

The Children's Museum, Inc.
Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2016 and 2015

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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) (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, 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 (U.S. GAAP); 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 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.

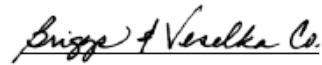
To the Board of Directors of
The Children's Museum, Inc.
Re: Independent Auditors' Report

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, 2016 and 2015, and the changes in their net assets and their cash flows for the fiscal years then ended in accordance with U.S. GAAP.

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, 2016 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position of the individual entities. 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.
Houston, Texas

November 16, 2016

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 2,298,481	\$ 3,106,413
Inventory	216,785	128,008
Accounts receivable	380,491	232,209
Prepaid expenses and other assets	154,017	111,182
Operating pledges receivable, net	741,570	773,968
Pledges receivable restricted for Fort Bend Children's Discovery Center, net	493,175	857,855
Cash restricted for Fort Bend Children's Discovery Center	1,263,183	1,344,242
Property and equipment, net	22,223,467	21,158,130
Investments	<u>16,120,818</u>	<u>18,255,908</u>
TOTAL ASSETS	<u>\$ 43,891,987</u>	<u>\$ 45,967,915</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 758,584	\$ 561,817
Deferred revenue	434,320	458,918
Deferred compensation	<u>221,477</u>	<u>202,349</u>
Total liabilities	<u>1,414,381</u>	<u>1,223,084</u>
Net assets		
Unrestricted	25,835,594	24,652,481
Temporarily restricted	5,516,574	9,216,912
Permanently restricted	<u>11,125,438</u>	<u>10,875,438</u>
Total net assets	<u>42,477,606</u>	<u>44,744,831</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,891,987</u>	<u>\$ 45,967,915</u>

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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue				
Contributions	\$ 2,586,818	\$ 578,635	\$ 250,000	\$ 3,415,453
Membership contributions	1,262,281	-	-	1,262,281
Special events	1,290,188	-	-	1,290,188
Direct donor benefit costs of special events	(269,680)	-	-	(269,680)
Admissions	3,256,055	-	-	3,256,055
Program fees	818,891	-	-	818,891
Museum gift shop and café sales	1,705,377	-	-	1,705,377
Cost of goods sold	(704,921)	-	-	(704,921)
Government grants	234,655	-	-	234,655
Parking fees	755,421	-	-	755,421
Investment return (loss), net	13,587	(589,071)	-	(575,484)
Other revenue	383,145	-	-	383,145
Total revenue (loss)	11,331,817	(10,436)	250,000	11,571,381
Net assets released from restrictions				
Program and capital campaign expenditures	3,129,902	(3,129,902)	-	-
Endowment earnings appropriated for operations	560,000	(560,000)	-	-
Totals	15,021,719	(3,700,338)	250,000	11,571,381
Expenses				
Program services:				
Exhibitions and education	9,265,284	-	-	9,265,284
Membership and public outreach	997,667	-	-	997,667
Gift shop and café	764,822	-	-	764,822
Visitor services	567,918	-	-	567,918
Total program services	11,595,691	-	-	11,595,691
Advertising	261,400	-	-	261,400
Management and general	1,303,133	-	-	1,303,133
Fundraising and membership development	678,382	-	-	678,382
Total expenses	13,838,606	-	-	13,838,606
Changes in net assets	1,183,113	(3,700,338)	250,000	(2,267,225)
Net assets, beginning of year	24,652,481	9,216,912	10,875,438	44,744,831
NET ASSETS, END OF YEAR	\$25,835,594	\$ 5,516,574	\$11,125,438	\$42,477,606

