
Imagine Children's Museum
A Washington Non-Profit Corporation

Financial Statements

For the Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Imagine Children's Museum
1502 Wall Street
Everett, WA 98201

Report on the Financial Statements

We have audited the accompanying statement of financial position of Imagine Children's Museum (the Museum) as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Museum's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Aiken & Sanders".

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

March 29, 2019

Imagine Children's Museum

A Washington Non-Profit Corporation

Statement of Financial Position

December 31, 2018 (With Comparative Totals for 2017)	2018	2017
Assets		
Current Assets:		
Cash and cash equivalents	\$ 734,992	\$ 1,018,512
Restricted cash	327,198	120,444
	<u>1,062,190</u>	<u>1,138,956</u>
Accounts receivable	64,360	84,709
Pledges receivable	374,676	1,204,540
Inventory	14,039	18,007
Prepaid expenses	19,128	13,436
Total Current Assets	<u>1,534,393</u>	<u>2,459,648</u>
Fixed Assets:		
Exhibits	2,502,290	2,490,051
Furniture and equipment	507,262	445,977
Buildings and land	7,605,012	7,605,012
Construction in progress	23,852	-
	<u>10,638,416</u>	<u>10,541,040</u>
Less: accumulated depreciation	(4,094,987)	(3,796,827)
Fixed Assets, Net	<u>6,543,429</u>	<u>6,744,213</u>
Other Assets:		
Pledges receivable, net	739,195	771,807
Investments - capital campaign	2,215,000	1,000,000
Investments - endowment	1,061,480	1,119,153
Investments - quasi endowment	5,001,646	4,278,803
Total Other Assets	<u>9,017,321</u>	<u>7,169,763</u>
Total Assets	<u>\$ 17,095,143</u>	<u>\$ 16,373,624</u>

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

Imagine Children's Museum

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Statement of Financial Position

December 31, 2018 (With Comparative Totals for 2017)	2018	2017
Liabilities & Net Assets		
Current Liabilities:		
Accounts payable	\$ 7,591	\$ 9,748
Accrued expenses	13,139	8,966
Accrued taxes	36,470	26,101
Deferred revenue	339,767	398,358
Gift certificates outstanding	55,891	49,971
Total Current Liabilities	452,858	493,144
Long-Term Liabilities:		
Service award payable	75,000	75,000
Net Assets:		
Without donor restrictions	6,817,335	7,287,080
Without donor restrictions - board designated quasi endowment	5,001,646	4,278,803
Without donor restrictions - endowment	1,061,480	1,119,153
	12,880,461	12,685,036
With donor restrictions	3,686,824	3,120,444
Total Net Assets	16,567,285	15,805,480
Total Liabilities & Net Assets	\$ 17,095,143	\$ 16,373,624

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

Imagine Children's Museum

A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2018 (With Comparative Totals for 2017)	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenues:				
Admissions and program fees	\$ 949,023	\$ -	\$ 949,023	902,206
Memberships	632,425	-	632,425	599,670
Donations	515,083	708,557	1,223,640	3,493,245
Gift shop sales, net	85,916	-	85,916	74,232
In-kind contributions	4,039	-	4,039	11,724
Special events, net	246,743	-	246,743	201,010
Parking revenue	44,966	-	44,966	27,809
Miscellaneous income	3,627	-	3,627	2,147
Investment income (loss)	(254,830)	-	(254,830)	489,690
Net assets released from restriction	142,177	(142,177)	-	-
Total Support and Revenue	2,369,169	566,380	2,935,549	5,801,733
Expenses:				
Program services	1,835,719	-	1,835,719	1,650,499
Management and general	194,489	-	194,489	220,421
Fundraising	143,536	-	143,536	114,612
Total Expenses	2,173,744	-	2,173,744	1,985,532
Change in Net Assets	195,425	566,380	761,805	3,816,201
Net Assets, Beginning of Year	12,685,036	3,120,444	15,805,480	11,989,279
Net Assets, End of Year	\$ 12,880,461	\$ 3,686,824	\$ 16,567,285	\$ 15,805,480

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

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Statement of Functional Expenses

