

Portland Children's Museum

FINANCIAL STATEMENTS

For the year ended June 30, 2014

with auditors' report thereon

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SIMPSON & COMPANY
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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 organization), which comprise the statement of financial position as of June 30, 2014 and the related statement 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portland Children's Museum as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Portland Children's Museum's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 16, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statement from which it has been derived.

A handwritten signature in cursive script that reads "Simpson & Company". The signature is written in dark ink and is centered on the page.

Portland, Oregon
September 17, 2014

Portland Children's Museum

STATEMENT OF FINANCIAL POSITION

For the year ended June 30, 2014

With summarized financial information for June 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash	\$ 640,721	\$ 1,344,659
Accounts Receivable		
Allowance for Doubtful Accounts in the amounts of \$1,687 for 2014 and \$5,011 for 2013	48,923	18,189
Unconditional Promises to Give		
Allowance for Doubtful Accounts in the amounts of \$0 for 2014 and \$1,000 for 2013	105,580	59,865
Inventory	48,077	39,014
Prepaid Expenses	73,651	90,711
Leasehold Interest - Current	334,819	334,819
Total Current Assets	<u>1,251,771</u>	<u>1,887,257</u>
Fixed Assets:		
Property, Plant and Equipment	5,912,932	4,470,865
Less: Accumulated Depreciation	<u>(2,685,313)</u>	<u>(2,530,020)</u>
Total Fixed Assets	<u>3,227,619</u>	<u>1,940,845</u>
Other Assets:		
Unconditional Promises to Give, Restricted-Property and Equipment		
Allowance for Doubtful Accounts in the amounts of \$16,500 for 2014 and \$15,000 for 2013	106,414	229,960
Unconditional Promises to Give, to be Collected After One Year	100,000	-
Cash Restricted for Investment in Property and Equipment	23,935	240,986
Leasehold Interest - non current	<u>3,383,645</u>	<u>3,507,986</u>
Total Assets	<u>\$ 8,093,384</u>	<u>\$ 7,807,034</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 156,302	\$ 224,135
Accrued Expenses and Other Current Liabilities	225,360	203,050
Deferred Revenue	108,833	121,466
Note Payable - Current Portion	455,000	-
Total Current Liabilities	<u>945,495</u>	<u>548,651</u>
Note Payable	<u>290,000</u>	<u>350,000</u>
Total Liabilities	<u>1,235,495</u>	<u>898,651</u>
Net Assets:		
Unrestricted	2,638,080	2,311,406
Temporarily restricted	<u>4,219,809</u>	<u>4,596,977</u>
Total Net Assets	<u>6,857,889</u>	<u>6,908,383</u>
Total Liabilities and Net Assets	<u>\$ 8,093,384</u>	<u>\$ 7,807,034</u>

See accompanying notes to financial statements.

Portland Children's Museum

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

With summarized financial information for the year ended June 30, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	2014	2013
Revenue and Gains:				
Grants, Gifts and Donations	\$ 81,085	389,700	\$ 470,785	\$ 568,588
Corporation Gifts and Donations	40,006	66,383	106,389	210,434
Individual Gifts and Donations	53,578	198,315	251,893	90,896
Special Events	60,200	9,036	69,236	69,105
Grants, Gifts and Donations - In Kind	17,250	-	17,250	62,511
Government Support - In Kind	231,900	-	231,900	223,633
Memberships	751,373	-	751,373	678,943
Program and Admission Fees	1,357,146	531,450	1,888,596	1,739,978
Merchandise and Food Sales	166,296	-	166,296	147,392
Preschool Income	298,110	-	298,110	283,475
Other Income	29,025	-	29,025	24,957
Interest Income	751	-	751	1,064
Total Revenue	<u>3,086,720</u>	<u>1,194,884</u>	<u>4,281,604</u>	<u>4,100,976</u>
Restricted Net Assets Satisfied by Payments	1,572,052	-	1,572,052	1,166,316
Net Assets Released from Restrictions	<u>-</u>	<u>(1,572,052)</u>	<u>(1,572,052)</u>	<u>(1,166,316)</u>
Total Revenue and Gains	<u>4,658,772</u>	<u>(377,168)</u>	<u>4,281,604</u>	<u>4,100,976</u>
Expenses:				
Program Services:				
Museum Operations	2,367,389	-	2,367,389	2,074,184
School Operations	849,147	-	849,147	842,750
Supporting Services:				
Management and General	564,644	-	564,644	643,229
Fundraising	425,885	-	425,885	329,813
Total Expenses	<u>4,207,065</u>	<u>-</u>	<u>4,207,065</u>	<u>3,889,976</u>
Change in Net Assets before Leasehold Interest	451,707	(377,168)	74,539	211,000
Donation of Leased Facilities				
Change in Leasehold Interest Asset	229,875	-	229,875	1,016,311
Facility Lease Expense - In - Kind	(354,908)	-	(354,908)	(354,908)
Change in Net Assets from Donated Lease	<u>(125,033)</u>	<u>-</u>	<u>(125,033)</u>	<u>661,403</u>
Change in Net Assets	326,674	(377,168)	(50,494)	872,403
Net Assets at Beginning of Year	<u>2,311,406</u>	<u>4,596,977</u>	<u>6,908,383</u>	<u>6,035,980</u>
Net Assets at End of Year	<u>\$ 2,638,080</u>	<u>\$ 4,219,809</u>	<u>\$ 6,857,889</u>	<u>\$ 6,908,383</u>

