The Children's Museum, Inc.

Consolidated Financial Statements and Supplementary Information
For the Fiscal Years Ended June 30, 2018 and 2017

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Briggs & Veselka Co.
A PROFESSIONAL CORPORATION
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Children's Museum, Inc.
Houston, Texas

We have audited the accompanying consolidated financial statements of The Children's Museum, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the fiscal years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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To the Board of Directors of
The Children's Museum, Inc.
Re: Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Children's Museum, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities as of and for the fiscal year ended June 30, 2018 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

October 24, 2018

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash	**$ 3,511,120**	$ 3,040,264
Inventory	**221,115**	224,895
Accounts receivable	**365,712**	558,074
Operating pledges receivable, net	**643,808**	1,030,433
Pledges receivable for donated use of facilities, net	**1,047,726**	1,137,762
Pledges receivable, net	**124,895**	293,868
Property and equipment, net	**18,540,724**	20,505,600
Investments	**19,036,057**	18,172,356
Prepaid expenses and other assets	**154,401**	129,732
TOTAL ASSETS	**$ 43,645,558**	$ 45,092,984
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 502,198**	$ 539,137
Deferred revenue	**375,557**	336,888
Deferred compensation	**315,491**	254,138
Total liabilities	**1,193,246**	1,130,163
Net assets		
Unrestricted	**22,931,958**	25,074,380
Temporarily restricted	**8,144,916**	7,513,003
Permanently restricted	**11,375,438**	11,375,438
Total net assets	**42,452,312**	43,962,821
TOTAL LIABILITIES AND NET ASSETS	**$ 43,645,558**	$ 45,092,984

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

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue				
Contributions	$ 2,190,176	$ 1,437,389	$ -	$ 3,627,565
Membership contributions	1,438,814	-	-	1,438,814
Special events	1,250,889	-	-	1,250,889
Direct donor benefit costs of special events	(267,895)	-	-	(267,895)
Admissions	3,376,070	-	-	3,376,070
Program fees	964,326	-	-	964,326
Museum gift shop and café sales	1,494,175	-	-	1,494,175
Cost of goods sold	(673,419)	-	-	(673,419)
Government grants	30,669	-	-	30,669
Parking fees	754,501	-	-	754,501
Investment return, net	17,759	1,001,236	-	1,018,995
Other revenue	359,469	-	-	359,469
Total revenue	10,935,534	2,438,625	-	13,374,159
Net assets released from restrictions				
Program and capital campaign expenditures	1,366,712	(1,366,712)	-	-
Endowment earnings appropriated for operations	440,000	(440,000)	-	-
Totals	12,742,246	631,913	-	13,374,159
Expenses				
Program services:				
Exhibitions and education	10,231,951	-	-	10,231,951
Membership and public outreach	1,064,169	-	-	1,064,169
Gift shop and café	825,375	-	-	825,375
Visitor services	450,320	-	-	450,320
Total program services	12,571,815	-	-	12,571,815
Management and general	1,624,884	-	-	1,624,884
Fundraising and membership development	687,969	-	-	687,969
Total expenses	14,884,668	-	-	14,884,668
Changes in net assets	(2,142,422)	631,913	-	(1,510,509)
Net assets, beginning of year	25,074,380	7,513,003	11,375,438	43,962,821
NET ASSETS, END OF YEAR	$ 22,931,958	$ 8,144,916	$ 11,375,438	$ 42,452,312

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

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue				
Contributions	$ 2,007,655	$ 1,494,190	$ 250,000	$ 3,751,845
Membership contributions	1,463,182	-	-	1,463,182
Special events	1,297,712	-	-	1,297,712
Direct donor benefit costs of special events	(235,681)	-	-	(235,681)
Admissions	3,608,773	-	-	3,608,773
Program fees	1,357,563	-	-	1,357,563
Museum gift shop and café sales	1,541,630	-	-	1,541,630
Cost of goods sold	(680,380)	-	-	(680,380)
Government grants	139,297	-	-	139,297
Parking fees	751,950	-	-	751,950
Donated use of facilities	-	1,317,762	-	1,317,762
In-kind support	-	20,455	-	20,455
Investment return, net	6,004	1,858,591	-	1,864,595
Other revenue	318,937	-	-	318,937
Total revenue	11,576,642	4,690,998	250,000	16,517,640
Net assets released from restrictions				
Program and capital campaign expenditures	2,144,569	(2,144,569)	-	-
Endowment earnings appropriated for operations	550,000	(550,000)	-	-
Totals	14,271,211	1,996,429	250,000	16,517,640
Expenses				
Program services:				
Exhibitions and education	10,285,335	-	-	10,285,335
Membership and public outreach	1,041,628	-	-	1,041,628
Gift shop and café	785,682	-	-	785,682
Visitor services	544,286	-	-	544,286
Total program services	12,656,931	-	-	12,656,931
Management and general	1,732,044	-	-	1,732,044
Fundraising and membership development	643,450	-	-	643,450
Total expenses	15,032,425	-	-	15,032,425
Changes in net assets	(761,214)	1,996,429	250,000	1,485,215
Net assets, beginning of year	25,835,594	5,516,574	11,125,438	42,477,606
NET ASSETS, END OF YEAR	$ 25,074,380	$ 7,513,003	$ 11,375,438	$ 43,962,821