Year Ended December 31, 2018 (With Comparative Totals for 2017)	2018	2017			
	Program	Management and General	Fund-Raising	Total	Total
Salaries	\$ 975,311	\$ 107,046	\$ 107,046	\$ 1,189,403	\$ 991,884
Benefits	46,187	5,069	5,069	56,325	48,356
Payroll taxes	94,494	10,371	10,371	115,236	93,577
Advertising & community relations	34,951	-	-	34,951	44,483
Bank and credit card fees	46,818	-	-	46,818	41,058
Dues and subscriptions	4,645	-	-	4,645	6,603
Insurance	31,987	4,780	-	36,767	35,279
Education expense	35,520	-	-	35,520	34,076
Printing and postage	19,849	2,178	2,178	24,205	21,577
Professional services	6,960	1,040	-	8,000	15,412
Supplies	16,364	-	-	16,364	11,364
Repairs and maintenance	42,335	6,326	-	48,661	39,173
Communications	54,844	6,020	6,020	66,884	64,458
Utilities	32,869	3,608	3,608	40,085	41,618
Office supplies	18,644	2,046	2,046	22,736	16,412
Janitorial	53,586	5,882	5,882	65,350	62,548
Professional development	10,255	-	-	10,255	9,561
Exhibit maintenance & murals	34,677	-	-	34,677	20,917
In-kind expense	4,039	-	-	4,039	11,724
Depreciation	259,399	38,761	-	298,160	283,230
Service Award	-	-	-	-	75,000
Miscellaneous expense	11,985	1,362	1,316	14,663	17,222
Total Expenses	\$ 1,835,719	\$ 194,489	\$ 143,536	\$ 2,173,744	\$ 1,985,532

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

Imagine Children's Museum

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Statement of Cash Flows

Year Ended December 31, 2018 (With Comparative Totals for 2017)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 761,805	\$ 3,816,201
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	298,160	283,230
Investment (gain) loss	254,830	(489,691)
Revenue for expansion of building	(585,786)	(3,000,000)
Discount on long term pledges	9,374	28,193
(Increase) Decrease in accounts receivable	20,349	(27,035)
(Increase) Decrease in pledges receivable	877,181	7,833
(Increase) Decrease in inventory	3,968	6,160
(Increase) Decrease in prepaid expenses	(5,692)	(705)
Increase (Decrease) in accounts payable	(2,157)	(4,582)
Increase (Decrease) in accrued expenses	4,173	(1,821)
Increase (Decrease) in accrued taxes	10,369	10,564
Increase (Decrease) in deferred revenue	(58,591)	106,330
Increase (Decrease) in gift certificates outstanding	5,920	7,949
Increase (Decrease) in service award payable	-	75,000
Net Cash Provided (Used) by Operating Activities	<u>1,593,903</u>	<u>817,626</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(97,376)	(82,055)
Purchase of investments	<u>(2,135,000)</u>	<u>(1,312,750)</u>
Net Cash Provided (Used) by Investing Activities	<u>(2,232,376)</u>	<u>(1,394,805)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Funds received for expansion of building	<u>561,707</u>	<u>1,000,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(76,766)	422,821
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,138,956</u>	<u>716,135</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,062,190</u>	<u>\$ 1,138,956</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash Paid During the Fiscal Years for Interest	<u>\$ -</u>	<u>\$ -</u>

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

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Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Imagine Children's Museum (the Museum) was established on November 27, 1991 in the State of Washington. The Museum is located in Everett, Washington, and the Museum-on-the-Go program bring professional educators to children in greater Snohomish County. The Museum mission is to utilize playful learning to enrich children's lives. The Museum is committed to:

- Celebrating creativity and imagination.
- Helping young learners thrive.
- Instilling a community connection.
- Learning experiences powered by play.
- Developing unique exhibits and programs.
- Reaching out to all children.
- Embracing diversity and inclusion.
- Nurturing child/caring adult interaction.

Basis of Accounting

The Museum prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred. Related accounts receivable and accounts payable are recorded at that time.

Basis of presentation

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Museum or the passage of time.