See accompanying notes to financial statements.

Portland Children's Museum

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2014
 With summarized financial information for the year ended June 30, 2013

	Program Services		Supporting Services		2014	2013
	Museum Operations	School Operations	Management and General	Fundraising		
Salaries and Related Expenses	\$ 1,326,514	658,856	318,012	220,047	\$ 2,523,429	\$ 2,399,574
Maintenance and Utilities - In Kind	145,586	32,515	34,902	34,148	247,151	224,713
Staff Training and Development	9,584	2,649	4,546	-	16,779	7,700
Contract Services	9,254	2,275	-	-	11,529	33,223
Member Dues/Subscriptions	8,238	3,065	5,097	4,432	20,832	11,917
Insurance	15,114	7,925	3,623	2,727	29,389	29,885
Meetings and Receptions	5,447	2,724	-	17,575	25,746	10,604
Office Supplies/Telephone	7,173	2,120	13,496	621	23,410	17,173
Postage/Shipping	15,735	684	329	3,551	20,299	35,807
Advertising/Marketing	34,076	-	8,856	23,232	66,164	67,830
Professional Fees	71,038	15,825	31,250	16,582	134,695	134,429
Printing and Photography	38,715	2,360	1,574	10,220	52,869	33,198
Facilities Expense	59,625	33,143	14,046	9,719	116,533	107,140
Equipment Expense	17,918	4,114	3,488	1,128	26,648	19,708
Program Materials	77,567	19,096	2,643	2,851	102,157	112,172
Inventory Expense	71,577	-	-	1,615	73,192	97,267
Exhibit Rental	117,121	-	275	-	117,396	111,799
Computer Expense	68,886	15,780	65,378	-	150,044	63,224
Merchant and Service Charges	52,627	1,404	2,356	2,701	59,088	52,838
Food and Childcare	24,143	-	4,246	30,267	58,656	42,861
Graphic Design and Signage	17,861	-	-	-	17,861	5,657
Travel and Lodging	20,925	13,874	17,779	2,576	55,154	26,801
Interest Expense	15,406	-	-	-	15,406	1,947
Other Expenses	4,152	191	2,474	6,045	12,862	12,384
Depreciation Expenses	130,535	3,221	30,274	20,948	184,978	144,605
Discounted Services	2,572	27,326	-	-	29,898	41,350
Bad Debt Expense	-	-	-	14,900	14,900	44,170
Subtotal	2,367,389	849,147	564,644	425,885	4,207,065	3,889,976
Facility Lease Expense - In Kind	214,619	53,236	51,452	35,601	354,908	354,908
Total Expenses	\$ <u>2,582,008</u>	\$ <u>902,383</u>	\$ <u>616,096</u>	\$ <u>461,486</u>	\$ <u>4,561,973</u>	\$ <u>4,244,884</u>

See accompanying notes to financial statements.

