

# PORTLAND CHILDREN'S MUSEUM

Audited Financial Statements

For the Year Ended June 30, 2020



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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacoby, P.C.*

Portland, Oregon  
September 29, 2020

PORTLAND CHILDREN'S MUSEUM  
STATEMENT OF FINANCIAL POSITION  
June 30, 2020  
(with comparative totals for 2019)

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 494,132	\$ 652,777
Cash limited as to use	815,654	514,517
Accounts receivable	46,738	70,096
Pledges receivable, net	181,173	23,036
Inventory	29,561	25,506
Prepaid expenses	16,039	30,850
Bargain land lease	3,539,653	3,762,694
Property, equipment and exhibits, net	2,141,420	2,400,742
 TOTAL ASSETS	 \$ 7,264,370	 7,480,218
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 25,582	\$ 114,212
Accrued expenses and other liabilities	254,117	399,759
Deferred revenue	188,068	194,963
Refundable advance - Paycheck Protection Program	551,800	-
Notes payable	98,410	158,362
Total liabilities	1,117,977	867,296
Net assets:		
Without donor restrictions:		
Undesignated	1,020,341	708,724
Net property, equipment and exhibits	1,227,356	1,727,863
Total without donor restrictions	2,247,697	2,436,587
With donor restrictions	3,898,696	4,176,335
Total net assets	6,146,393	6,612,922
 TOTAL LIABILITIES AND NET ASSETS	 \$ 7,264,370	 \$ 7,480,218

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2020  
(with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue and support:</b>				
Program and admission fees	\$ 1,338,285	\$ 617,313	\$ 1,955,598	\$ 2,476,018
Memberships	495,803	-	495,803	623,284
Grants, contributions and events, net of direct costs of \$20,874 in 2020 and \$55,420 in 2019	487,816	231,657	719,473	689,950
Preschool income	328,496	-	328,496	360,123
Donated rent, utilities and maintenance	421,381	-	421,381	484,888
Merchandise and food sales, net of cost of goods sold of \$35,626 in 2020 and \$55,615 in 2019	53,898	-	53,898	58,563
Other income	59,754	-	59,754	69,121
Net assets released from restrictions:				
Satisfaction of purpose restrictions	903,568	(903,568)	-	-
Satisfaction of time restrictions	223,041	(223,041)	-	-
<b>Total revenue and support</b>	<u>4,312,042</u>	<u>(277,639)</u>	<u>4,034,403</u>	<u>4,761,947</u>
<b>Expenses:</b>				
Program services	3,455,514	-	3,455,514	4,066,850
Management and general	712,301	-	712,301	668,647
Fundraising	333,117	-	333,117	372,215
<b>Total expenses</b>	<u>4,500,932</u>	<u>-</u>	<u>4,500,932</u>	<u>5,107,712</u>
<b>Change in net assets</b>	<b>(188,890)</b>	<b>(277,639)</b>	<b>(466,529)</b>	<b>(345,765)</b>
<b>Net assets:</b>				
Beginning of year	<u>2,436,587</u>	<u>4,176,335</u>	<u>6,612,922</u>	<u>6,958,687</u>
End of year	<u>\$ 2,247,697</u>	<u>\$ 3,898,696</u>	<u>\$ 6,146,393</u>	<u>\$ 6,612,922</u>

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2020  
(With comparative totals for 2019)

	Program Services				Management and General	Fundraising	2020	2019
	Museum Operations	School Operations	Professional Development	Total Program Services			Total	Total
Salaries and related expenses	\$ 1,066,473	\$ 705,583	\$ 230,231	\$ 2,002,287	\$ 509,316	\$ 280,485	\$ 2,792,088	\$ 3,313,412
Professional fees	138,165	48,586	28,998	215,749	34,902	13,018	263,669	275,900
Supplies	67,463	21,033	1,969	90,465	4,223	3,431	98,119	145,170
Facility	508,248	84,975	625	593,848	9,824	722	604,394	584,079
Equipment and maintenance	49,643	9,979	-	59,622	15,162	1,933	76,717	40,563
Information technology	29,178	560	6,250	35,988	54,643	1,587	92,218	103,694
Depreciation	243,880	43,176	-	287,056	1,790	-	288,846	295,525
Costs of goods sold	35,298	-	328	35,626	-	13,730	49,356	55,615
Bank fees	45,151	10	12,354	57,515	3,613	1,683	62,811	67,922
Other event expenses	3,111	4,630	21,751	29,492	7,889	7,144	44,525	159,463
Miscellaneous	57,921	7,056	18,515	83,492	70,939	30,258	184,689	177,404
	2,244,531	925,588	321,021	3,491,140	712,301	353,991	4,557,432	5,218,747
Less direct benefit special event costs and costs of goods sold netted with revenue	(35,298)	-	(328)	(35,626)	-	(20,874)	(56,500)	(111,035)
Total expenses	<u>\$ 2,209,233</u>	<u>\$ 925,588</u>	<u>\$ 320,693</u>	<u>\$ 3,455,514</u>	<u>\$ 712,301</u>	<u>\$ 333,117</u>	<u>\$ 4,500,932</u>	<u>\$ 5,107,712</u>