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

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	**$ (1,510,509)**	$ 1,485,215
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Net realized and unrealized gain on investments	**(708,361)**	(1,612,185)
Fair value of stock contributed	**(55,244)**	-
Depreciation	**2,195,794**	2,139,475
Contributions restricted for endowment	**-**	(250,000)
Change in discount on pledges	**(86,271)**	484,737
Donated use of facilities	**180,000**	(1,620,000)
Changes in operating assets and liabilities:		
Inventory	**3,780**	(8,110)
Accounts receivable	**192,362**	(177,583)
Prepaid expenses and other assets	**(24,669)**	24,285
Operating pledges receivable	**390,545**	(298,975)
Accounts payable and accrued expenses	**(36,939)**	(219,447)
Deferred revenue	**38,669**	(97,432)
Deferred compensation	**61,353**	32,661
Net cash from operating activities	**640,510**	(117,359)
Cash flows from investing activities		
Change in restricted cash	**-**	1,263,183
Purchase of investments	**(1,798,829)**	(290,176)
Proceeds from sale of investments	**2,257,335**	550,000
Change in money market mutual funds held as investments	**(327,840)**	(229,039)
Change in certificates of deposit held as investments	**(230,762)**	(470,138)
Purchases of property and equipment	**(230,918)**	(421,608)
Net cash from investing activities	**(331,014)**	402,222
Cash flows from financing activities		
Proceeds from contributions restricted for capital expansion	**161,360**	206,920
Proceeds from contributions restricted for endowment	**-**	250,000
Net cash from financing activities	**161,360**	456,920
Net change in cash	**470,856**	741,783
Cash, beginning of year	**3,040,264**	2,298,481
Cash, end of year	**$ 3,511,120**	$ 3,040,264

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

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Exhibitions and Education	Membership and Public Outreach	Gift Shop and Café	Visitor Services	Total Program Services	Management and General	Fundraising and Membership Development	Total Expenses
Salaries and wages	$ 4,217,494	$ 451,598	$ 450,474	$ 233,760	$ 5,353,326	$ 734,330	$ 388,155	$ 6,475,811
Fringe benefits	580,172	60,002	32,750	9,683	682,607	110,707	45,740	839,054
Payroll taxes	412,217	34,817	38,650	15,157	500,841	41,735	30,046	572,622
Advertising	-	-	-	-	-	277,603	-	277,603
Depreciation	1,892,261	58,007	91,838	17,539	2,059,645	89,663	46,486	2,195,794
Contract labor	290,716	164,826	10,330	17,824	483,696	113,490	33,422	630,608
Supplies	499,537	89,881	89,178	26,420	705,016	53,477	33,507	792,000
Exhibit maintenance	656,341	-	-	-	656,341	-	-	656,341
Janitorial	321,020	12,470	21,918	2,921	358,329	14,675	7,590	380,594
Electricity	177,979	5,054	8,593	1,608	193,234	8,017	4,098	205,349
Printing	102,426	54,746	468	1,792	159,432	3,537	23,870	186,839
Insurance	218,639	5,915	10,523	1,946	237,023	9,543	4,833	251,399
Repair and maintenance	202,927	5,156	9,729	20,815	238,627	8,512	4,258	251,397
Travel	76,932	716	1,316	5	78,969	6,996	1,964	87,929
Other occupancy	310,244	21,078	16,351	4,069	351,742	26,694	15,522	393,958
Bank and credit card fees	482	60,097	33,234	94,844	188,657	10,301	24,344	223,302
Dues and subscriptions	43,187	18,030	2,932	628	64,777	23,604	4,384	92,765
Rent and storage fees	117,301	-	-	-	117,301	7,459	217	124,977
Other	10,279	668	1,860	449	13,256	15,352	8,981	37,589
Professional fees	2,700	5,050	-	-	7,750	45,270	675	53,695
Postage and delivery	1,047	12,579	-	-	13,626	6,719	7,191	27,536
Other utilities	71,025	1,779	3,402	617	76,823	2,953	1,472	81,248
Equipment rental	15,125	-	-	-	15,125	11,681	-	26,806
Telephone	11,900	1,700	1,829	243	15,672	2,566	1,214	19,452
Totals	$ 10,231,951	$ 1,064,169	$ 825,375	$ 450,320	$ 12,571,815	$ 1,624,884	$ 687,969	$ 14,884,668