Portland Children's Museum

STATEMENT OF CASH FLOWS

For the year ended June 30, 2014

With summarized financial information for the year ended June 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (50,494)	\$ 872,403
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	184,978	144,605
Loss on Disposition of Equipment	-	793
Contributions Restricted for Long Term Purposes	(203,254)	(512,805)
Accounts Receivable	(30,734)	11,573
Unconditional Promises to Give	(22,169)	154,136
Prepaid Expenses	17,060	(37,323)
Inventory	(9,062)	(3,279)
Accounts Payable	(67,833)	164,780
Accrued Expenses and Other Current Liabilities	8,982	27,159
Donated Property, Plant and Equipment	-	-
Utilization of Leasehold Interest	125,033	(661,403)
Net Cash Provided by Operating Activities	<u>(47,493)</u>	<u>160,639</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property, Plant and Equipment	<u>(1,471,752)</u>	<u>(369,545)</u>
Net Cash Used in Investing Activities	<u>(1,471,752)</u>	<u>(369,545)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions Restricted for Long Term Purposes	203,254	512,805
Proceeds from Borrowings	<u>395,000</u>	<u>350,000</u>
Net Cash Provided by Financing Activities	<u>598,254</u>	<u>862,805</u>
Net Change in Cash	(920,991)	653,899
Cash at Beginning of Year	<u>1,585,645</u>	<u>931,746</u>
Cash at End of Year	<u>\$ 664,654</u>	<u>\$ 1,585,645</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid for Interest	<u>\$ 14,267</u>	<u>\$ 125</u>
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See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. NATURE OF ORGANIZATION

Nature of Organization

Portland Children's Museum was incorporated on October 4, 1999 as an Oregon nonprofit corporation to manage and oversee the operations of the Portland Children's Museum at Washington Park ("Museum") in Portland, Oregon.

Museum Purpose

The purpose of the Museum is to enliven the imagination and creativity of children. It was founded on the belief that creativity is both an individual and community resource. The Museum seeks to contribute to the public good by building children's confidence, knowledge and experience in preparation for creative living. To these ends, the Museum 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 Museum consists of three aligned entities: (1) the Museum, where exhibits and programs serve the public both on- and off-site, (2) Opal 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.

Mission Statement

We collaborate to create transformative learning experiences through the arts and sciences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America and accordingly reflects all significant receivables, payables and other liabilities.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Financial Statement Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-210-55 for Not-for-Profit Entities. Portland Children's Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

At June 30, 2014 and 2013, Portland Children's Museum had no permanently restricted net assets.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

Use of Estimates

The preparation of financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Museum is organized exclusively for educational, scientific and charitable purposes and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the tax-exempt purpose is subject to unrelated business income tax. In addition, the Museum qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(2).

The Museum's Form 990, Return of Organization Exempt from Income Tax, and 990T, Exempt Organization Business Income tax returns for the year ending 2013, 2012 and 2011 are subject to examination by the IRS, generally 3 years after they were filed. The Museum believes that it has support for any tax positions taken, and such, does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows all highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Inventories

Resale inventories are stated at the lower of cost or market determined by the first-in, first-out method. Supply inventories are expensed as purchased. Detailed inventory records are maintained. Inventory values are not considered to be material.

Property, Plant and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation is computed using primarily the straight-line method using between three and seventeen year lives.

Revenue Recognition

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair market value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Deferred Revenue

Income from program and admission fees and preschool income is deferred and recognized over the periods to which the fees and income relates.

Donated Services and Facilities

Donated 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 Museum. Volunteer workers providing general services throughout the year are not recognized as contributions in the financial statements since the recognition criteria were not met.

Building and related improvements are leased from the City of Portland under a lease agreement for less than fair rental value (see Note 12). The leasehold interest pledge is evaluated each year to determine the current value of the remaining gift. Any change in the valuation is reflected as a change in leasehold interest asset for the current period.

Expense Allocation

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)Advertising

Advertising is used to promote programs among the audiences served. The costs of advertising are expensed as incurred. Advertising costs during the fiscal years ended June 30, 2014 and 2013 totaled \$66,164 and \$67,830.

