

PORTLAND CHILDREN'S MUSEUM

Audited Financial Statements

For the Year Ended June 30, 2019



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, 2019, 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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Portland Children's Museum's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
September 26, 2019

PORTLAND CHILDREN'S MUSEUM
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(with comparative totals for 2018)

| | 2019 | 2018 |
|--|------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,051,418 | \$ 819,787 |
| Restricted cash | 115,876 | - |
| Accounts receivable | 70,096 | 58,706 |
| Pledges receivable, net | 23,036 | 316,551 |
| Inventory | 25,506 | 24,187 |
| Prepaid expenses | 30,850 | 20,299 |
| Bargain land lease | 3,762,694 | 3,896,856 |
| Property, equipment and exhibits, net | 2,400,742 | 2,633,762 |
| TOTAL ASSETS | \$ 7,480,218 | 7,770,148 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | \$ 114,212 | \$ 193,236 |
| Accrued expenses and other liabilities | 399,759 | 332,688 |
| Deferred revenue | 194,963 | 150,065 |
| Notes payable | 158,362 | 135,472 |
| Total liabilities | 867,296 | 811,461 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 310,083 | 1,122 |
| Net property, equipment and exhibits | 2,126,504 | 2,498,290 |
| Total without donor restrictions | 2,436,587 | 2,499,412 |
| With donor restrictions | 4,176,335 | 4,459,275 |
| Total net assets | 6,612,922 | 6,958,687 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 7,480,218 | \$ 7,770,148 |

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(with comparative totals for 2018)

| | 2019 | | | 2018 |
|--|-------------------------------|----------------------------|---------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Revenue and support: | | | | |
| Program and admission fees | \$ 1,893,053 | \$ 582,965 | \$ 2,476,018 | \$ 2,308,050 |
| Memberships | 623,284 | - | 623,284 | 702,035 |
| Grants, contributions and events, net of direct costs of \$55,420 in 2019 and \$99,993 in 2018 | 452,665 | 237,285 | 689,950 | 733,508 |
| Preschool income | 360,123 | - | 360,123 | 365,291 |
| Donated rent, utilities and maintenance | 484,888 | - | 484,888 | 547,823 |
| Merchandise and food sales, net of cost of goods sold of \$55,615 in 2019 (\$59,372 in 2018) | 58,563 | - | 58,563 | 64,619 |
| Other income | 69,121 | - | 69,121 | 68,866 |
| Net assets released from restrictions: | | | | |
| Satisfaction of purpose restrictions | 969,028 | (969,028) | - | - |
| Satisfaction of time restrictions | 134,162 | (134,162) | - | - |
| Total revenue and support | 5,044,887 | (282,940) | 4,761,947 | 4,790,192 |
| Expenses: | | | | |
| Program | 4,066,850 | - | 4,066,850 | 4,312,684 |
| Management and general | 668,647 | - | 668,647 | 385,507 |
| Fundraising | 372,215 | - | 372,215 | 327,921 |
| Total expenses | 5,107,712 | - | 5,107,712 | 5,026,112 |
| Change in net assets | (62,825) | (282,940) | (345,765) | (235,920) |
| Net assets: | | | | |
| Beginning of year | 2,499,412 | 4,459,275 | 6,958,687 | 7,194,607 |
| End of year | \$ 2,436,587 | \$ 4,176,335 | \$ 6,612,922 | \$ 6,958,687 |

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019
(With comparative totals for 2018)

| | Programs | | | | | | | |
|---|----------------------|----------------------|-----------------------------|-------------------|---------------------------|-------------|---------------|---------------|
| | Museum Operations | School Operations | Professional Development | Total Programs | Management and General | Fundraising | 2019 Total | 2018 Total |
| Salaries and related expenses | \$ 1,363,689 | \$ 644,827 | \$ 456,942 | \$ 2,465,458 | \$ 516,927 | \$ 331,027 | \$ 3,313,412 | \$ 3,166,173 |
| Professional fees | 114,222 | 7,142 | 76,751 | 198,115 | 77,499 | 286 | 275,900 | 228,428 |
| Supplies | 98,785 | 28,322 | 9,133 | 136,240 | 3,130 | 5,800 | 145,170 | 147,056 |
| Facility | 459,843 | 99,200 | 424 | 559,467 | 8,842 | 15,770 | 584,079 | 603,780 |
| Equipment and maintenance | 21,291 | 14,007 | 5,029 | 40,327 | 118 | 118 | 40,563 | 97,299 |
| Information technology | 70,519 | 10,796 | 10,279 | 91,594 | 6,395 | 5,705 | 103,694 | 94,143 |
| Depreciation | 243,647 | 49,172 | 733 | 293,552 | 987 | 986 | 295,525 | 274,199 |
| Costs of goods sold | 55,615 | - | - | 55,615 | - | - | 55,615 | 59,372 |
| Bank fees | 51,112 | 237 | 12,191 | 63,540 | 3,364 | 1,018 | 67,922 | 82,964 |
| Other event expenses | 104,043 | - | - | 104,043 | - | 55,420 | 159,463 | 201,502 |
| Miscellaneous | 1,205 | 16,178 | 97,131 | 114,514 | 51,385 | 11,505 | 177,404 | 230,561 |
| | 2,583,971 | 869,881 | 668,613 | 4,122,465 | 668,647 | 427,635 | 5,218,747 | 5,185,477 |
| Less direct benefit special event costs and costs of goods sold netted with revenue | (55,615) | - | - | (55,615) | - | (55,420) | (111,035) | (159,365) |
| Total expenses | \$ 2,528,356 | \$ 869,881 | \$ 668,613 | \$ 4,066,850 | \$ 668,647 | \$ 372,215 | \$ 5,107,712 | \$ 5,026,112 |