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, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue				
Contributions	\$ 1,888,206	\$ 2,188,545	\$ 750,000	\$ 4,826,751
Membership contributions	1,128,631	-	-	1,128,631
Special events	1,115,591	-	-	1,115,591
Direct donor benefit costs of special events	(232,602)	-	-	(232,602)
Admissions	2,979,269	-	-	2,979,269
Program fees	657,461	-	-	657,461
Museum gift shop and café sales	1,774,252	-	-	1,774,252
Cost of goods sold	(694,205)	-	-	(694,205)
Government grants	161,309	-	-	161,309
Parking fees	724,013	-	-	724,013
Investment return (loss), net	36,610	(305,835)	-	(269,225)
Other revenue	412,447	-	-	412,447
Total revenue	9,950,982	1,882,710	750,000	12,583,692
Net assets released from restrictions				
Program and capital campaign expenditures	2,790,921	(2,790,921)	-	-
Endowment earnings appropriated for operations	515,000	(515,000)	-	-
Totals	13,256,903	(1,423,211)	750,000	12,583,692
Expenses				
Program services:				
Exhibitions and education	8,758,452	-	-	8,758,452
Membership and public outreach	1,035,883	-	-	1,035,883
Gift shop and café	681,143	-	-	681,143
Visitor services	445,836	-	-	445,836
Total program services	10,921,314	-	-	10,921,314
Advertising	300,840	-	-	300,840
Management and general	1,221,715	-	-	1,221,715
Fundraising and membership development	734,888	-	-	734,888
Total expenses	13,178,757	-	-	13,178,757
Changes in net assets	78,146	(1,423,211)	750,000	(595,065)
Net assets, beginning of year	24,574,335	10,640,123	10,125,438	45,339,896
NET ASSETS, END OF YEAR	\$24,652,481	\$ 9,216,912	\$10,875,438	\$44,744,831

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Changes in net assets	\$ (2,267,225)	\$ (595,065)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized loss on investments	787,289	456,193
Depreciation	1,825,846	1,565,503
Loss on disposal of property and equipment	-	10,581
Contributions restricted for Fort Bend Children's Discovery Center for capital expansion	-	(112,504)
Contributions restricted for endowment	(250,000)	(750,000)
Changes in operating assets and liabilities:		
Inventory	(88,777)	(37,090)
Accounts receivable	(148,282)	152,289
Prepaid expenses and other assets	(42,835)	88,840
Operating pledges receivable	32,398	192,631
Accounts payable and accrued expenses	196,767	51,026
Deferred revenue	(24,598)	283,640
Deferred compensation	19,128	1,938
Net cash from operating activities	<u>39,711</u>	<u>1,307,982</u>
Cash flows from investing activities		
Purchase of investments	(5,171,537)	(2,755,434)
Proceeds from sale of investments	6,377,151	1,421,667
Money market mutual funds held as investments	122,815	1,016,771
Cash restricted for Fort Bend Children's Discovery Center	81,059	634,708
Certificates of deposit held as investments	19,372	(2,500,000)
Purchases of property and equipment	(2,891,183)	(1,158,089)
Net cash from investing activities	<u>(1,462,323)</u>	<u>(3,340,377)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for capital expansion	364,680	503,039
Proceeds from contributions restricted for endowment	250,000	750,000
Net cash from financing activities	<u>614,680</u>	<u>1,253,039</u>
Net change in cash	(807,932)	(779,356)
Cash, beginning of year	<u>3,106,413</u>	<u>3,885,769</u>
Cash, end of year	<u>\$ 2,298,481</u>	<u>\$ 3,106,413</u>