3. PROMISES TO GIVE

Unconditional promises to give at June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Unconditional Promises to Give		
to be Collected in Less than One Year	\$ 228,494	\$ 304,825
Unconditional Promises to Give		
to be Collected After One Year	100,000	-
Allowance for Doubtful Accounts	<u>(16,500)</u>	<u>(15,000)</u>
Total Unconditional Promises to Give	<u>\$ 311,994</u>	<u>\$ 289,825</u>

As of June 30, 2014, all unconditional promises to give were reviewed in detail and an allowance was recorded for the pledges considered doubtful at that time. Promises to give as of June 2014 which are to be collected after one year are shown at the pledge amount which approximates fair market value given the timing of expected receipt and current discount factors.

4. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of changes in fixed assets at June 30, 2014:

	<u>June 30, 2013</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>June 30, 2014</u>
Exhibits & related				
leasehold improvements	\$ 4,177,750	\$ 1,463,031	\$	\$ 5,640,781
Office Furniture and				
equipment	293,115	8,721	(29,685)	272,151
Total	<u>4,470,865</u>	<u>1,471,752</u>	<u>(29,685)</u>	<u>5,912,932</u>
Less: Accumulated				
depreciation	<u>(2,530,020)</u>	<u>(184,978)</u>	<u>29,685</u>	<u>(2,685,313)</u>
Totals	<u>\$ 1,940,845</u>	<u>\$ 1,286,774</u>	<u>\$ -</u>	<u>\$ 3,227,619</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

5. LINE OF CREDIT

There is a \$400,000 revolving line of credit with an annual interest rate of 3.5% which matures November 10, 2014. There was a balance outstanding at June 30, 2014 in the amount of \$395,000 and \$0 in 2013. The Museum was required to rest the line for 30 days between July 1, 2013 and June 30, 2014. The credit line is secured by unrestricted assets. The Museum is in compliance with all the loan covenants at June 30, 2014.

6. NOTE PAYABLE

A \$350,000 promissory note dated April 1, 2013 payable to Meyer Memorial trust was used to continue the funding of the Outdoor construction project. The simple interest rate is 2.5% and personal property will be used for the collateral on the loan without limitations. The payment schedule will include interest only payments through October 15, 2014. The debt ratio must not exceed .25:1 and operating cash to be on hand must equal or exceed 1/12 of the annual expense of the board approved operating budget. The Museum is in compliance with all loan covenants at June 30, 2014.

Year ended June 30:

2015	60,000
2016	120,000
2017	120,000
2018	50,000
	<u>350,000</u>
	<u>\$ 350,000</u>

7. RESTRICTIONS ON NET ASSET BALANCES

As of June 30, 2014 and 2013, donor imposed time and/or purpose restrictions resulted in \$4,219,809 and \$4,596,977 of temporarily restricted net assets. Balances for each category of temporarily restricted net assets are as follows:

	<u>2014</u>	<u>2013</u>
Restricted to Capital Improvements	\$ 14,906	\$ 15,006
Restricted to Outdoor Project & Opal playground	23,935	471,593
Restricted to Programs	108,866	70,397
Restricted to Charter School	118,682	103,526
Restricted for Gladstone Cooperative Program	33,999	50,000
Restricted for Artist in Residence	150,000	-
Restricted to General & Administrative	50,957	43,650
Restricted for Leasehold interest	<u>3,718,464</u>	<u>3,842,805</u>
Total Temporarily Restricted Net Assets	<u>\$ 4,219,809</u>	<u>\$ 4,596,977</u>

There were no permanently restricted net assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

8. NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	<u>2014</u>	<u>2013</u>
Beginning Temporarily Restricted		
Net Assets	\$ 4,596,977	\$ 3,855,130
Temporarily Restricted Revenues	1,194,884	1,908,163
Satisfaction of Program Restrictions and		
Property Expenditures	<u>(1,572,052)</u>	<u>(1,166,316)</u>
Ending Temporarily Restricted Net Assets	<u>\$ 4,219,809</u>	<u>\$ 4,596,977</u>

9. FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Museum to concentrations of credit risk consist primarily of cash and unconditional promises to give.

Portions of cash are maintained in bank deposit accounts, which, at times, may exceed federally insured limits. All deposits are held in Cascade Insured Demand Accounts which automatically sweeps excess funds into a pooled fund maintained by participating banks. The pooled fund participation increases the FDIC insurance coverage to \$8 million dollars. At June 30, 2014, all bank deposits were covered by FDIC insurance.