Revenues are reported as increases in without donor restriction net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in without donor restriction net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in without donor restriction net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Liquidity and Availability – The Organization has \$806,164 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$734,992, accounts receivable of \$64,360, and pledges receivable of \$6,812 as of December 31, 2018. The Organization has \$2,107,761 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$1,018,512, accounts receivable of \$84,709, and pledges receivable of \$4,540 as of December 31, 2017. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The pledges receivable are expected to be collected within one year. The Organization also has a men's and women's breakfast every year and a gift shop that provides funds to help pay the Organization's expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization also has a board designated quasi endowment and a without donor restriction endowment that the Organization can draw from. See Note B. The total amount of these endowments was \$6,063,126 and \$5,397,956 as of December 31, 2018 and 2017, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Museum considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

The Museum has one bank account that exceeds Federal Deposit Insurance Corporation (FDIC) insurance coverage of \$250,000. As of December 31, 2018 and 2017, the amount that exceeds FDIC insurance was \$533,706 and \$481,805, respectively.

Accounts Receivable

Bad debts have been immaterial in the past so the Museum uses the direct write-off method. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During the years ended December 31, 2018 and 2017, there were bad debts of \$0, respectively. Receivables are considered past due if not collected within 90 days. The Museum does not charge interest on past due receivables. As of December 31, 2018 and 2017, all receivables are current and management estimated that all accounts receivable were collectible.

Pledges Receivable

Each pledge balance is individually reviewed for collectability. Historically, bad debts have been immaterial so no allowance for doubtful accounts has been recorded. For the years ended December 31, 2018 and 2017, bad debts was \$0 and \$220, respectively. The long-term pledges are adjusted to present value using a risk free rate of return. Long-term pledges due in following years are as follows:

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Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CON'T)

2020	\$ 291,762
2021	242,500
2022	242,500
2023	-
2024	-
	<hr/>
	776,762
Less Present Value Discount	<u>(37,567)</u>
Total Long-Term Pledges	<u>\$ 739,195</u>

Inventory

Inventory consists of merchandise sold in the gift shop and is valued at the lower of cost or market. Cost is determined using the first in, first out method. Inventory as of December 31, 2018 and 2017, was \$14,039 and \$18,007, respectively.

Fixed Assets

Purchased and constructed exhibits, improvements, equipment, and intangible assets are stated at cost. Fixed assets received by donation are recorded at their estimated fair value on the date received. Maintenance and repairs are charged to expense as incurred. The Museum follows the practice of capitalizing all expenditures for improvements, exhibit, furniture, fixtures, and equipment with useful lives greater than one year and costs in excess of \$1,000. Depreciation or amortization of all such items is computed on the straight-line basis over the estimated useful lives of the assets. Depreciation expense for the years ended December 31, 2018 and 2017, was \$298,160 and \$283,230, respectively.

Accumulated depreciation has been provided as follows:

				12/31/2018
	<u>Life</u>	<u>Method</u>	<u>2018 Expense</u>	<u>Accumulated Depreciation</u>
Exhibits	5-7 yrs	SL	\$ 144,756	\$ 2,048,780
Furniture and Equipment	3-15 yrs	SL	19,610	434,018
Buildings & Improvements	5-30 yrs	SL	<u>133,794</u>	<u>1,612,189</u>
Total			<u>\$ 298,160</u>	<u>\$ 4,094,987</u>

Accumulated depreciation as of December 31, 2017, was \$3,796,827.

Imagine Children's Museum

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Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Deferred Revenue

Memberships provided by the Museum are purchased for one year terms. Membership revenue is recognized ratably over the course of the year, beginning in the month purchased. Amounts collected but not yet earned are recorded as deferred revenue. At December 31, 2018 and 2017, membership deferred revenue was \$339,762 and \$315,707, respectively. Deferred revenue is also recognized for program (grant) advances received by the Museum that are in excess of current grant expenditures. Such amounts are restricted funds and as such can only be maintained and used in accordance with the respective grant contracts. At December 31, 2018 and 2017, grant deferred revenue was \$0 and \$82,651, respectively.

Contributions

Contributions are recognized when a donor makes an unconditional promise to give to the organization. Contributions that are restricted by the donor are reported as increases in without donor restriction net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in with donor restriction net assets depending on the nature of the restriction. When a restriction expires, with donor restriction net assets are reclassified to without donor restriction net assets.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the pledge is received. Long term pledges (collection expected in greater than one year) are discounted to the net present value of future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies with donor restriction net assets to without donor restriction net assets at that time.

