

PORTLAND CHILDREN'S MUSEUM

Audited Financial Statements

For the Year Ended June 30, 2018



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Portland Children's Museum

We have audited the accompanying financial statements of Portland Children's Museum (a nonprofit corporation), 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.

Auditor's 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 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 organization'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 organization'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 Portland Children's Museum as of June 30, 2018, and 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.

Other Matter

The prior year summarized comparative information has been derived from the Organization's 2017 financial statements which were audited by other auditors whose reported dated September 27, 2017 expressed an unmodified opinion on those statements.

McDonald Jacobson, P.C.

Portland, Oregon
September 27, 2018

PORTLAND CHILDREN'S MUSEUM
STATEMENT OF FINANCIAL POSITION
June 30, 2018
(with comparative totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 819,787	\$ 908,389
Accounts receivable	58,706	66,837
Pledges receivable, net	316,551	443,851
Inventory	24,187	30,143
Prepaid expenses	20,299	25,491
Bargain land lease	3,896,856	3,987,455
Property, equipment and exhibits, net	2,633,762	2,592,379
 TOTAL ASSETS	 \$ 7,770,148	 8,054,545
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 193,236	\$ 157,188
Accrued personnel expenses and other liabilities	332,688	305,116
Deferred revenue	150,065	130,985
Notes payable	135,472	266,649
Total liabilities	811,461	859,938
Net assets:		
Unrestricted:		
Undesignated	1,122	171,434
Net property, equipment and exhibits	2,498,290	2,325,730
Total unrestricted	2,499,412	2,497,164
Temporarily restricted	4,459,275	4,697,443
Total net assets	6,958,687	7,194,607
 TOTAL LIABILITIES AND NET ASSETS	 \$ 7,770,148	 \$ 8,054,545

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM
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:				
Program and admission fees	\$ 1,742,680	\$ 565,370	\$ 2,308,050	\$ 2,187,702
Memberships	702,035	-	702,035	667,772
Grants and contributions	360,902	358,022	718,924	1,036,782
Preschool income	365,291	-	365,291	364,745
Donated rent, utilities and maintenance	547,823	-	547,823	486,134
Merchandise and food sales, net of cost of goods sold of \$59,372 in 2018 (\$63,306 in 2017)	64,619	-	64,619	92,146
Special events, net of direct costs of \$98,993 in 2018 (\$102,812 in 2017)	14,584	-	14,584	30,445
Other income	68,866	-	68,866	89,937
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,070,961	(1,070,961)	-	-
Satisfaction of time restrictions	90,599	(90,599)	-	-
Total revenue and support	<u>5,028,360</u>	<u>(238,168)</u>	<u>4,790,192</u>	<u>4,955,663</u>
Expenses:				
Programs:				
Museum operations	3,238,201	-	3,238,201	2,949,895
School operations	1,074,483	-	1,074,483	971,750
Total program expenses	4,312,684		4,312,684	3,921,645
Management and general	385,507	-	385,507	445,910
Fundraising	327,921	-	327,921	411,594
Total expenses	<u>5,026,112</u>	<u>-</u>	<u>5,026,112</u>	<u>4,779,149</u>
Change in net assets	2,248	(238,168)	(235,920)	176,514
Net assets:				
Beginning of year	<u>2,497,164</u>	<u>4,697,443</u>	<u>7,194,607</u>	<u>7,018,093</u>
End of year	<u>\$ 2,499,412</u>	<u>\$ 4,459,275</u>	<u>\$ 6,958,687</u>	<u>\$ 7,194,607</u>

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018
(With comparative totals for 2017)