Concentrations of credit risk with respect to promises receivable are limited due to the large number of contributors comprising the contributor base and their dispersion across different industries and geographic areas. As of June 30, 2014 there were no significant concentrations of credit risk from promises receivable.

10. OPAL CHARTER SCHOOL

An agreement was entered into with Portland School District No. 1J to establish a charter school known as the Opal School.

The Opal School opened for student enrollment at the beginning of the fall 2001 school term. As a charter school, the Opal School is funded primarily through Portland Public Schools. The Museum also opened a preschool program. Oregon public charter schools are K-12. Therefore, the preschool program was not a part of the charter school and was funded separately.

The School is listed separately in the statement of functional expenses under the school operations column.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

11. CONTINGENCIES

A substantial amount of support is received through grants and contributions from individuals, private foundations and the City of Portland. Reduction in those amounts in future years could have a significant impact on operations.

12. LEASEHOLD INTEREST

A building and related improvements situated on 3.121 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 on the later of June 15, 2001 or the date of construction completion 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. The fair market value of the rent recorded for each year's ended June 30, 2014 and 2013 was \$354,908 and \$354,908, respectively.

As of June 30, 2014 and 2013 the values of the leasehold rights were \$3,718,464 and \$3,842,805. The present value is based on current fair market rent of \$354,908 annually, over the respective lease term using a 6% discount rate.

The total leasehold interest amounts are classified as follows:

	<u>2014</u>	<u>2013</u>
Future Leasehold rights	\$ 3,718,464	\$ 3,842,805
Less current portion - twelve months	<u>(334,819)</u>	<u>(334,819)</u>
Leasehold interest - non-current	<u>\$ 3,383,645</u>	<u>\$ 3,507,986</u>

The expected time expirations on restrictions of leasehold interests are:

<u>Year ended June 30</u>	
2015	\$ 334,819
2016	315,867
2017	297,988
2018	281,120
2019	265,208
Thereafter	<u>2,223,462</u>
	<u>\$ 3,718,464</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

13. IN-KIND SUPPORT

City of Portland Donated Utilities and Maintenance

The City of Portland pays for the utility and maintenance costs of the building. Total utility and maintenance costs paid by the city for the year ended June 30, 2014 and 2013 were \$231,900 and \$223,633, respectively.

Other In-Kind Contributions

Other in-kind materials and services are received as donated for professional fees or items such as exhibits and other purposes. Total in-kind contributions for the year ended June 30, 2014 and 2013 were \$17,250 and \$62,511, respectively.

14. EMPLOYEE BENEFIT PLANS

The charter school contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to 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. 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. 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. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Funding Policy - 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 School is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2014 were 26.69% and 24.69% respectively. The School's contribution to the plan for the year ending June 30, 2014 was \$34,509.

Required contributions and liabilities have been determined by PERS as of December 31, 2011, using the entry age actuarial cost method. Because all PERS employers are required by law to submit the contributions adopted by the Retirement Board, the employer contributions actually made are the equivalent to the annual pension cost.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

14. EMPLOYEE BENEFIT PLANS, (continued)

Annual Pension Cost - The School's required contributions to PERS for the years ending June 30, 2014, 2013, and 2012 were \$34,509, \$42,348 and \$31,092, respectively, and were equal to the required contribution for the year.

Defined Contribution Plan Description

There is a 403(b) defined contribution plan covering all participating employees. Plan contributions are discretionary and paid by the employee. There is an employer matching contribution of 3% starting. For the years ended June 30, 2014 and 2013, the matching contribution was \$24,262 and \$22,343.

15. CAPITAL CAMPAIGN

During the year ending June 30, 2011 Portland Children's Museum launched a \$2,400,000 Capital Campaign to build an Outdoor exhibit. As of June 30, 2014 a total of \$1,594,819 has been raised for the campaign from the following groups:

	2014	2013
Foundations	\$ 917,811	\$ 732,411
Corporations	172,874	181,739
Individuals	344,074	317,355
Government Grants	3,940	3,940
In-Kind Donations	156,120	156,120
	<u>1,594,819</u>	<u>1,391,565</u>

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 17, 2014, the date that the financial statements were available to be issued.