

THE ZIMMER CHILDREN'S MUSEUM

(A CALIFORNIA NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

June 30, 2017
(With Comparative Totals for 2016)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Zimmer Children's Museum

Report on the Financial Statements

We have audited the accompanying financial statements of The Zimmer Children's Museum (the Museum), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2017, 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

The financial statements of the Museum as of June 30, 2016, were audited by other auditors whose report dated November 29, 2016, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 "Windes, Inc.".

Long Beach, California
November 27, 2017

THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

ASSETS

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 189,121	\$ 13,565
Investments	454,312	512,154
Contributions receivable	328,556	150,806
Prepaid expenses	15,589	39,607
Property and equipment, net	135,341	168,872
TOTAL ASSETS	\$ 1,122,919	\$ 885,004

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued liabilities	\$ 106,181	\$ 85,280
Deferred revenue	139,258	268,059
TOTAL LIABILITIES	245,439	353,339
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS		
Unrestricted net assets		
Undesignated	183,168	19,511
Board designated	454,312	512,154
	637,480	531,665
Temporarily restricted net assets	240,000	-
TOTAL NET ASSETS	877,480	531,665
TOTAL LIABILITIES AND NET ASSETS	\$ 1,122,919	\$ 885,004

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

THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 503,883	\$ 240,000	\$ 743,883	\$ 406,212
Foundation and corporate grants	457,500	-	457,500	500,300
Government grants and contracts	39,580	-	39,580	32,500
Fees for service	729,768	-	729,768	572,489
Membership income	146,066	-	146,066	136,964
Special events (net of costs of direct donor benefits of \$193,433 and \$199,966, respectively)	582,735	-	582,735	582,184
Donated services	91,460	-	91,460	-
Allocation from Jewish Federation Council	78,500	-	78,500	261,532
Investment gains (losses), net	35,156	-	35,156	(17,496)
	<u>2,664,648</u>	<u>240,000</u>	<u>2,904,648</u>	<u>2,474,685</u>
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program services				
Museum	1,183,221	-	1,183,221	1,213,283
youTHink	562,885	-	562,885	547,188
Total program services	<u>1,746,106</u>	<u>-</u>	<u>1,746,106</u>	<u>1,760,471</u>
Supporting services				
Management and general	368,834	-	368,834	472,443
Fundraising	443,893	-	443,893	232,585
Total supporting services	<u>812,727</u>	<u>-</u>	<u>812,727</u>	<u>705,028</u>
	<u>2,558,833</u>	<u>-</u>	<u>2,558,833</u>	<u>2,465,499</u>
TOTAL EXPENSES				
CHANGE IN NET ASSETS	105,815	240,000	345,815	9,186
NET ASSETS, BEGINNING OF YEAR	<u>531,665</u>	<u>-</u>	<u>531,665</u>	<u>522,479</u>
NET ASSETS, END OF YEAR	<u>\$ 637,480</u>	<u>\$ 240,000</u>	<u>\$ 877,480</u>	<u>\$ 531,665</u>

