents. 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.

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.

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. Unconditional pledges expected to be collected in future years are recorded at the present value of expected future cash flows discounted at an appropriate discount rate commensurate with the risks involved. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions and Contributions Receivable (Continued)

As of June 30, 2018 and 2017, the Museum evaluated the collectability of contributions receivable and determined that an allowance for uncollectible contributions receivable was not deemed necessary.

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.

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 years ended June 30, 2018 and 2017.

Revenue Recognition and Deferred Revenue

Fees for service revenues are recognized when service is rendered. Membership dues are recognized as income over the period of the membership. Deferred revenue includes funds received in advance for summer camp fees and prorated membership dues.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Government Grants and Contracts

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

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. The Museum received \$48,695 and \$91,460 of in-kind donated legal services during the year ended June 30, 2018 and 2017, respectively, included in management and general support service expense in the accompanying statement of functional expenses.

Income Taxes

The Museum is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and corresponding state provisions.

The Museum recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Museum is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

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 year, 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.

THE ZIMMER CHILDREN'S MUSEUM
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with the cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Museum is currently evaluating the impact of the adoption of the new standard on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Museum is currently evaluating the impact of the adoption of the new standard on the financial statements.

In August 2016, the FASB released ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017. The Museum is currently evaluating the impact of the adoption of the new standard on the financial statements.

**THE ZIMMER CHILDREN'S MUSEUM
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

In June 2018, the FASB issues ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Museum is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through January 25, 2019, the date the financial statements were available to be issued.

Subsequent to year-end, the Museum entered into a 4-year line of credit with a capacity of \$4,500,000 that matures November 2020 and a promissory note of \$1,500,000 that is due August 2020.

NOTE 3 – Investments

The Museum has implemented accounting standards which define fair value for those assets 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.

THE ZIMMER CHILDREN'S MUSEUM
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

NOTE 3 – Investments (Continued)

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 Museum's investments are measured at fair value on a recurring basis and classified as level 1 in the fair value hierarchy at June 30, 2018 and 2017. The investments are as follows:

	For the Year Ended June 30,	
	2018	2017
Mutual funds	\$ 467,732	\$ 430,508
Exchange traded funds	-	23,804
Total investments	<u>\$ 467,732</u>	<u>\$ 454,312</u>

Net investment gains consist of the following:

	For the Year Ended June 30,	
	2018	2017
Interest and dividends, net	\$ 4,353	\$ 8,425
Net realized and unrealized gains	8,327	26,731
Investment gains, net	<u>\$ 12,680</u>	<u>\$ 35,156</u>

**THE ZIMMER CHILDREN'S MUSEUM
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

NOTE 4 – Contributions Receivable

Expected future collections of contributions receivable, including pledges for the capital campaign, as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>		
2019	\$	1,481,471
2020		1,374,500
2021		1,362,000
2022		362,000
		<u>4,579,971</u>
Less unamortized discount of 2.5%		<u>(200,000)</u>
		<u>\$ 4,379,971</u>

NOTE 5 – Property and Equipment

Property and equipment are summarized as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Museum exhibits	\$ 554,658	\$ 553,920
Furniture, equipment, and computers	251,008	246,148
Construction in progress	868,835	-
	<u>1,674,501</u>	<u>800,068</u>
Less accumulated depreciation and amortization	<u>(718,380)</u>	<u>(664,727)</u>
	<u>\$ 956,121</u>	<u>\$ 135,341</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$53,653 and \$55,317, respectively.

Included in construction in progress are costs relating to the new museum location. (See Note 1.)

**THE ZIMMER CHILDREN'S MUSEUM
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)**

NOTE 6 – Line of Credit

The Museum has a revolving bank line of credit with a financial institution. The line of credit is secured by the Museum's investment portfolio and bears interest at the prime rate (5.0% at June 30, 2018) plus 0.50%. The maximum borrowable amount is the lesser of (i) \$250,000 and (ii) the fair market value of the eligible securities pledged as collateral multiplied by the weighted average of predetermined advance rates. At June 30, 2018, there was a \$25,000 balance outstanding on the line of credit. At June 30, 2017, there was no balance outstanding on the line of credit.