	Programs					Fundraising	2018 Total	2017 Total
	Museum Operations	School Operations	Total Programs	Management and General				
Salaries	\$ 1,574,140	\$ 625,101	\$ 2,199,241	\$ 201,558	\$ 217,892	\$ 2,618,691	\$ 2,367,708	
Payroll taxes	145,071	57,608	202,679	18,575	20,081	241,335	204,147	
Employee benefits	155,958	108,632	264,590	19,969	21,588	306,147	253,765	
Professional fees	137,312	54,527	191,839	17,582	19,007	228,428	300,407	
Advertising and public relations	46,577	34	46,611	6,131	2,494	55,236	42,520	
Supplies	88,397	35,104	123,501	11,319	12,236	147,056	176,392	
Office expenses	12,089	647	12,736	6,451	947	20,134	38,536	
Rent	483,024	84,529	567,553	30,189	6,038	603,780	540,292	
Equipment and maintenance	58,488	23,226	81,714	7,489	8,096	97,299	188,554	
Information technology	56,591	22,473	79,064	7,246	7,833	94,143	91,864	
Printing	21,275	308	21,583	-	422	22,005	22,218	
Travel	21,381	5,128	26,509	3,660	577	30,746	29,389	
Conferences and meetings	5,934	2,342	8,276	2,288	1,271	11,835	9,142	
Insurance	25,968	4,544	30,512	1,948	-	32,460	33,382	
Bank fees	76,108	200	76,308	4,234	2,422	82,964	66,295	
Miscellaneous	9,011	11,692	20,703	27,288	4,275	52,266	55,110	
Other event expenses	101,509	-	101,509	-	-	101,509	75,000	
Depreciation	219,359	38,388	257,747	13,710	2,742	274,199	270,490	
Interest expense	9	-	9	5,870	-	5,879	13,938	
Total expenses	\$ 3,238,201	\$ 1,074,483	\$ 4,312,684	\$ 385,507	\$ 327,921	\$ 5,026,112	\$ 4,779,149	

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM
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	\$ (235,920)	\$ 176,514
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	274,199	270,490
Allowance for doubtful accounts	1,415	13,968
Loss on disposal of assets	-	2,597
Change in bargain land lease	90,599	95,344
(Increase) decrease in:		
Accounts and pledges receivable	(44,034)	(385,379)
Inventory	5,956	10,582
Prepaid expenses	5,192	99,181
Increase (decrease) in:		
Accounts payable	(79,614)	788
Accrued expenses and other liabilities	27,572	38,838
Deferred revenue	19,080	(11,281)
Net cash provided by operating activities	64,445	311,642
Cash flows from investing activities:		
Purchase of property and equipment	(199,920)	(30,019)
Net cash used in investing activities	(199,920)	(30,019)
Cash flows from financing activities:		
Contributions restricted for capital expenditures	178,050	-
Repayments on notes payable	(131,177)	(198,046)
Net cash provided by (used in) financing activities	46,873	(198,046)
Net increase (decrease) in cash and cash equivalents	(88,602)	83,577
Cash and cash equivalents:		
Beginning of year	908,389	824,812
End of year	\$ 819,787	\$ 908,389
Supplemental cash flow information:		
Cash paid for interest	\$ 7,977	\$ 13,938
Non-cash operating and investing activities:		
Capitalized environmental remediation costs included in accounts payable	\$ 115,662	\$ -

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. THE ORGANIZATION

Portland Children's Museum (the "Organization") was incorporated on October 4, 1999, as an Oregon nonprofit corporation to manage and oversee the Portland's Children Museum, previously operated by Portland Parks and Recreations. In 2001, the Organization opened the Opal Charter School (or Opal School) which is operated under the same governing board. In 2007, the Organization founded the Portland Children's Museum Center for Learning to document and disseminate innovation in education.

Purpose

The purpose of the Organization is to enliven the imagination and creativity of children and was founded on the belief that creativity is both an individual and community resource. The Organization seeks to contribute to the public good by building children's confidence, knowledge and experience in preparation for creative living. To these ends, the Organization has created and operated imaginative programs and projects both inside and outside its facility, and also seeks opportunities to cooperate and collaborate with individuals and institutions whose commitment to building creativity is similar.

The Organization consists of three aligned entities: (1) the Museum, where exhibits and programs serve the public both on- and off-site, (2) Opal Charter School, a fee-based preschool and K-5 public charter school, and (3) the Museum Center for Learning, which researches fresh approaches to education and provides professional development for educators, including in the Museum and Opal Charter School.

An agreement was entered into with Portland School District No. 1J to establish a charter school known as the Opal Charter School. The Opal Charter School opened for student enrollment at the beginning of the Fall 2001 school term. As a charter school, the Opal Charter School is funded primarily through Portland Public Schools.