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

THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017						2016	
	Program Services			Support Services			Total	Total
	Museum Programs	youTHink Programs	Total Program Services	Management and General	Fundraising	Total Support Services		
Payroll	\$ 597,867	\$ 312,191	\$ 910,058	\$ 180,321	\$ 225,624	\$ 405,945	\$ 1,316,003	\$ 1,292,113
Payroll taxes and employee benefits	116,312	75,470	191,782	51,809	60,186	111,995	303,777	327,493
TOTAL PERSONNEL COSTS	714,179	387,661	1,101,840	232,130	285,810	517,940	1,619,780	1,619,606
Bank fees	15,809	8,255	24,064	4,768	5,966	10,734	34,798	35,326
Bad debt	-	-	-	-	-	-	-	2,000
Direct program expenses	204,120	95,316	299,436	-	-	-	299,436	297,481
Equipment	2,219	1,159	3,378	669	837	1,506	4,884	6,418
Insurance	3,053	1,594	4,647	921	1,152	2,073	6,720	6,690
Legal fees, donated	-	-	-	91,460	-	91,460	91,460	-
Miscellaneous	1,359	709	2,068	410	513	923	2,991	2,132
Office supplies	2,506	1,308	3,814	756	946	1,702	5,516	8,672
Postage	1,214	634	1,848	366	458	824	2,672	3,657
Printing	821	429	1,250	248	803	1,051	2,301	1,566
Professional fees	64,307	33,579	97,886	19,395	126,719	146,114	244,000	116,396
Rent and occupancy	134,363	11,735	146,098	5,867	5,868	11,735	157,833	267,645
Staff training	710	370	1,080	214	268	482	1,562	979
Telephone	9,180	4,794	13,974	2,769	3,465	6,234	20,208	21,975
Travel and meetings	4,250	2,220	6,470	1,281	1,604	2,885	9,355	13,475
Depreciation	25,131	13,122	38,253	7,580	9,484	17,064	55,317	61,481
TOTAL FUNCTIONAL EXPENSES	\$ 1,183,221	\$ 562,885	\$ 1,746,106	\$ 368,834	\$ 443,893	\$ 812,727	\$ 2,558,833	\$ 2,465,499

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

THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 345,815	\$ 9,186
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	55,317	61,481
Net realized and unrealized (gains) losses on investments	(26,731)	44,281
Contribution received in the form of investments	-	(7,413)
Change in operating assets and liabilities:		
Contributions receivable	(177,750)	(122,844)
Prepaid expenses	24,018	(10,508)
Accounts payable and accrued liabilities	20,901	40,394
Deferred revenue	(128,801)	80,717
Net Cash Provided By Operating Activities	112,769	95,294
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	199,666	385,503
Purchases of investments	(106,668)	(367,961)
Reinvested interests and dividends	(8,425)	(26,785)
Purchase of property and equipment	(21,786)	(80,672)
Net Cash Provided By (Used In) Investing Activities	62,787	(89,915)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on line of credit	-	(50,000)
Net Cash Used in Financing Activities	-	(50,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	175,556	(44,621)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,565	58,186
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 189,121	\$ 13,565

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

**THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 1 – Organization

The Zimmer Children's Museum (the Museum), a California nonprofit corporation, operates the Zimmer Children's Museum and youTHink in Los Angeles, California. The Museum incorporates community values and ethics to teach children and their families about making a difference in their homes and in the world. The Museum promotes community responsibility and cultural sensitivity by highlighting the concepts of respect for others, generosity of heart, helping those in need, accepting differences and celebrating uniqueness. Through its on-site activities and public school-based youTHink programs, the Museum reaches broad audiences and is a venue for visitors of varied backgrounds to discover shared ideals.

The Museum is an affiliated agency of the Jewish Federation Council of Greater Los Angeles (JFC). The accompanying financial statements exclude the accounts of JFC and any other organization affiliated with JFC, as the organizations operate independently and none of the assets of any organization are used to finance the operations of the other organizations. JFC provides certain services to the Museum, including administration of the pension and other employee benefit plans, and obtaining general and liability insurance. The Museum reimburses JFC for the costs of these services on a monthly basis. The Museum received an allocation from JFC of \$78,500 and \$261,532 for the years ended June 30, 2017 and 2016, respectively.

On February 17, 2017, the Museum's Board of Directors voted to change the name of the organization to Sharewell. The organization has filed a Fictitious Business Name Statement and is in the process of amending the articles of incorporation and bylaws.

During 2017, the Organization began a capital campaign to raise funds for the buildout of a new children's museum. The campaign will continue through 2018 with an estimated grand opening date of November 2018.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Financial Statement Presentation

The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted-Undesignated - Net assets that are not subject to donor-imposed restrictions.