NOTE 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	June 30,	
	2018	2017
Accounts payable	\$ 123,291	\$ 44,345
Accrued vacation	44,652	43,476
Accrued payroll and payroll taxes	48,728	18,360
	\$ 216,671	\$ 106,181

NOTE 8 – Deferred Revenue

Deferred revenue consists of the following:

	June 30,	
	2018	2017
Summer camp fees	\$ 78,771	\$ 79,466
Membership dues	33,575	59,792
	\$ 112,346	\$ 139,258

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

NOTE 9 – Temporarily Restricted Net Assets

At June 30, 2018, temporary restricted net assets of \$6,270,812 were restricted for construction of the new Museum and a future endowment as part of the capital campaign.

NOTE 10 – Commitments and Contingencies

Operating Leases

The Museum leases office space and facilities under an operating lease from JFC that expires in February 2019. Rent and occupancy payments are withheld from the monthly allocation support received from JFC. Rent and occupancy expense for the years ended June 30, 2018 and 2017 was \$225,919 and \$157,833, respectively.

The Museum executed a new operating lease in December 2017, which is set to commence on January 1, 2019, for the location of the new museum. The monthly rent amount will increase by 3% annually, beginning January 1, 2022. The lease will expire on September 30, 2038, with the option to extend. No monthly rent payments were made during the year ended June 30, 2018 in relation to this lease.

The following schedule represents future minimum lease payments under noncancelable operating leases as of June 30, 2018:

<u>Year Ending</u> <u>June 30,</u>	
2019	\$ 466,935
2020	807,011
2021	819,429
2022	853,047
2023	878,638
Thereafter	<u>17,179,244</u>
	<u>\$ 21,004,304</u>

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

NOTE 10 – Commitments and Contingencies (Continued)

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 cannot be determined.

NOTE 11 – Retirement Plans

Multiemployer Plan

Through December 31, 2017, the Zimmer Children's Museum participated with other agencies in the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles (JFC), (employer identification number: 95-1643388; plan number: 001), a multiemployer defined benefit and contribution pension plan (the Multiemployer Plan). The Multiemployer Plan covers substantially all employees. 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.

At its discretion, the Museum may match participant contributions. The Museum's contributions to the defined benefit pension plan and defined contribution pension plan for the year ended June 30, 2018 totaled \$69,820 and \$18,033, 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.

THE ZIMMER CHILDREN'S MUSEUM
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

NOTE 11 – Retirement Plan (Continued)

Multiemployer Plans (Continued)

On January 1, 2018, the Multiemployer Plan's funded percentage was more than 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 Multiemployer Plan did not have a surcharge imposed and neither a funding improvement plan nor a rehabilitation plan was in place during the year ended June 30, 2018.

The law requires that every pension plan have a procedure for establishing a funding policy to carry out 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 June 30, 2018 exceeded the minimum funding requirements of ERISA.

The Multiemployer 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. There were no employer contributions to the 403(b) retirement plan for the years ended June 30, 2018 and 2017.

The Museum ended its participation in the Multipemployer Plan effective December 31, 2017, and as a result, set up a new Profit-Sharing Plan.

Profit-Sharing Plan

The Zimmer Children's Museum established a defined contribution retirement plan, the Sharewell 401(k) Plan, effective January 1, 2018. Generally, all employees are eligible and may make rollover contributions to the defined contribution retirement plan up to the maximum allowed by law. The defined contribution retirement plan allows for employer profit sharing contributions at the discretion of the Museum, which generally vest after three years. The Museum's contributions to the defined contribution retirement plan for the year ended June 30, 2018 totaled \$19,183.