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

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Exhibitions and Education	Membership and Public Outreach	Gift Shop and Café	Visitor Services	Total Program Services	Management and General	Fundraising and Membership Development	Total Expenses
Salaries and wages	$ 4,077,436	$ 433,495	$ 434,690	$ 276,680	$ 5,222,301	$ 722,104	$ 379,183	$ 6,323,588
Fringe benefits	520,194	64,986	29,577	9,726	624,483	106,248	32,869	763,600
Payroll taxes	327,599	33,998	37,048	18,322	416,967	48,901	29,478	495,346
Advertising	-	-	-	-	-	295,425	-	295,425
Depreciation	1,904,626	37,983	79,619	15,488	2,037,716	68,940	32,819	2,139,475
Contract labor	344,545	172,026	9,421	20,944	546,936	177,491	32,592	757,019
Supplies	483,617	120,005	91,777	65,585	760,984	82,938	39,201	883,123
Exhibit maintenance	745,993	-	-	-	745,993	-	-	745,993
Janitorial	360,732	7,442	20,637	2,933	391,744	13,057	6,408	411,209
Electricity	205,045	4,093	8,764	11,633	229,535	7,429	3,537	240,501
Printing	165,771	51,234	1,851	2,030	220,886	3,339	39,778	264,003
Insurance	222,980	4,458	9,965	8,639	246,042	8,093	3,853	257,988
Repair and maintenance	205,812	4,120	9,442	2,358	221,732	7,479	3,561	232,772
Travel	117,059	2,152	1,213	1	120,425	4,480	1,378	126,283
Other occupancy	377,647	7,415	9,709	3,012	397,783	13,458	6,407	417,648
Bank and credit card fees	630	53,000	33,716	105,276	192,622	37,977	14,158	244,757
Dues and subscriptions	18,161	14,590	601	30	33,382	6,873	1,003	41,258
Rent and storage fees	106,698	217	-	-	106,915	7,619	1,953	116,487
Other	11,854	725	3,401	2,049	18,029	41,542	3,700	63,271
Professional fees	6,673	1,650	-	-	8,323	46,420	-	54,743
Postage and delivery	1,190	23,480	-	-	24,670	4,850	8,964	38,484
Other utilities	50,956	1,022	2,413	417	54,808	1,854	883	57,545
Equipment rental	13,642	24	-	(1,575)	12,091	22,010	4	34,105
Telephone	16,475	3,513	1,838	738	22,564	3,517	1,721	27,802
Totals	$ 10,285,335	$ 1,041,628	$ 785,682	$ 544,286	$ 12,656,931	$ 1,732,044	$ 643,450	$ 15,032,425

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Children's Museum, Inc., operating as The Children's Museum of Houston (the "Museum"), a Texas nonprofit corporation, was founded in November 1980 primarily to create a lifelong passion for learning through educational exhibits and programs that provoke curiosity and inspiration. The mission of the Museum is transforming communities through innovative child-centered learning. The Museum encourages hands-on experimentation utilizing all of the senses, including listening, touching, tasting, smelling and looking, as well as role-playing. The Museum is an education institution where children and families, through multi-lingual and nonverbal information, learn about history and culture, health and human development, science and technology, and the arts, and is a resource center for parents, childcare workers and educators.

Effective July 2013, the Museum formed a limited liability company, Fort Bend Children's Discovery Center, LLC (the "LLC") to operate the Fort Bend Children's Discovery Center. The Museum is the sole member of the LLC.

Basis of Consolidation – These consolidated financial statements include the assets, liabilities, net assets and activities of the Museum and the LLC (collectively, the "Organization"). All balances and transactions between the consolidated entities have been eliminated. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Federal Income Tax Status – The Organization is exempt from federal income tax under §501(c) (3) of the Internal Revenue Code (IRC) and are classified as public charities under §170(b) (1) (A) (vi). Contributions to the Organization are tax deductible within the limitations prescribed by the IRC. The Organization files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress.

The Organization records charges for uncertain tax positions when they are considered probable. Based on their evaluation, the Organization has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements.

Cash – Cash consists of demand deposit accounts which may exceed the federally insured limit per depositor, per institution.

Inventory – Inventories of merchandise purchased for resale through the Organization's gift shop and café are stated at lower of cost and net realizable value determined by the specific identification method.

Account Receivable – Accounts 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 an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for doubtful accounts was considered necessary at June 30, 2018 and 2017.

Pledges Receivable – Pledges receivable that are expected to be collected within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible pledges is estimated based on management's periodic evaluation of past loss experience, known adverse situations that may affect the donor's ability to pay, and current economic conditions. It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of pledges receivable.