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(With comparative totals for 2018)

| | 2019 | 2018 |
|--|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (345,765) | \$ (235,920) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 295,525 | 274,199 |
| Allowance for doubtful accounts | 1,845 | 1,415 |
| Loss on disposal of assets | 4,202 | - |
| Change in bargain land lease | 134,162 | 90,599 |
| (Increase) decrease in: | | |
| Accounts and pledges receivable | 220,280 | (44,034) |
| Inventory | (1,319) | 5,956 |
| Prepaid expenses | (10,551) | 5,192 |
| Increase (decrease) in: | | |
| Accounts payable | (79,024) | (79,614) |
| Accrued expenses and other liabilities | 67,071 | 27,572 |
| Deferred revenue | 44,898 | 19,080 |
| Net cash flows from operating activities | 331,324 | 64,445 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (66,707) | (199,920) |
| Net cash flows from investing activities | (66,707) | (199,920) |
| Cash flows from financing activities: | | |
| Contributions restricted for capital expenditures | 60,000 | 178,050 |
| Proceeds from notes payable | 115,662 | - |
| Repayments on notes payable | (92,772) | (131,177) |
| Net cash flows from financing activities | 82,890 | 46,873 |
| Net change in cash and cash equivalents | 347,507 | (88,602) |
| Cash and cash equivalents: | | |
| Beginning of year | 819,787 | 908,389 |
| End of year | \$ 1,167,294 | 819,787 |
| Reconciliation to statement of financial position: | | |
| Cash and cash equivalents | \$ 1,051,418 | \$ 819,787 |
| Restricted cash | 115,876 | - |
| | \$ 1,167,294 | \$ 819,787 |
| Supplemental cash flow information: | | |
| Cash paid for interest | \$ 7,155 | \$ 7,977 |
| Non-cash operating and investing activities: | | |
| Capitalized environmental remediation costs and accounts payable | \$ - | 115,662 |

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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. 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 (opened in 2001), a fee-based preschool and K-5 public charter school, and (3) the Museum Center for Learning (opened in 2007), which researches fresh approaches to education and provides professional development for educators, including in the Museum and Opal Charter School.

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.

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, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. It excludes restricted cash set aside as collateral on note payable. (See Note 8.)

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 the lower of cost or net realizable value determined on the first-in first-out (FIFO) basis and is expensed as the inventory is used for programs.

PORTLAND CHILDREN'S MUSEUM
 NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2019

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 5). 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, Equipment, and Exhibits

Acquisitions of property and equipment, including museum exhibits, 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, Admission Fees, Preschool 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.

Membership Revenue

Membership revenue is recognized upon receipt and are considered contributed resources given the nonreciprocal nature of the transaction.

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 without donor restricted 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.

Donated materials and services received during the years ended June 30, 2019 and 2018 are included in the statements of activities and functional expenses as follows:

| | 2019 | 2018 |
|--------------------------------------|-------------------|-------------------|
| Facility rent | \$ 314,642 | \$ 349,591 |
| Donated maintenance and utilities | 157,791 | 194,707 |
| Materials | 12,455 | 3,525 |
| Total donated materials and services | <u>\$ 484,888</u> | <u>\$ 547,823</u> |

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets, Materials and Services, Continued

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 are expensed as incurred. Advertising expenses approximated \$40,400 and \$42,600 for the years ended June 30, 2019 and 2018, 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. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other 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).

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. The expenses that are allocated include salaries and related expenses, professional fees, supplies, information technology, bank fees, and miscellaneous expenses which are allocated on the basis of estimates of time and effort; facility, equipment and maintenance, and depreciation are allocated on the basis of square footage.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The principle has been applied retrospectively to all periods presented.

Subsequent Events

The Organization has evaluated all other subsequent events through September 26, 2019, the date the financial statements were available to be issued noting nothing material for disclosure.