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, 2016

	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	\$ 3,639,218	\$ 455,144	\$ 423,799	\$ 188,328	\$ 4,706,489	\$ 724,652	\$ 419,923	\$ 5,851,064
Fringe benefits	489,028	64,540	25,853	18,746	598,167	115,419	44,410	757,996
Payroll taxes	290,037	35,477	35,833	15,485	376,832	46,052	32,755	455,639
Depreciation	1,621,543	31,788	74,828	12,858	1,741,017	57,505	27,324	1,825,846
Supplies	451,483	91,552	96,704	113,782	753,521	79,343	30,344	863,208
Contract labor	443,126	121,302	8,606	87,449	660,483	141,618	32,507	834,608
Exhibit maintenance	761,550	-	-	-	761,550	-	-	761,550
Janitorial	319,400	6,117	14,400	2,474	342,391	11,066	5,258	358,715
Insurance	217,605	4,374	10,295	8,356	240,630	7,912	3,759	252,301
Electricity	220,691	4,386	10,323	8,188	243,588	7,933	3,770	255,291
Repair and maintenance	207,831	4,105	9,664	6,518	228,118	7,427	3,529	239,074
Other occupancy	183,884	3,696	8,700	1,496	197,776	6,686	3,177	207,639
Bank and credit card fees	194	47,497	32,942	95,479	176,112	6,911	15,561	198,584
Printing	92,471	69,059	843	3,726	166,099	2,615	30,533	199,247
Travel	113,328	1,013	1,196	190	115,727	3,590	2,167	121,484
Rent and storage fees	110,092	-	-	-	110,092	6,758	2,108	118,958
Other utilities	43,388	856	2,014	346	46,604	1,548	736	48,888
Dues and subscriptions	20,009	16,775	1,238	164	38,186	6,665	1,626	46,477
Postage and delivery	2,050	26,058	190	-	28,298	3,593	12,547	44,438
Professional fees	2,026	6,550	-	-	8,576	37,763	325	46,664
Equipment rental	13,449	-	-	-	13,449	10,152	1,125	24,726
Telephone	18,709	2,429	914	313	22,365	2,429	1,227	26,021
Advertising	-	-	-	-	-	15,496	-	15,496
Other	4,172	4,949	6,480	4,020	19,621	-	3,671	23,292
Totals	<u>\$ 9,265,284</u>	<u>\$ 997,667</u>	<u>\$ 764,822</u>	<u>\$ 567,918</u>	<u>\$11,595,691</u>	<u>\$ 1,303,133</u>	<u>\$ 678,382</u>	13,577,206
Advertising								261,400
Cost of goods sold								704,921
Direct donor benefit costs of special events								269,680
Investment management fees								92,583
Total expenses								<u>\$14,905,790</u>

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, 2015

	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	\$ 3,249,075	\$ 469,684	\$ 371,509	\$ 172,317	\$ 4,262,585	\$ 744,811	\$ 476,185	\$ 5,483,581
Fringe benefits	410,390	58,266	18,412	17,765	504,833	104,187	39,928	648,948
Payroll taxes	263,624	36,524	33,164	15,181	348,493	49,621	35,181	433,295
Depreciation	1,386,282	27,793	65,637	11,333	1,491,045	50,445	24,013	1,565,503
Supplies	535,589	91,412	83,265	26,722	736,988	49,306	28,621	814,915
Contract labor	920,387	133,990	15,400	120,169	1,189,946	72,579	36,979	1,299,504
Exhibit maintenance	385,684	-	-	-	385,684	-	-	385,684
Janitorial	304,188	5,893	13,918	2,403	326,402	10,696	5,092	342,190
Insurance	225,535	4,522	10,679	1,844	242,580	8,207	3,907	254,694
Electricity	200,664	4,023	9,501	1,640	215,828	7,302	3,476	226,606
Repair and maintenance	179,172	3,592	8,483	1,465	192,712	6,520	3,104	202,336
Other occupancy	175,111	5,012	8,291	1,431	189,845	6,372	3,033	199,250
Bank and credit card fees	283	43,599	31,155	70,610	145,647	32,673	12,496	190,816
Printing	106,022	75,232	1,328	289	182,871	2,401	42,201	227,473
Travel	146,381	1,996	1,183	-	149,560	1,145	2,391	153,096
Rent and storage fees	101,467	-	-	-	101,467	6,348	-	107,815
Other utilities	38,765	777	1,835	317	41,694	1,411	672	43,777
Dues and subscriptions	11,689	18,835	-	-	30,524	6,908	2,140	39,572
Postage and delivery	4,986	43,115	-	402	48,503	3,779	9,105	61,387
Professional fees	11,622	3,500	-	-	15,122	38,839	1,515	55,476
Equipment rental	13,998	-	-	-	13,998	6,610	-	20,608
Telephone	62,089	7,949	4,428	1,696	76,162	8,015	4,175	88,352
Other	25,449	169	2,955	252	28,825	3,540	674	33,039
Totals	<u>\$ 8,758,452</u>	<u>\$ 1,035,883</u>	<u>\$ 681,143</u>	<u>\$ 445,836</u>	<u>\$10,921,314</u>	<u>\$ 1,221,715</u>	<u>\$ 734,888</u>	12,877,917
Advertising								300,840
Cost of goods sold								694,205
Direct donor benefit costs of special events								232,602
Investment management fees								95,178
Total expenses								<u>\$14,200,742</u>

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. Fort Bend Children's Discovery Center opened to the public May 28, 2016.