Unrestricted-Board Designated - These are comprised of resources that the Board of Directors has designated for investment purposes to be maintained as reserves for future use to fund the general operations of the Museum with prior approval from the Board of Directors.

Temporarily Restricted - The Museum reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Donor restricted contributions whose restrictions have been met in the same reporting period are reported as unrestricted support in the statement of activities.

At June 30, 2017, all temporarily restricted net assets were restricted for the capital campaign, to be received in future periods, and are expected to be released as time and purpose restrictions are met. There were no temporarily restricted net assets at June 30, 2016.

Permanently Restricted - Net assets that have been restricted by the donor in perpetuity and cannot be expended by the Museum. Generally, the donors of these assets permit the Museum to use the income earned on these assets for general or specific purposes. The Museum has no permanently restricted net assets at June 30, 2017 and 2016.

**THE ZIMMER CHILDREN'S MUSEUM
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Museum considers all short-term financial instruments purchased with original maturities of three months or less to be cash equivalents. The Museum maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Museum has not experienced any losses in such accounts. The Museum believes it is not exposed to any significant credit risk on cash.

Investments

Investments in cash equivalents, equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in unrestricted net assets unless, their use is restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Contributions and Contributions Receivable

Unconditional contributions, including pledges, are recorded at fair value and are recognized as revenue in the period received. The Museum reports unconditional contributions as restricted support if such contributions are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met.

As of June 30, 2017 and 2016, the Museum evaluated the collectability of contributions receivable and determined that an allowance for uncollectible contributions receivable was not deemed necessary.

THE ZIMMER CHILDREN'S MUSEUM
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Property and equipment are capitalized if the cost of the asset is greater than or equal to \$500 and the useful life is greater than one year.

Depreciation is computed on the straight-line basis over the estimated useful lives of the property and equipment as follows:

Museum Exhibits	7 Years
Furniture and Equipment	5 Years
Computers and Information Technology Equipment	3 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

Long-Lived Assets

The Museum reviews the carrying value of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the years ended June 30, 2017 and 2016.

Revenue Recognition and Deferred Revenue

Fees for service revenues are recognized when service is rendered. Membership dues are recognized as income over the period of the membership. Deferred revenue includes funds received in advance for summer camp fees and prorated membership dues.

Government Grants and Contracts

The Museum recognizes revenue to the extent of eligible costs incurred up to the maximum subcontract or grant amount.

**THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributed Goods and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Museum received \$91,460 of in-kind donated legal services during the year ended June 30, 2017, included in management and general support service expense in the accompanying statement of functional expenses. There were no in-kind donations of goods or services during the year ended June 30, 2016.

Income Taxes

The Museum is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and corresponding state provisions.

The Museum recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Museum is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Functional Allocation of Expenses

The costs of providing the Museum's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Allocations are based on management's estimate of the benefit derived from costs as they relate to each activity. Rent and depreciation are based on square footage. Other shared costs are based on employee salaries per department.

THE ZIMMER CHILDREN'S MUSEUM
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with the cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Museum has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Museum is currently evaluating the impact of the adoption of the new standard on the financial statements.

In August 2016, the FASB released ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017. The Museum is currently evaluating the impact of the adoption of the new standard on the financial statements.

**THE ZIMMER CHILDREN'S MUSEUM
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**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Prior-Period Information

The financial statements include certain prior-period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through November 27, 2017, the date the financial statements were available to be issued.