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2020  
(With comparative totals for 2019)

	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (466,529)	\$ (345,765)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	288,846	295,525
Allowance for doubtful accounts	(21,827)	1,845
Loss on disposal of assets	-	4,202
Change in bargain land lease	223,041	134,162
(Increase) decrease in:		
Accounts and pledges receivable	(177,888)	220,280
Inventory	(4,055)	(1,319)
Prepaid expenses	14,811	(10,551)
Increase (decrease) in:		
Accounts payable	(88,630)	(79,024)
Accrued expenses and other liabilities	(145,642)	67,071
Deferred revenue	(6,895)	44,898
Refundable advance - Paycheck Protection Program	551,800	-
Net cash flows from operating activities	167,032	331,324
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(29,524)	(66,707)
Net cash flows from investing activities	(29,524)	(66,707)
<b>Cash flows from financing activities:</b>		
Contributions restricted for capital expenditures	64,936	60,000
Proceeds from notes payable	-	115,662
Repayments on notes payable	(59,952)	(92,772)
Net cash flows from financing activities	4,984	82,890
Net change in cash and cash equivalents	142,492	347,507
<b>Cash and cash equivalents:</b>		
Beginning of year	1,167,294	819,787
End of year	\$ 1,309,786	\$ 1,167,294
<b>Reconciliation to statement of financial position:</b>		
Cash and cash equivalents	\$ 494,132	\$ 652,777
Restricted cash	815,654	514,517
	\$ 1,309,786	\$ 1,167,294
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 3,335	\$ 7,155

See notes to financial statements.

PORTLAND CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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, 2020

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.

Cash Limited As to Use

Cash limited as to use represents cash on hand that the Organization must maintain or spend in accordance with certain stipulations and is not available for general operations. It consists of the following at June 30, 2020 and 2019:

	2020	2019
Loan collateral (Note 8)	\$ 115,606	\$ 115,876
Donor restricted funds (Note 9)	148,248	398,641
Paycheck Protection Program funds	551,800	-
Total cash limited as to use	\$ 815,654	\$ 514,517

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.

PORTLAND CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Collections that are still outstanding after reasonable collection efforts have been made are written off through a charge to the valuation allowance and a credit to accounts receivable.

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.

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.

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.

Refundable Advance – Paycheck Protection Program

The Paycheck Protection Program (PPP) loan, guaranteed by the Small Business Administration (SBA), is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance is expected to be recognized as revenue.

Revenue Recognition

Revenues from various sources are recognized as follows:

**Program, Admission Fees, and Preschool Income:** 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.

PORTLAND CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

**Membership Revenue:** Membership revenue is recognized upon receipt and is considered a contributed resource given the nonreciprocal nature of the transaction.

**Grants and Contributions:** Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**Special Events:** The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

**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, 2020 and 2019 are included in the statements of activities and functional expenses as follows:

	<u>2020</u>	<u>2019</u>
Facility rent	\$ 225,762	\$ 314,642
Donated maintenance and utilities	185,419	157,791
Materials	<u>10,200</u>	<u>12,455</u>
Total donated materials and services	<u>\$ 421,381</u>	<u>\$ 484,888</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 are expensed as incurred. Advertising expenses approximated \$45,300 and \$40,400 for the years ended June 30, 2020 and 2019, respectively.

PORTLAND CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. 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).

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.

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 implemented Accounting Standards Update 2018-08, *clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

PORTLAND CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

The Organization has evaluated all other subsequent events through September 29, 2020, the date the financial statements were available to be issued.

Summarized Financial Information for 2019

The financial information as of June 30, 2019 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.

Financial assets of the Organization consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,309,786	\$ 1,167,294
Accounts receivable	46,738	70,096
Pledges receivable, net	<u>181,173</u>	<u>23,036</u>
	1,718,869	1,260,426
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	359,043	413,641
Other restrictions	<u>115,606</u>	<u>115,876</u>
Financial assets available for general expenditure	<u>\$1,244,220</u>	<u>\$ 730,909</u>

**PORTLAND CHILDREN'S MUSEUM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2020**

**4. PLEDGES RECEIVABLE**

Pledges receivable are unsecured and consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 198,620	\$ 25,106
Less allowance for doubtful accounts	<u>17,447</u>	<u>2,070</u>
Total pledges receivable, net	<u>\$ 181,173</u>	<u>\$ 23,036</u>

At June 30, 2020 the Organization was awarded \$180,000 in grants that are not recognized because \$130,000 is conditional on the completion of an exhibit and \$50,000 is conditional on meeting a 1:1 match. The Organization will recognize revenue when the conditions have been met.