Property and Equipment – Property and equipment are reported at cost if purchased or at fair value at the date of gift, if donated. Expenditures less than $1,500 are expensed when incurred. Depreciation is calculated using the straight-line method over estimated useful lives of 10 to 30 years for parking garage and buildings and improvements, 10 years for permanent exhibits, and three to five years for furniture, fixtures and equipment.

Investments – Investments are reported at fair value. The Organization's management determines the investment valuation policies utilizing information provided by investment advisors and custodians. Investment return is reported in the consolidated statements of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets until expended in accordance with donor-imposed restrictions.

Net Asset Classification – Contributions, investment return and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- **Unrestricted Net Assets** – Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulation, even though their use may be limited in other respects, such as by contract or Board designation.

- **Temporarily Restricted Net Assets** – Temporarily restricted net assets include contributions and investment return restricted by the donor for specific purposes or time periods and through endowment spending policies. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

- **Permanently Restricted Net Assets** – Permanently restricted net assets include contributions that donors have restricted in perpetuity. The earnings may be used to support the operations of the Organization.

Contributions – Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Donor-restricted contributions whose restrictions are satisfied in the same year the contribution is received are recorded as unrestricted net assets. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Donated Materials, Donated Use of Facilities and Services – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under U.S. GAAP.

During 2017, the LLC executed an agreement for the use of a building and land under an operating lease where the lease payments are below market rate. At the time the agreement was made, the contribution was calculated as the net present value of the fair rental value of space occupied under similar conditions and was recorded as a pledge receivable, discounted to its net present value and as an increase in temporarily restricted net assets. Annually, the value of using the space for the period is reported as rent expense in unrestricted net assets along with a reclassification of net assets from temporarily restricted net assets (*see Note 2*).

Fees for Service – Revenue from admissions and program fees, government grants, museum gift shop and café sales, and parking fees are recognized when the related services are provided or a sale occurs. Amounts received in advance of the services being provided are recognized as deferred revenue.

Advertising Costs – Advertising costs are expensed as incurred. The total advertising costs charged to expense were $277,603 and $295,425 for the fiscal years ended June 30, 2018 and 2017, respectively.

Use of Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with U.S. GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Functional Expenses – The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Recent Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018 for nonpublic entities. The Organization is currently assessing the impact this new accounting standard and its subsequent amendments will have on the financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the consolidated statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective beginning after December 15, 2019, for nonpublic companies. The standard may be early adopted and requires a modified retrospective transition approach to apply. The Organization is evaluating the effect that ASU No. 2016-02 will have on the financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. These amendments change presentation and disclosure requirements for not-for-profit (NFP) entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. These include qualitative and quantitative requirements in the following areas: net asset classes; investment return; expenses; liquidity and availability of resources; and presentation of operating cash flows. Effective for NFP organizations for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments is permitted. The Organization is currently evaluating the effect that the adoption of this standard would have on the financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash,* which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the consolidated statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the consolidated statement of cash flows. For nonpublic companies, ASU No. 2016-18 is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the effect that the adoption of this standard would have on the financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by NFP organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. With some exceptions, the guidance is effective for annual periods beginning after December 15, 2018 or December 15, 2019 if the NFP is a resource recipient or a resource provider, respectively. The Organization is currently evaluating the effect that the adoption of this standard would have on the financial statements and related disclosures.

Reclassification – Certain reclassifications have been made to the prior year financial statements to conform to the current financial statement presentation. These reclassifications had no effect on net earnings.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are as follows as of June 30:

	2018	2017
Pledges receivable in less than one year	**$ 653,500**	$ 857,080
Pledges receivable in one to five years	**1,022,500**	1,386,719
Pledges receivable in more than five years	**540,000**	720,000
Total pledges receivable	**2,216,000**	2,963,799
Allowance for uncollectible pledges	**(1,105)**	(5,404)
Discount to present value ranging from 1.41% to 8.0%	**(398,466)**	(496,332)
Total contributions, pledges and other receivables, net	**$ 1,816,429**	$ 2,462,063

The Fort Bend Children's Discovery Center – The Fort Bend Children's Discovery Center opened to the public on May 28, 2016 and occupies a 12,000 square-foot first floor space of a restored historical building and houses four exhibits. It gives the Organization the opportunity to enrich the educational lives of Fort Bend's children by expanding cultural and educational family-focused opportunities. Beginning in 2013, the Organization held a capital campaign to fund the new facility, with a goal of raising $3,650,000. The Organization raised approximately $4,000,000, of which $124,895 and $293,868 is included in net pledges receivable in the consolidated statements of financial position as of June 30, 2018 and 2017, respectively.