Inkind Contributions

The Museum receives a small amount of contributed services. Contributed services are recognized in the financial records to the extent they create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those specialized skills, and would typically need to be purchased if not provided by donation. Recognized contributed services are recorded as inkind revenue and expense in the financial statements. Contributed services recorded in 2018 and 2017 were \$0, respectively.

Imagine Children's Museum

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Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Materials and other assets received as donations are recorded in the financial records at their estimated fair market value on the date of donation. Contributed materials recorded in 2018 and 2017 were \$4,039 and \$11,724, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Advertising & Promotion

Advertising & promotion costs are expensed as incurred. Advertising & promotion expense was \$34,951 and \$44,483 for the years ended December 31, 2018 and 2017, respectively.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Museum. Payroll and related costs are allocated based on time spent on each function. These expenses include printing, postage, communications, utilities, office supplies, and janitorial and are allocated based on those overall payroll percentages.

NOTE B – INVESTMENTS & FAIR VALUE MEASUREMENTS

Investments include the investment for the capital campaign fund (see note H), unrestricted endowment fund and the board designated quasi endowment fund. For the board designated quasi endowment, the Board of Directors has set aside the following reserves:

Operating Reserve	\$	1,566,646
Unanticipated Main Museum Facility Expense Reserve		400,000
Pacific & Colby Building/Parking Lot Reserve		750,000
Exhibit Revitalization & Major Repair Reserve		1,000,000
Capacity Building		<u>1,285,000</u>
	\$	<u><u>5,001,646</u></u>

Imagine Children's Museum

A Washington Non-Profit Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE B – INVESTMENTS & FAIR VALUE MEASUREMENTS (CON'T)

The Museum may take quarterly distributions from the endowment of 4% of the assets based on a three year rolling average. The Museum did not take distributions from the endowment during 2018 and 2017. The investment objective is to generate growth in principal and income over the long term. The investment objectives of the portfolio also include:

- To take a reasonable amount of investment risk, and to maximize return at that risk level.
- To maintain a prudent diversification of the investment assets.
- To have the ability to meet the scheduled financial goals.

The following table illustrates the diversification plan for the Museum:

Cash	0-10%
Fixed Income	25-45%
Equities	50-70%
Alternatives	0-10%

Changes in the endowment funds for the year ended December 31, 2018, are as follows:

	Board Designated	Without Donor Restrictions	Total
Beginning Balance	\$ 4,278,803	\$ 1,119,153	\$ 5,397,956
Contributions	920,000	-	920,000
Investment Income (Loss)	<u>(197,157)</u>	<u>(57,673)</u>	<u>(254,830)</u>
Ending Balance	\$ <u>5,001,646</u>	\$ <u>1,061,480</u>	\$ <u>6,063,126</u>

For the year ended December 31, 2017, changes in the endowment fund was \$802,440.

Investment income (loss) for the year ended December 31, 2018, is as follows:

Unrealized Gain (Losses)	\$ (385,133)
Dividends	154,365
Realized Gain (Losses)	12,536
Management Fees	<u>(36,598)</u>
Total	\$ <u>(254,830)</u>

Investment income for the year ended December 31, 2017, was \$489,690.

Imagine Children's Museum

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Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE B – INVESTMENTS & FAIR VALUE MEASUREMENTS (CON'T)

The Museum follows the Fair Value Measurements, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

Level 2: Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Museum at year end.

Money Market Funds: The investments are reported at fair value based on quoted prices in active markets for identical assets.

Fixed Income Securities: Valued at the NAV of shares held by the Museum at year end.

Equities: Valued at the NAV of shares held by the Museum at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Imagine Children's Museum

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Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE B – INVESTMENTS & FAIR VALUE MEASUREMENTS (CON'T)

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of December 31, 2018 with comparative totals for 2017:

	Level 1	Level 2	Level 3	2018 Total	2017 Total
Mutual Funds	\$ 98,419	\$ -	\$ -	\$ 98,419	\$ 272,694
Money Market Funds	2,119,318	-	-	2,119,318	209,825
Fixed Income Securities	3,771,091	-	-	3,771,091	3,596,096
Equities	<u>2,289,298</u>	<u>-</u>	<u>-</u>	<u>2,289,298</u>	<u>2,319,341</u>
Total Assets at Fair Value	\$ <u>8,278,126</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,278,126</u>	\$ <u>6,397,956</u>

As of December 31, 2018, the investments had the following cost basis:

Mutual Funds	\$ 105,109
Money Market Funds	2,119,318
Fixed Income Securities	3,920,201
Equities	<u>1,956,229</u>
Total	\$ <u>8,100,857</u>

As of December 31, 2017, the investments had the cost basis of \$5,837,039.