The Organization also opened a preschool program that is not a part of the Oregon public charter system grades K-12. The preschool program was funded separately from the Opal Charter School but is included within the school operations on the accompanying statement of functional expenses.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are unsecured and reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that expected losses on balances outstanding at year-end will be immaterial. Accounts receivable over 90 days are insignificant.

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Inventory

Inventory consists of educational supplies and museum materials. The inventory is reflected at cost on a first-in first-out basis and is expensed as the inventory is used for programs.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Bargain Land Lease

Building and related improvements are leased from the City of Portland under a lease agreement for less than the fair rental value (see Note 4). The Organization's bargain land lease asset is evaluated each year to determine the current value of the remaining gift. The change in valuation is recorded as donated rent for the period and as a change in bargain land lease.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Capitalized property and equipment are recorded at cost if purchased or at fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Program and Admission Fee Revenue and Deferred Revenue

Program service fees are recognized at the time services are provided and the revenues are earned. Monies received in advance for these services are recorded as deferred revenue.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose 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 restrictions.

Donated Assets, Materials and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Donated Assets, Materials and Services, Continued

Donated materials and services received during the years ended June 30, 2018 and 2017 are included in the statement of activities as follows:

	2018	2017
Facility rent	\$ 349,591	\$ 294,839
Donated maintenance and utilities	194,707	190,171
Materials	3,525	1,124
Total donated materials and services	<u>\$ 547,823</u>	<u>\$ 486,134</u>

In addition, a number of volunteers have made significant contributions of their time in the furtherance of the Organization's programs. The value of this contributed time is not reflected in the accompanying financial statements since the recognition criteria were not met.

Advertising Costs

Advertising costs incurred to promote the Museum and the Opal Charter School are expensed as incurred. Advertising expenses approximated \$42,600 and \$40,000 for the years ended June 30, 2018 and 2017, respectively.

Income Taxes

The Organization is organized exclusively for educational, scientific and charitable purposes and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic 740 Accounting for Uncertainty in Income Taxes*. Management has evaluated the Museum's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Retirement Plans

Substantially all of the Opal Charter School's licensed teachers are participants in the Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Expense Allocation

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

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. The reclassifications were made primarily in the statement of functional expenses to combine natural expense categories to simplify reporting and to record the bargain land lease expense with other operating expenses. The reclassifications had no impact upon the change in net assets for the prior-year.

Subsequent Events

The Organization has evaluated all other subsequent events through September 27, 2018, the date the financial statements were available to be issued. See Note 7.

Summarized Financial Information for 2017

The financial information as of June 30, 2017 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

3. PLEDGES RECEIVABLE

Pledges receivable are unsecured and consist of the following at June 30, 2018 and 2017:

	2018	2017
Due within one year	\$ 317,986	\$ 260,948
Due in two to five years	-	193,171
	317,986	454,119
Less allowance for doubtful accounts	1,435	10,968
Total pledges receivable, net	<u>\$ 316,551</u>	<u>\$ 443,151</u>

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

4. BARGAIN LAND LEASE

A building and related improvement situated on 3.21 acres of land, commonly known as the Portland Children's Museum, is leased from the City of Portland. The initial term of the lease commenced in 2001 and terminates on June 30, 2031 unless otherwise terminated under provisions of the lease agreement. Rent for the entire term of the lease is \$10. During the year ended June 30, 2018, the Organization was notified by the City that the land lease would not be renewed upon termination in 2031.

The value of the bargain land lease is based on the estimated fair market rental expense, over the remaining respective lease term using a 6% discount rate. The change in the bargain land lease is as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Bargain land lease - beginning of the year	\$ 3,987,455	\$4,082,799
Less rental expense	(440,189)	(390,183)
Add: in-kind adjustment to fair value	349,590	294,839
Bargain land lease - end of year	\$ 3,896,856	\$ 3,987,455

5. PROPERTY, EQUIPMENT, AND EXHIBITS

Property and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Furniture and equipment	\$ 279,988	\$ 294,176
Leasehold improvements	1,254,646	1,131,827
Exhibits	4,513,890	4,495,773
Work in process	149,800	-
	6,198,324	5,921,776
Less accumulated depreciation	3,564,562	3,329,397
Property and equipment, net	\$ 2,633,762	\$ 2,592,379

Work in process relates to studio renovation costs and point-of-sales software implementation. Estimated costs to complete are approximately \$100,000, and are anticipated to be funded by future receipts on grant agreements.