During 2017, the Organization received a promise for the use of the Fort Bend Children's Discovery Center's building and land through an operating lease agreement significantly below market value (*see Note 1*). The agreement is for a term of 99 years, which expires on May 20, 2115. The lease is cancelable by either party with a one-year written notice. Management has determined the estimated economic useful life of the assets to be equal to the useful life of the leasehold improvements, which is 10 years. The lease was recognized as a pledge receivable for $1,800,000, discounted to net present value, and annual rent expense of $180,000 is recorded over 10 years.

At June 30, 2018 and 2017, the pledge receivable and temporarily restricted net assets related to the donated use of the facilities was $1,047,726 and $1,137,762, respectively. Additionally, the unamortized discount at June 30, 2018 and 2017 was $392,274 and $482,238, respectively. Management performed a risk-based analysis and determined the appropriate discount rate for this pledge was 8%.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at June 30:

	2018	2017
Land	**$ 2,977,070**	$ 2,977,070
Buildings and improvements	**18,445,182**	18,440,908
Permanent exhibits	**11,416,615**	11,326,578
Education annex building	**2,714,143**	2,714,143
Parking garage	**2,096,251**	2,089,701
Equipment	**462,724**	414,188
Furniture and fixtures	**217,845**	136,323
	38,329,830	38,098,911
Less: accumulated depreciation	**(19,789,106)**	(17,593,311)
Total property and equipment, net	**$ 18,540,724**	$ 20,505,600

Depreciation expense was $2,195,794 and $2,139,475 for the fiscal years ended June 30, 2018 and 2017, respectively.

Approximately $1,200,000 of the total cost of the parking garage was paid through a federal grant passed through to the Organization from the Greater Southeast Management District (the "District") and from the Federal Transportation Agency (the "FTA"). Upon completion of the parking garage in December 2007, the Organization entered into a 26½-year lease with the District at a cost of $1 per year that allows for public parking for individuals using public transit. Under the terms of the lease agreement and the grant award, the FTA will maintain an 80% ownership interest in the parking garage throughout the term of the lease, at which time all ownership interests transfer to the Organization. The lease may be canceled by the Organization upon return of a pro-rata share of the federal funding amortized over the life of the lease.

NOTE 4 – INVESTMENTS

Investments are comprised of the following at June 30:

	2018	2017
Mutual funds	**$ 16,150,872**	$ 13,845,713
Limited partnership	**115,015**	205,947
Certificates of deposit	**2,454,679**	2,219,277
Private equity funds	**-**	1,647,281
Equity securities	**315,491**	254,138
Total investments	**$ 19,036,057**	$ 18,172,356

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

Investment return includes earnings on cash and consists of the following at June 30:

	2018	2017
Interest and dividends	**$ 414,288**	$ 346,151
Net realized and unrealized gain on investments	**708,361**	1,612,185
Investment management fees	**(103,654)**	(93,741)
Investment return, net	**$ 1,018,995**	$ 1,864,595

NOTE 5 – FAIR VALUE MEASUREMENTS

U.S. GAAP requires that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- **Level 1** – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

- **Level 2** – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.

- **Level 3** – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
U.S. large-cap equity	**$ 4,297,537**	**$ -**	**$ -**	**$ 4,297,537**
Money market	**456,956**	**-**	**-**	**456,956**
U.S. taxable fixed income	**4,235,715**	**-**	**-**	**4,235,715**
Commodities	**856,533**	**-**	**-**	**856,533**
International equity	**5,799,188**	**-**	**-**	**5,799,188**
U.S. small-cap equity	**259,399**	**-**	**-**	**259,399**
Real estate	**245,544**	**-**	**-**	**245,544**
Limited partnership:				
Black Stone Minerals Company, L.P. (a)	**-**	**-**	**115,015**	**115,015**
Certificates of deposit	**-**	**2,454,679**	**-**	**2,454,679**
Other securities:				
Large-cap equity (*Note 6*)	**315,491**	**-**	**-**	**315,491**
Total assets measured at fair value	**$ 16,466,363**	**$ 2,454,679**	**$ 115,015**	**$ 19,036,057**

Assets measured at fair value at June 30, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
U.S. large-cap equity	$ 3,581,982	$ -	$ -	$ 3,581,982
Money market	720,559	-	-	720,559
U.S. taxable fixed income	2,181,713	-	-	2,181,713
Commodities	790,051	-	-	790,051
International equity	6,126,099	-	-	6,126,099
U.S. small-cap equity	237,576	-	-	237,576
Real estate	207,733	-	-	207,733
Limited partnership:				
Black Stone Minerals Company, L.P. (a)	112,022	-	93,925	205,947
Certificates of deposit	-	2,219,277	-	2,219,277
Private Equity	-	-	1,647,281	1,647,281
Other securities:				
Large-cap equity (*Note 6*)	254,138	-	-	254,138
Total assets measured at fair value	$ 14,211,873	$ 2,219,277	$ 1,741,206	$ 18,172,356