**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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Bargain land lease - beginning of the year	\$ 3,762,694	\$ 3,896,856
Less rental expense	(448,803)	(448,804)
Add: in-kind adjustment to fair value	<u>225,762</u>	<u>314,642</u>
Bargain land lease - end of year	<u>\$ 3,539,653</u>	<u>\$ 3,762,694</u>

PORTLAND CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

6. PROPERTY, EQUIPMENT, AND EXHIBITS

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 333,512	\$ 338,259
Leasehold improvements	1,275,926	1,263,617
Exhibits	4,333,817	4,479,371
Work in process	<u>96,811</u>	<u>98,688</u>
	6,040,066	6,179,935
Less accumulated depreciation	<u>3,898,646</u>	<u>3,779,193</u>
Property, equipment, and exhibits, net	<u>\$ 2,141,420</u>	<u>\$ 2,400,742</u>

Work in process relates to studio and exhibit renovation costs. Estimated costs to complete are approximately \$60,000, and are anticipated to be funded by future receipts on grant agreements.

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% on outstanding advances. There were no outstanding advances as of June 30, 2020 or 2019. The line matured in February 2020, and the Organization is in the process of renewing the line of credit.

8. NOTES PAYABLE

Notes payable consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Note payable to First Interstate Bank in monthly installments of \$7,372, including interest at 4.03%; repaid 2020.	\$ -	\$ 50,909
Note payable to Heritage Bank in monthly installments of \$1,131, including interest at 3.2% and a balloon payment upon maturity July 2021; secured by restricted cash held.	<u>98,410</u>	<u>107,453</u>
Total notes payable	<u>\$ 98,410</u>	<u>\$ 158,362</u>

PORTLAND CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

8. NOTES PAYABLE, Continued

Future maturities of long-term debt are as follows:

Year ending June 30, 2021	\$	10,576
2022		<u>87,834</u>
	\$	<u><u>98,410</u></u>

9. NET ASSETS WITH EXPIRING RESTRICTIONS

Net assets with expiring restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
Museum capital improvement	\$ 226,924	\$ 140,159
Charter school	110,785	119,179
Learning center research	-	82,034
Museum program operations	21,334	72,269
Bargain land lease	<u>3,539,653</u>	<u>3,762,694</u>
Total net assets with expiring restrictions	<u><u>\$ 3,898,696</u></u>	<u><u>\$ 4,176,335</u></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 \$45,000 and \$48,000 for the years ended June 30, 2020 and 2019, 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.



PORTLAND CHILDREN'S MUSEUM  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 June 30, 2020

10. RETIREMENT PLANS, Continued

Defined Benefit Plan, Continued

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.

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, 2020 were 32.03% for OPERF (27.20% in 2019) and 26.58% for OPSRP (21.87% in 2019). 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 \$60,400 and \$50,400 for the years ended June 30, 2020 and 2019, 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. The employer may make optional employer contributions for a member. The School did not make any optional payments contributions to member IAP accounts for the years ended June 30, 2020 and 2019.

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 for the years ended June 30, 2020 and 2019. Approximate total future minimum lease payments are as follows:

Year ending June 30, 2021	\$ 10,900
2022	10,900
2023	<u>7,300</u>
	<u>\$ 29,100</u>

PORTLAND CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

12. CONCENTRATIONS OF CREDIT RISKS

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 \$487,000 and \$499,000 at June 30, 2020 and 2019, respectively.

The Organization's pledges receivables are concentrated with 66% of the balances coming from two foundations at June 30, 2020 (73% from two foundations at June 30, 2019).

13. CONTINGENCIES

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.

14. UNCERTAINTY

The Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic which has resulted in the closure of the Museum beginning in March 2020 and continuing into the 2020-2021 fiscal year.

To mitigate the uncertainty related to the timing of the museum reopening, the Organization has developed and implemented a plan to manage its cash flows and liabilities by continuing to seek new sources of revenue as well as actively managing expenses. The Organization obtained funds from the Paycheck Protection Program (PPP) in 2020 and anticipates applying for forgiveness of all or part of the advance in fiscal year 2021. The Organization has re-applied for a line of credit (see Note 7) and has recently been awarded two significant grants to assist in reopening. In addition, the Organization's Center for Learning and Opal School resumed operations during Fall 2020. The Organization will reopen the Museum when applicable restrictions are relieved.

As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.