6. LINE OF CREDIT

A revolving line of credit is available through Bank of the Cascades for \$400,000 with an annual interest rate of 3.5%. There were no outstanding advances as of June 30, 2018 or 2017. The line is secured by unrestricted net assets. The Organization is in compliance with all covenants on the line of credit as of June 30, 2018.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

7. NOTES PAYABLE

Notes payable consist of the following at June 30, 2018 and 2017:

	2018	2017
Note payable to First Interstate Bank in monthly installments of \$7,372, including interest at 4.03%; matures January 2020; secured by unrestricted net assets.	\$ 135,472	\$ 216,649
Note payable to Meyer Memorial Trust in quarterly installments of \$30,000, including interest at 2.5%; secured by personal property.	-	50,000
Total notes payable	\$ 135,472	\$ 266,649

Future maturities of long-term debt are as follows:

Year ending June 30, 2019	\$ 84,554
2020	50,918
	\$ 135,472

Under terms of the debt agreements, the Organization is subject to debt covenants. The Organization was in compliance with these covenants as of June 30, 2018.

Subsequent to year end, on August 6, 2018, the Organization finalized a note payable agreement with Heritage Bank to pay the City of Portland for accrued environmental remediation costs on friable asbestos identified within the building. The note payable to Heritage Bank is for \$115,662, payable in 11 monthly installments of \$1,131, including interest at 3.2% and a balloon payment of \$106,807 upon maturity at July 31, 2019. It is the Organization's intention to refinance this obligation prior to its maturity.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Museum capital improvement	\$ 128,998	\$ 14,906
Charter school	130,060	140,940
Learning center research	201,192	296,378
Museum program operations	102,169	257,764
Bargain land lease	3,896,856	3,987,455
Total temporarily restricted net assets	<u>\$4,459,275</u>	<u>\$4,697,443</u>

9. RETIREMENT PLANS

403(b) defined contribution

The Organization adopted a 403(b) defined contribution plan that is made available to substantially all regular, full-time employees. Employees are eligible to participate in the plan on the first calendar quarter following the date of hire. Participants may elect to contribute up to 100% of annual compensation, up to the maximum allowed by law. The Organization will match the participant's contributions up to 3% of compensation. Vesting of a participant's interest is determined by a vesting schedule, based on the number of years of service. Contributions to the plan were \$42,166 and \$39,350 for the years ended June 30, 2018 and 2017, respectively.

Oregon Public Employees Retirement System

In connection with the Organization operating the Opal Charter School, the Organization contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) receives the Organization's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs:

- The Pension Program, the defined benefit portion of the plan, applies to qualifying school employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. RETIREMENT PLANS, CONTINUED

- Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information.

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The Organization is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan.

The rate in effect for the years ended June 30, 2018 and 2017 was 22.33% for OPERF and 17.64% for OPSRP. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

The Organization's contributions to PERS totaled \$46,700 and \$35,754 for the years ended June 30, 2018 and 2017, respectively.

10. LEASE COMMITMENTS

The Organization leases office equipment under non-cancelable operating leases expiring at various times through February 2023. Monthly payments are approximately \$900. Lease expense under equipment leases approximated \$11,600 and \$9,700 for the years ended June 30, 2018 and 2017, respectively.

Approximate total future minimum lease payments are as follows:

Year ending June 30, 2019	\$ 10,900
2020	10,900
2021	10,900
2022	10,900
2023	7,300
	<u>\$ 50,900</u>

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

II. CONCENTRATIONS AND CONTINGENCIES

The Organization maintains its cash equivalents in several financial institutions located in Portland, Oregon. The balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Uninsured balances approximated \$402,800 at June 30, 2018.

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

A substantial amount of support is received through grants and contributions from individuals, private foundations and the City of Portland. Approximately 15% of the Organization's public support was from one organization during the year ended June 30, 2018.