(a) Black Stone Minerals, L.P. (BSM or the "Partnership") is a publicly traded Delaware limited partnership formed on September 16, 2014. On May 6, 2015, BSM completed its initial public offering (the "IPO") of 22,500,000 common units representing limited partner interests at a price to the public of $19.00 per common unit. Black Stone Minerals Company, L.P., a Delaware limited partnership, and its subsidiaries (collectively referred to as BSMC) own oil and natural gas mineral interests in the United States of America. In connection with the IPO, BSMC was merged into a wholly-owned subsidiary of BSM, with BSMC as the surviving entity. In addition to mineral interest, which makes up the vast majority of the asset base, the Partnership's assets also include nonparticipating and overriding royalty interests. The Partnership also owns nonoperated working interests in certain oil and natural gas properties.

The Partnership is one of the largest owners of oil and natural gas mineral interest in the United States of America. Their principal business is maximizing the value of their existing portfolio of mineral and royalty assets through active management and expanding their asset base through acquisitions of additional mineral and royalty interest. They maximize value through marketing their mineral assets for lease, creatively structuring terms on those leases to encourage and accelerate drilling activity, and selectively participating alongside their lessees on a working-interest basis in low-risk development-drilling opportunities on their interests. Their primary business objective is to grow their reserves, production, and cash generated from operations over the long term, while paying to the extent practicable, a growing quarterly distribution to their unitholders.

There are no unfunded commitments at June 30, 2018 and 2017 for these investments.

Valuation methods used for assets measured at fair value are as follows:

- **Mutual Funds** – Mutual funds are valued at the reported net asset value (NAV) of shares held.

- **Limited Partnership** – The limited partnership is valued by the general partner based on the Organization's percentage of ownership in the net equity of the partnership. The net is based on valuations provided by a third-party consultant using a weighted average of the NAV method, the guideline company method, the comparable transaction method, the exchange offer, and the dividend discount model. Significant Level 3 assumptions used in the calculation of the limited partnership's valuation included estimates of future oil and gas prices, production costs, development expenditures, estimated timing of production of proved reserves, appropriate risk-adjusted discount rates, and other relevant data.

- **Certificates of Deposit, U.S. Treasury Securities, Corporate Bonds and Mortgage-Backed Securities** – Certificates of deposit, U.S. Treasury securities, corporate bonds and mortgage-backed securities are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas, which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.

- **Private Equity Funds** – Investment funds are valued at the NAV per share as determined by the issuer and these values are reported in the audited financial statements as a practical expedient because these investments do not have a readily determinable fair value. The NAV is calculated on the basis of pricing information obtained from various sources, including pricing vendors used by the administrator and custodian, the fund (or its investment manager), one or more broker/dealers as directed by the fund (or its investment manager), and administrators of funds in which the fund may have invested (Pricing Information).

- **Equity Securities** – Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Changes in the fair value of Level 3 assets for the fiscal years ended June 30, consists of the following:

	2018	2017
Beginning balance	**$ 1,741,206**	$ 1,649,237
Purchases	**169,014**	-
Redemptions	**(1,969,474)**	-
Net realized loss	**(2,989)**	-
Net unrealized gain	**177,258**	91,969
Ending balance	**$ 115,015**	$ 1,741,206

NOTE 6 – DEFERRED COMPENSATION

The Organization has a deferred compensation agreement with the Executive Director of the Museum that accrues at $30,000 per year until attainment of age 65 or termination of employment. The Organization has restricted funds related to this agreement in large-cap equity investments The deferred compensation liability of $315,491 and $254,138 at June 30, 2017 and 2016, respectively, is adjusted annually for the related investment unrealized gains and losses.

NOTE 7 – OPERATING LEASES

The Museum leases storage space and office equipment under noncancelable operating leases with total monthly payments ranging from approximately $300 to $5,100. The agreements having an original term of more than one year expire on various dates through January 2023. The Organization records these rent expenses on a straight-line basis over the term of the leases. Rent expense totaled $86,243 and $83,544 at June 30, 2018 and 2017, respectively.