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 Museum and the LLC are 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 Museum and the LLC are tax deductible within the limitations prescribed by the IRC. The Museum and the LLC file annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress.

The Museum and the LLC record charges for uncertain tax positions when they are considered probable. Based on their evaluation, the Museum and the LLC have 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 or market determined by the specific identification method.

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.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 3 to 5 years for furniture, fixtures and equipment.

Investments – Investments are reported at fair value. The Organization's management determines the Organization's 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, 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.

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 \$261,400 and \$300,840 for the fiscal years ended June 30, 2016 and 2015, 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.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 a company expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU No. 2014-09 for all entities by one year. Therefore, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods beginning after December 15, 2019, for nonpublic entities. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. The Organization is assessing the method of adoption and the impact this new accounting guidance will have on its financial statements and related disclosures.

On February 25, 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize for all leases (with the exception of short-term leases) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. For nonpublic entities, the new standard is effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Organization is evaluating the effect the guidance will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 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 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 not-for-profit organizations for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted. The Organization is currently evaluating the effect that ASU No. 2016-14 will have on its financial statements and disclosures.

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

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are as follows as of June 30:

	<u>2016</u>	<u>2015</u>
Pledges receivable in less than one year	\$ 752,000	\$ 1,218,887
Pledges receivable in one to five years	<u>526,719</u>	<u>449,750</u>
Total pledges receivable	1,278,719	1,668,637
Allowance for uncollectible pledges	(32,379)	(29,879)
Discount to present value ranging from 0.5% to 5%	<u>(11,595)</u>	<u>(6,935)</u>
 Total contributions, pledges and other receivables, net of discount	 <u>\$ 1,234,745</u>	 <u>\$ 1,631,823</u>

NOTE 3 – PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Land	\$ 2,977,070	\$ 2,977,070
Buildings and improvements	18,346,639	17,677,760
Permanent exhibits	11,052,301	7,806,330
Education annex building	2,714,143	2,714,143
Parking garage	2,089,701	2,076,183
Equipment	381,357	322,608
Furniture and fixtures	116,092	116,092
Construction in progress	<u>-</u>	<u>1,095,934</u>
	37,677,303	34,786,120
Less: accumulated depreciation	<u>(15,453,836)</u>	<u>(13,627,990)</u>
 Total property and equipment, net	 <u>\$ 22,223,467</u>	 <u>\$ 21,158,130</u>

Depreciation expense was \$1,825,846 and \$1,565,503 for the fiscal years ended June 30, 2016 and 2015, respectively.

Approximately \$1.2 million of the total cost of the parking garage was paid through a federal grant passed through to the Museum 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 Museum 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 Museum. The lease may be cancelled by the Museum upon return of a pro-rata share of the federal funding amortized over the life of the lease.

THE CHILDREN'S MUSEUM, INC.
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During the fiscal year ended June 30, 2016, the Organization completed the construction of the S.E.C.R.E.T. exhibit which was launched November 8, 2015. At June 30, 2015, \$1,040,934 was included in construction in progress in property and equipment, which was subsequently transferred to permanent exhibits with an additional \$545,346 for the completion of the exhibit. Depreciation on the exhibit commenced November 2015.

The Fort Bend Children's Discovery Center opened to the public on May 28, 2016. The Fort Bend Children's Discovery Center occupies a 13,000 square-foot first floor space of a restored historical building and houses four exhibits. It gives the Museum 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 \$3.65 million. The Organization raised approximately \$4 million, of which \$493,175 and \$857,855 is included in net pledges receivable in the consolidated statements of financial position as of June 30, 2016 and 2015, respectively.

At June 30, 2015, \$1,095,934 was included in construction in progress, which was transferred to permanent exhibits upon completion of the construction during fiscal year ended June 30, 2016.