Summarized Financial Information for 2018

The financial information as of June 30, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, and a line of credit. See Note 7 for information about the Organization's line of credit.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

3. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Organization consist of the following at June 30, 2019:

| | Total Financial Assets | Other Restrictions | With Donor Restrictions | Available for General Expenditure |
|---------------------------|------------------------------|-----------------------|----------------------------|---|
| Cash and cash equivalents | \$ 1,051,418 | \$ - | \$ 398,641 | \$ 652,777 |
| Restricted cash | 115,876 | 115,876 | - | - |
| Accounts receivable | 70,096 | - | - | 70,096 |
| Pledges receivable | 25,106 | - | 15,000 | 10,106 |
| | <u>\$1,262,496</u> | <u>\$ 115,876</u> | <u>\$ 413,641</u> | <u>\$ 732,979</u> |

4. PLEDGES RECEIVABLE

Pledges receivable are unsecured and consist of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|--------------------------------------|------------------|-------------------|
| Due within one year | \$ 25,106 | \$ 317,986 |
| Less allowance for doubtful accounts | 2,070 | 1,435 |
| Total pledges receivable, net | <u>\$ 23,036</u> | <u>\$ 316,551</u> |

The Organization was awarded a \$100,000 grant contingent on meeting a 1:1 match requirement. The Organization will recognize revenue when the matching requirement is met.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

5. 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. In 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, 2019 and 2018:

| | 2019 | 2018 |
|--|--------------|--------------|
| Bargain land lease - beginning of the year | \$ 3,896,856 | \$ 3,987,455 |
| Less rental expense | (448,804) | (440,190) |
| Add: in-kind adjustment to fair value | 314,642 | 349,591 |
| Bargain land lease - end of year | \$ 3,762,694 | \$ 3,896,856 |

6. PROPERTY, EQUIPMENT, AND EXHIBITS

Property and equipment consist of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|--|------------|--------------|
| Furniture and equipment | \$ 338,259 | \$ 279,988 |
| Leasehold improvements | 1,263,617 | 1,254,646 |
| Exhibits | 4,479,371 | 4,513,890 |
| Work in process | 98,688 | 149,800 |
| | 6,179,935 | 6,198,324 |
| Less accumulated depreciation | 3,779,193 | 3,564,562 |
| Property, equipment, and exhibits, net | ##### | \$ 2,633,762 |

Work in process relates to studio renovation costs. Estimated costs to complete are approximately \$59,400, and are anticipated to be funded by future receipts on grant agreements.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

7. LINE OF CREDIT

A revolving line of credit is available through First Interstate Bank for \$400,000 with an annual interest rate of 3.75%. There were no outstanding advances as of June 30, 2019 or 2018. The line is secured by net assets without donor restrictions. The Organization is in compliance with all covenants on the line of credit as of June 30, 2019.

8. NOTES PAYABLE

Notes payable consist of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|------------|------------|
| Note payable to First Interstate Bank in monthly installments of \$7,372, including interest at 4.03%; matures January 2020; secured by net assets without donor restrictions. | \$ 50,909 | \$ 135,472 |
| Note payable to Heritage Bank in monthly installments of \$1,131, including interest at 3.2% and a balloon payment upon maturity at July 31, 2020. secured by restricted cash held. | 107,453 | - |
| Total notes payable | \$ 158,362 | \$ 135,472 |

Future maturities of long-term debt are as follows:

| | |
|---------------------------|------------|
| Year ending June 30, 2020 | \$ 60,629 |
| 2021 | 97,733 |
| | \$ 158,362 |

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, 2019.

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

9. NET ASSETS WITH EXPIRING RESTRICTIONS

Net assets with expiring restrictions consist of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Museum capital improvement | \$ 140,159 | \$ 128,998 |
| Charter school | 119,179 | 130,060 |
| Learning center research | 82,034 | 201,192 |
| Museum program operations | 72,269 | 102,169 |
| Bargain land lease | 3,762,694 | 3,896,856 |
| Total net assets with expiring restrictions | <u>\$ 4,176,335</u> | <u>\$ 4,459,275</u> |

10. 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 approximately \$48,000 and \$42,100 for the years ended June 30, 2019 and 2018, respectively.

Oregon Public Employees Retirement System

In connection with the Organization operating the Opal Charter School (the School), the School contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS).

Defined Benefit Plan

a) The Oregon Public Employees Retirement Fund (OPERF) receives the School's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan.

b) The Oregon Public Service Retirement Plan (OPSRP) 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, Continued
June 30, 2019

10. RETIREMENT PLANS, Continued

The PERS defined benefit plan provides 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. The rates in effect for the years ended June 30, 2019 and 2018 were 27.20% for OPERF and 21.87% 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 School's contributions to PERS totaled approximately \$50,400 and \$49,300 for the years ended June 30, 2019 and 2018, respectively.

Defined Contribution Plan

Beginning January 1, 2004, covered PERS members contribute to the Individual Account Program (IAP), the defined contribution portion of the plan. 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.

11. 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 \$10,900 and \$11,600 for the years ended June 30, 2019 and 2018, respectively.

Approximate total future minimum lease payments are as follows:

| | |
|---------------------------|-----------|
| Year ending June 30, 2020 | \$ 10,900 |
| 2021 | 10,900 |
| 2022 | 10,900 |
| 2023 | 7,300 |
| | <hr/> |
| | \$ 40,000 |
| | <hr/> |

PORTLAND CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2019

12. CONCENTRATIONS AND COMMITMENTS

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 \$499,000 and \$402,800 for the years ended June 30, 2019 and 2018, respectively.

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.

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.