Future minimum lease payments for noncancelable operating leases consist of the following:

For the Fiscal Year Ending June 30,	Amount
2019	$ 58,149
2020	19,157
2021	16,043
2022	14,844
2023	5,370
Total	$ 113,563

NOTE 8 – CONDITIONAL CONTRIBUTION

In March 2011, the Organization received a $321,600 conditional gift to implement long-ranged facility plans and build cash reserves for building system replacement. Under the terms of the grant, the Museum was eligible to receive a $53,600 matching grant each year for six years. The grant required, among other things, that the Museum make a monthly deposit of $4,467 into a building reserve account controlled by the grantor. The grantor deposited a matching amount into the account monthly and authorized disbursements from the account for scheduled building replacement costs. On March 17, 2017, the Organization successfully completed its term as a participant in the grant and the grantor released the funds and a total of $476,000, including the Organization's match, was transferred into the Organization's bank account and a board designated fund. Cash held in the building reserve accounts required by the grantor at June 30, 2017 was $-0-.

NOTE 9 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at June 30:

	2018	2017
Undesignated	**$ 638,700**	$ 906,018
Board-designated:		
Property	**16,687,775**	18,435,773
Reserve fund	**1,391,512**	1,369,647
Future exhibit programs	**600,000**	600,000
Facility replacement	**476,000**	476,000
Fort Bend Children's Discovery Center – property	**1,852,950**	2,069,826
Fort Bend Children's Discovery Center	**1,285,021**	1,217,116
Total unrestricted net assets	**$ 22,931,958**	$ 25,074,380

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Accumulated endowment earnings for general operations	**$ 4,893,286**	$ 4,325,140
Fort Bend Children's Discovery Center	**127,080**	322,379
Fort Bend Children's Discovery Center donated use of facilities	**1,047,726**	1,137,762
Exhibition, curatorial and program support	**1,916,521**	1,532,305
Future operations	**160,303**	195,417
Total temporarily restricted net assets	**$ 8,144,916**	$ 7,513,003

NOTE 11 – ENDOWMENT

The Museum's endowment consists of two donor-restricted funds. One was established to support general operations and one was established to support the Museum's Inclusion of Children with Disabilities and Their Families Program. The Board of Directors of the Museum has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies the original value of gifts donated to the permanent endowment fund that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate the donor-restricted endowment fund:

- The duration and preservation of the fund
- The purposes of the Museum and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Museum
- The investment policies of the Museum

From time-to-time, the fair value of assets associated with the endowment fund may fall below the level that the donor or TUPMIFA requires the Organization to retain as a fund of perpetual duration as a result of temporary unfavorable market fluctuations. At June 30, 2018 and 2017, there were no deficiencies of this nature that required to be reported as unrestricted net assets.

Investment Policy – The overriding investment objective is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the endowment's investment horizon.

To meet the stated investment objective, the investment strategy shall be to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income.

The primary objective of the investment policy is the management of investments in such a manner as to emphasize long-term growth of principal while managing risk. The long-term goal is 4% return, net of investment management fees and expenses plus inflation.

These objectives have been established after a comprehensive review of current and projected financial requirements. The Board of Directors recognizes and acknowledges that some risk must be assumed to achieve the long-term objectives of the investment policy and in establishing risk tolerances for this investment policy, the Museum's ability to withstand short and intermediate-term variability were considered.

The investment horizon is defined as 10 years. However, due to capital market volatility, the return may vary significantly over shorter periods of time.

Spending Policy – Spending in any fiscal year will be no more than 4% of the endowment's average portfolio value (calculated on the basis of market values determined quarterly) for the three-year period ending the last day of the immediately preceding fiscal year. Distributions from the endowment will be at the direction of the Board of Directors and budget approval process, to allow flexibility with regard to distributions for endowment growth or preservation in times of great market distress. This discretion does not supersede any restricted gifts that mandate annual support for a particular program or facility.

Changes in net assets of the donor-restricted endowment fund are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2017	$ -	$ 3,016,506	$ 11,125,438	$ 14,141,944
Contributions	-	43	250,000	250,043
Investment return (loss):				
Interest and dividends	-	336,021	-	336,021
Net realized and unrealized gain	-	1,616,311	-	1,616,311
Investment management fees	-	(93,741)	-	(93,741)
Net investment return	-	1,858,591	-	1,858,591
Appropriations for expenditure	-	(550,000)	-	(550,000)
Endowment net assets, June 30, 2017	-	4,325,140	11,375,438	15,700,578
Contributions	**-**	**6,910**	**-**	**6,910**
Investment return:				
Interest and dividends	**-**	**395,939**	**-**	**395,939**
Net realized and unrealized gain	**-**	**708,951**	**-**	**708,951**
Investment management fees	**-**	**(103,654)**	**-**	**(103,654)**
Net investment return	**-**	**1,001,236**	**-**	**1,001,236**
Appropriations for expenditure	**-**	**(440,000)**	**-**	**(440,000)**
Endowment net assets, June 30, 2018	**$ -**	**$ 4,893,286**	**$ 11,375,438**	**$ 16,268,724**