NOTE 4 – INVESTMENTS

Investments are comprised of the following at June 30:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 12,389,768	\$ 13,149,066
Limited partnerships	212,583	303,666
Certificates of deposit	1,749,452	3,000,314
Private equity	1,547,538	1,600,513
Equity securities	<u>221,477</u>	<u>202,349</u>
Total investments	<u>\$ 16,120,818</u>	<u>\$ 18,255,908</u>

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 (loss) includes earnings on cash and consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 304,388	\$ 282,146
Net realized and unrealized loss on investments	(787,289)	(456,193)
Investment management fees	<u>(92,583)</u>	<u>(95,178)</u>
Investment loss, net	<u>\$ (575,484)</u>	<u>\$ (269,225)</u>

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds:				
U.S. large-cap equity	\$ 3,327,410	\$ -	\$ -	\$ 3,327,410
Money market	524,670	-	-	524,670
U.S. taxable fixed income	2,203,559	-	-	2,203,559
Commodities	949,027	-	-	949,027
International equity	4,917,333	-	-	4,917,333
U.S. small-cap equity	198,805	-	-	198,805
Real estate	268,964	-	-	268,964
Limited partnership:				
Black Stone Minerals Company, L.P. (b)	-	-	212,584	212,584
Certificates of deposit	-	1,749,451	-	1,749,451
Private Equity	-	-	1,547,538	1,547,538
Equity securities – large-cap	<u>221,477</u>	<u>-</u>	<u>-</u>	<u>221,477</u>
Total assets measured at fair value	<u>\$ 12,611,245</u>	<u>\$ 1,749,451</u>	<u>\$ 1,760,122</u>	<u>\$ 16,120,818</u>

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Assets measured at fair value at June 30, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
U.S. large-cap equity	\$ 3,299,947	\$ -	\$ -	\$ 3,299,947
Money market	650,782	-	-	650,782
U.S. taxable fixed income	2,242,120	-	-	2,242,120
Commodities	1,042,948	-	-	1,042,948
International fixed income	5,473,841	-	-	5,473,841
U.S. small-cap equity	213,051	-	-	213,051
Real estate	226,377	-	-	226,377
Limited partnerships:				
Ironwood Institutional Multi-Strategy Fund, LLC (a)	-	-	23,666	23,666
Black Stone Minerals Company, L.P. (b)	-	-	280,000	280,000
Certificates of deposit	-	3,000,314	-	3,000,314
Private Equity	-	-	1,600,513	1,600,513
Equity securities – large-cap	202,349	-	-	202,349
Total assets measured at fair value	<u>\$ 13,351,415</u>	<u>\$ 3,000,314</u>	<u>\$ 1,904,179</u>	<u>\$ 18,255,908</u>

- (a) Ironwood Institutional Multi-Strategy Fund, LLC (Ironwood) is a limited liability company, registered under the Investment Company Act of 1940, as a closed-end, non-diversified, management investment company. Ironwood's investment objective is to achieve capital appreciation with limited variability of returns. The fund attempts to achieve this objective by allocating capital among a number of pooled entities that are organized in non U.S. jurisdictions and classified as corporation for U.S. federal income tax purposes. Each fund is managed by an independent investment adviser pursuant to relative value investment strategies or other techniques, and is subject to various risks. Units are not redeemable. Ironwood expects that it will recommend to the Board that Ironwood make an offer to repurchase units from members as of June 30 and December 31 of each year. The Ironwood investments were sold during fiscal year ended June 30, 2016.
- (b) 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. 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. 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.

THE CHILDREN'S MUSEUM, INC.
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JUNE 30, 2016 AND 2015

There are no unfunded commitments at June 30, 2016 and 2015 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 Partnerships** – 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. Ironwood 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. 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:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 1,904,179	\$ 830,626
Purchases	-	1,576,336
Redemptions	-	(481,610)
Net realized gain	(23,665)	8,313
Net unrealized loss	<u>(120,392)</u>	<u>(29,486)</u>
Ending balance	<u>\$ 1,760,122</u>	<u>\$ 1,904,179</u>

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

NOTE 7 – LEASES

The Museum leases storage space and office equipment under noncancelable operating leases with total monthly payments ranging from \$2,000 to \$5,100. The agreements having an original term of more than one year expire on various dates through March 2020.