NOTE C – RESTRICTED CASH & TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2018:

Boeing	\$ 68,400
Capital Campaign	3,576,757
Costco	5,000
Fluke	3,000
Nysether Family Foundation	7,500
Tulalip	23,167
Crane	<u>3,000</u>
Total Temporarily Restricted Net Assets	\$ <u>3,686,824</u>

Temporarily restricted net assets as of December 31, 2017, was \$3,120,444.

Imagine Children's Museum

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Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE C – RESTRICTED CASH & TEMPORARILY RESTRICTED NET ASSETS (CON'T)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended December 31, 2018 and 2017, were \$142,177 and \$264,841, respectively.

NOTE D – SERVICE AWARD PAYABLE

Beginning November 1, 2017, employees that work five years of full time employment or 10,400 hours, will get a service award of \$5,000. At December 31, 2018 and 2017, the amount estimated was \$75,000, respectively.

NOTE E – GIFT SHOP SALES

Gift shop sales for the year ended December 31, 2018 have been summarized in the statement of activities and changes in net assets. Gift shop sales are net of sales tax. Gift shop sales and cost of sales consist of the following:

Merchandise Sales	\$ 160,784
Cost of Sales	<u>74,868</u>
Total	<u>\$ 85,916</u>

Net gift shop sales for the year ended December 31, 2017, was \$74,232.

NOTE F – SPECIAL EVENTS

The Museum holds an annual special event called the Men's Breakfast and an annual special event called the Women's Breakfast. Net special events revenue for the year ended December 31, 2018 were composed of the following:

Men's Breakfast Revenue	\$ 133,242
Women's Breakfast Revenue	132,476
Expenses	<u>(18,975)</u>
Total Special Event Revenue	<u>\$ 246,743</u>

Net special event revenue for the year ended December 31, 2017, was \$201,010.

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NOTE G – EMPLOYEE BENEFITS

The Museum sponsors a Simple IRA plan. Employees that received \$5,000 in gross wages in the prior year and the current year are eligible for this plan. The employer contribution is 3% of gross wages. The pension expense due and paid for the years ended December 31, 2018 and 2017, was \$16,283 and \$13,925, respectively.

NOTE H – CAPITAL CAMPAIGN

During 2017, the Museum started a \$21 million capital campaign. As of December 31, 2018, the Museum has over \$1.1 million in pledges, \$217,131 in cash and \$2,215,000 in investments. The Museum will be adding a 40,000 square foot addition to their existing building which will add additional exhibit space, educational classrooms, outdoor play space, office space, and a shop for exhibit fabrication and maintenance.

NOTE I – INCOME TAX & UNCERTAIN TAX POSITIONS

The Museum is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for taxes.

The Museum files income tax returns in the US federal jurisdiction. The Museum is no longer subject to US federal income tax examinations by tax authorities for years before 2015. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2018, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

NOTE J – SUBSEQUENT EVENTS

The Museum did not have any subsequent events through March 29, 2019, which is the date the financial statements were available to be issued based on Museum facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2018.

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NOTE K - CHANGE IN PRESENTATION

The Museum adopted Accounting Standards Update 2016-14 (ASU 2016-14) during the year ended December 31, 2018. ASU 2016-14 requires net assets to be presented as 'without donor restrictions' and 'with donor restrictions' on the statement of financial position. Also on the statement of activities, the columns will be labeled as 'without donor restrictions' and 'with donor restrictions'. Prior to adoption, the net assets on the statement of financial position were presented as unrestricted, temporarily restricted, and permanently restricted. Also on the statement of activities, the columns were also labeled as unrestricted, temporarily restricted, and permanently restricted. ASU 2016-14 states that it should be applied on a retrospective basis for comparative basis financial statements in the year of adoption. There was no changes in the net asset classes and there was no reclassifications.