Endowment net assets composition as of June 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
General operations fund	$ -	$ 4,325,140	$ 10,375,438	$ 14,700,578
Inclusion of Children with Disabilities and Their Families fund	-	-	1,000,000	1,000,000
Endowment net assets, June 30, 2017	$ -	$ 4,325,140	$ 11,375,438	$ 15,700,578
Donor-restricted endowment funds:				
General operations fund	**$ -**	**$ 4,893,286**	**$ 10,375,438**	**$ 15,268,724**
Inclusion of Children with Disabilities and Their Families fund	**-**	**-**	**1,000,000**	**1,000,000**
Endowment net assets, June 30, 2018	**$ -**	**$ 4,893,286**	**$ 11,375,438**	**$ 16,268,724**

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash in financial institution accounts which, at times, exceeds federally insured limits. The Organization has not experienced any losses related to such accounts. Cash is placed with highly-accredited, quality financial institutions and management believes it is not exposed to any significant credit risk.

NOTE 13 – RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 2018 and 2017, approximately 33% and 22%, respectively, of the Organization's contribution revenue were from Board members and affiliates. At June 30, 2018 and 2017, the pledges receivable from these Board members and affiliates, approximated 10%, of total pledges receivable, net of discount.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2018, the date which the financial statements were available for issuance. No subsequent events occurred which require adjustment of disclosure to the financial statements at June 30, 2018.

THE CHILDREN'S MUSEUM, INC.
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	The Children's Museum, Inc.	Fort Bend Children's Discovery Center	Eliminations	Consolidated Total
ASSETS				
Cash	$ 2,185,441	$ 1,325,679	$ -	$ 3,511,120
Inventory	219,788	1,327	-	221,115
Accounts receivable	365,712	-	-	365,712
Prepaid expenses and other assets	152,381	2,020	-	154,401
Intercompany receivable	-	16,603	(16,603)	-
Operating pledges receivable, net	643,808	-	-	643,808
Pledges receivable for donated use of facilities, net	-	1,047,726		1,047,726
Pledges receivable, net	-	124,895	-	124,895
Property and equipment, net	16,687,775	1,852,949	-	18,540,724
Investments	19,036,057	-	-	19,036,057
TOTAL ASSETS	$ 39,290,962	$ 4,371,199	$ (16,603)	$ 43,645,558
LIABILITES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$ 445,796	$ 56,402	$ -	$ 502,198
Intercompany payable	16,603	-	(16,603)	-
Deferred revenue	373,537	2,020	-	375,557
Deferred compensation	315,491	-	-	315,491
Total liabilities	1,151,427	58,422	(16,603)	1,193,246
Net assets				
Unrestricted	19,793,987	3,137,971	-	22,931,958
Temporarily restricted	6,970,110	1,174,806	-	8,144,916
Permanently restricted	11,375,438	-	-	11,375,438
Total net assets	38,139,535	4,312,777	-	42,452,312
TOTAL LIABILITIES AND NET ASSETS	$ 39,290,962	$ 4,371,199	$ (16,603)	$ 43,645,558

See independent auditors' report.

THE CHILDREN'S MUSEUM, INC.
SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	The Children's Museum, Inc.	Fort Bend Children's Discovery Center	Eliminations	Consolidated Total
Revenue				
Contributions	$ 3,401,487	$ 226,078	$ -	$ 3,627,565
Membership contributions	1,170,660	268,154	-	1,438,814
Special events	1,203,314	47,575	-	1,250,889
Direct donor benefit costs of special events	(262,987)	(4,908)	-	(267,895)
Admissions	3,091,907	284,163	-	3,376,070
Program fees	931,201	33,125	-	964,326
Museum gift shop and café sales	1,494,175	-	-	1,494,175
Cost of goods sold	(670,558)	(2,861)	-	(673,419)
Government grants	30,669	-	-	30,669
Parking fees	754,501	-	-	754,501
Investment return, net	1,018,995	-	-	1,018,995
Other revenue	359,469	-	-	359,469
Total revenue	12,522,833	851,326	-	13,374,159
Expenses				
Program services:				
Exhibitions and education	9,305,835	926,116	-	10,231,951
Membership and public outreach	951,939	112,230	-	1,064,169
Gift shop and café	803,828	21,547	-	825,375
Visitor services	423,864	26,456	-	450,320
Total program services	11,485,466	1,086,349	-	12,571,815
Management and general	1,542,965	81,919	-	1,624,884
Fundraising and membership development	570,605	117,364	-	687,969
Total expenses	13,599,036	1,285,632	-	14,884,668
Changes in net assets	(1,076,203)	(434,306)	-	(1,510,509)
Net assets, beginning of year	39,215,738	4,747,083	-	43,962,821
NET ASSETS, END OF YEAR	$ 38,139,535	$ 4,312,777	$ -	$ 42,452,312

See independent auditors' report.