The Organization records rent expenses on a straight-line basis over the term of the leases. Rent expense totaled \$84,869 and \$77,445 at June 30, 2016 and 2015, respectively.

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

For the Fiscal Year Ending June 30,	Amount
2017	\$ 81,172
2018	71,698
2019	39,735
2020	<u>3,114</u>
Total	<u>\$ 195,719</u>

NOTE 8 – CONDITIONAL CONTRIBUTION

In March 2011, the Museum 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 is eligible to receive a \$53,600 matching grant each year for six years. The grant requires, among other things, that the Museum make a monthly deposit of \$4,467 into a building reserve account controlled by the grantor. The grantor deposits a matching amount into the account monthly and authorizes disbursement from the account for scheduled building replacement costs. Cash held in the reserve account at June 30, 2016 and 2015, was \$395,514 and \$288,246, respectively, which is included in cash in the consolidated statements of financial position.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 9 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Property	\$ 19,918,776	\$ 21,158,130
Undesignated	1,284,125	1,634,100
Board-designated reserve fund	1,236,436	977,380
Board-designated for future exhibit programs	600,000	726,850
Facility replacement	203,257	149,623
Fort Bend Children's Discovery Center – Property	2,304,690	-
Fort Bend Children's Discovery Center	<u>288,310</u>	<u>6,398</u>
Total unrestricted net assets	<u>\$ 25,835,594</u>	<u>\$ 24,652,481</u>

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Accumulated endowment earnings for general operations	\$ 3,016,506	\$ 4,165,577
Fort Bend Children's Discovery Center	1,269,684	3,737,784
Exhibition, curatorial and program support	803,127	1,034,929
Future operations	235,000	140,000
Facilities maintenance	<u>192,257</u>	<u>138,622</u>
Total temporarily restricted net assets	<u>\$ 5,516,574</u>	<u>\$ 9,216,912</u>

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

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

- 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, 2016 and 2015, 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.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	\$ -	\$ 4,986,412	\$ 10,125,438	\$ 15,111,850
Contributions	-	-	750,000	750,000
Investment return (loss):				
Interest and dividends	-	280,090	-	280,090
Net realized and unrealized gain	-	(490,747)	-	(490,747)
Investment management fees	-	(95,178)	-	(95,178)
Net investment loss	-	(305,835)	-	(305,835)
Appropriations for expenditure	-	(515,000)	-	(515,000)
Endowment net assets, June 30, 2015	-	4,165,577	10,875,438	15,041,015
Contributions	-	-	250,000	250,000
Investment return (loss):				
Interest and dividends	-	289,939	-	289,939
Net realized and unrealized loss	-	(786,427)	-	(786,427)
Investment management fees	-	(92,583)	-	(92,583)
Net investment loss	-	(589,071)	-	(589,071)
Appropriations for expenditure	-	(560,000)	-	(560,000)
Endowment net assets, June 30, 2016	<u>\$ -</u>	<u>\$ 3,016,506</u>	<u>\$ 11,125,438</u>	<u>\$ 14,141,944</u>

Endowment net assets composition as of June 30, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
General operations fund	\$ -	\$ 4,165,577	\$ 10,375,438	\$ 14,541,015
Inclusion of Children with Disabilites and Their Families fund	-	-	500,000	500,000
Endowment net assets, June 30, 2015	-	4,165,577	10,875,438	15,041,015
Donor-restricted endowment funds:				
General operations fund	-	3,016,506	10,375,438	13,391,944
Inclusion of Children with Disabilites and Their Families fund	-	-	750,000	750,000
Endowment net assets, June 30, 2016	<u>\$ -</u>	<u>\$ 3,016,506</u>	<u>\$ 11,125,438</u>	<u>\$ 14,141,944</u>

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, 2016 and 2015, approximately 29% and 46%, respectively, of the Organization's contribution revenue were from Board members and affiliates. At June 30, 2016 and 2015, the pledges receivable from these Board members and affiliates, approximated 11% and 9%, respectively, of total pledges receivable, net of discount.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2016, 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, 2016.

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

JUNE 30, 2016

	The Children's Museum, Inc.	Fort Bend Children's Discovery Center	Eliminations	Consolidated Total
ASSETS				
Cash	\$ 2,296,881	\$ 1,600	\$ -	\$ 2,298,481
Inventory	216,785	-	-	216,785
Accounts receivable	380,491	-	-	380,491
Prepaid expenses and other assets	154,017	-	-	154,017
Intercompany receivable	-	40,791	(40,791)	-
Operating pledges receivable, net	741,570	-	-	741,570
Pledges receivable restricted for Fort Bend Children's Discovery Center, net	-	493,175	-	493,175
Cash restricted for Fort Bend Children's Discovery Center	-	1,263,183	-	1,263,183
Property and equipment, net	19,918,776	2,304,691	-	22,223,467
Investments	16,120,504	314	-	16,120,818
TOTAL ASSETS	\$ 39,829,024	\$ 4,103,754	\$ (40,791)	\$ 43,891,987
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 501,393	\$ 257,191	\$ -	\$ 758,584
Intercompany payable	40,791	-	(40,791)	-
Deferred revenue	433,420	900	-	434,320
Deferred compensation	221,477	-	-	221,477
Total liabilities	1,197,081	258,091	(40,791)	1,414,381
Net assets				
Unrestricted	23,259,615	2,575,979	-	25,835,594
Temporarily restricted	4,246,890	1,269,684	-	5,516,574
Permanently restricted	11,125,438	-	-	11,125,438
Total net assets	38,631,943	3,845,663	-	42,477,606
TOTAL LIABILITIES AND NET ASSETS	\$ 39,829,024	\$ 4,103,754	\$ (40,791)	\$ 43,891,987

See independent auditors' report.

THE CHILDREN'S MUSEUM, INC.
SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	The Children's Museum, Inc.	Fort Bend Children's Discovery Center	Eliminations	Consolidated Total
Revenue				
Contributions	\$ 3,158,074	\$ 257,379	\$ -	\$ 3,415,453
Membership contributions	1,178,460	83,821	-	1,262,281
Special events	1,275,063	15,125	-	1,290,188
Direct donor benefit costs of special events	(267,437)	(2,243)	-	(269,680)
Admissions	3,202,706	53,349	-	3,256,055
Program fees	818,891	-	-	818,891
Museum gift shop and café sales	1,705,377	-	-	1,705,377
Cost of goods sold	(704,921)	-	-	(704,921)
Government grants	234,655	-	-	234,655
Parking fees	755,421	-	-	755,421
Investment return (loss), net	(584,276)	8,792	-	(575,484)
Other revenue	<u>383,145</u>	<u>-</u>	<u>-</u>	<u>383,145</u>
Total revenue	11,155,158	416,223	-	11,571,381
Expenses				
Program services:				
Exhibitions and education	9,017,671	247,613	-	9,265,284
Membership and public outreach	979,509	18,158	-	997,667
Gift shop and café	764,822	-	-	764,822
Visitor services	<u>552,101</u>	<u>15,817</u>	<u>-</u>	<u>567,918</u>
Total program services	11,314,103	281,588	-	11,595,691
Advertising	259,835	1,565	-	261,400
Management and general	1,291,633	11,500	-	1,303,133
Fundraising and membership development	<u>657,980</u>	<u>20,402</u>	<u>-</u>	<u>678,382</u>
Total expenses	<u>13,523,551</u>	<u>315,055</u>	<u>-</u>	<u>13,838,606</u>
Changes in net assets	(2,368,393)	101,168	-	(2,267,225)
Net assets, beginning of year	<u>41,000,649</u>	<u>3,744,182</u>	<u>-</u>	<u>44,744,831</u>
NET ASSETS, END OF YEAR	<u>\$ 38,632,256</u>	<u>\$ 3,845,350</u>	<u>\$ -</u>	<u>\$ 42,477,606</u>

See independent auditors' report.