NOTE 3 – Investments

The Museum has implemented accounting standards which define fair value for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves. Fair values determined by level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

THE ZIMMER CHILDREN'S MUSEUM
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 3 – Investments (Continued)

The Museum's investments are measured at fair value on a recurring basis and classified as level 1 in the fair value hierarchy at June 30, 2017 and 2016. The investments are as follows:

	For the Year Ended	
	June 30,	
	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 430,508	\$ 467,685
Exchange traded funds	<u>23,804</u>	<u>44,469</u>
Total investments	<u><u>\$ 454,312</u></u>	<u><u>\$ 512,154</u></u>

Net investment gains (losses) consist of the following:

	For the Year Ended	
	June 30,	
	<u>2017</u>	<u>2016</u>
Interest and dividends, net	\$ 8,425	\$ 26,785
Net realized and unrealized gains (losses)	<u>26,731</u>	<u>(44,281)</u>
Investment gains (losses), net	<u><u>\$ 35,156</u></u>	<u><u>\$ (17,496)</u></u>

NOTE 4 – Contributions Receivable

Expected future collections of contributions receivable, including pledges for the capital campaign, as of June 30, 2017 are as follows:

<u>Year Ending</u>	
<u>June 30,</u>	
2018	\$ 135,556
2019	52,000
2020	52,000
2021	47,000
2022	<u>42,000</u>
	<u><u>\$ 328,556</u></u>

THE ZIMMER CHILDREN'S MUSEUM
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 5 – Property and Equipment

Property and equipment are summarized as follows:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Museum exhibits	\$ 553,920	\$ 543,499
Furniture and equipment	145,648	115,954
Computers and information technology equipment	<u>100,500</u>	<u>118,830</u>
	800,068	778,283
Less accumulated depreciation and amortization	<u>(664,727)</u>	<u>(609,411)</u>
	<u>\$ 135,341</u>	<u>\$ 168,872</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$55,317 and \$61,481, respectively.

NOTE 6 – Line of Credit

The Museum has a revolving bank line of credit through March 2018. The line of credit is secured by the Museum's investment portfolio and bears interest at the prime rate (4.25% at June 30, 2017) plus 0.50%. The maximum borrowable amount is the lesser of (i) \$250,000 and (ii) the fair market value of the eligible securities pledged as collateral multiplied by the weighted average of predetermined advance rates. At June 30, 2017 and 2016, there was no balance outstanding on the line of credit.

**THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 7 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at consist of the following:

	June 30,	
	2017	2016
Accounts payable	\$ 44,345	\$ 43,285
Accrued vacation	43,476	28,821
Accrued payroll and payroll taxes	18,360	13,174
	\$ 106,181	\$ 85,280

NOTE 8 – Deferred Revenue

Deferred revenue consists of the following:

	June 30,	
	2017	2016
Fees for service	\$ 79,466	\$ 205,784
Membership dues	59,792	62,275
	\$ 139,258	\$ 268,059

NOTE 9 – Commitments and Contingencies

Operating Leases

The Museum leases office space and facilities under an operating lease from JFC that expires in February 2018, with an option to extend. Future commitments of rent as of June 30, 2017 total \$112,664 for the year ending June 30, 2018. Rent and occupancy expense for the years ended June 30, 2017 and 2016 was \$157,832 and \$263,045, respectively. Rent and occupancy payments are withheld from the monthly allocation support received from JFC.

THE ZIMMER CHILDREN'S MUSEUM
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 9 – Commitments and Contingencies (Continued)

Government Grants

The Museum's grants are subject to inspection and audit by the corresponding funding agencies. The purpose is to determine whether the funds were used in accordance with funding agency guidelines and regulations. The potential exists for disallowance of previously funded costs. No provision has been made for any liabilities that may arise from such audits since the amounts cannot be determined.

NOTE 10 – Retirement Plan

The Zimmer Children's Museum participates with other agencies in the Basic Pension Plan for Employees of Jewish Federation Council of Greater Los Angeles, (employer identification number: 95-1643388; plan number: 001), a multiemployer defined benefit and contribution pension plan (the Multiemployer Plan). The risks of participating in the Multiemployer Plan are different from single-employer plans in the following aspects:

- Assets contributed to the Multiemployer Plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Museum chooses to stop participating in the Multiemployer Plan, the Museum may be required to pay the Multiemployer Plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Multiemployer Plan covers substantially all employees. At its discretion, the Museum may match participant contributions. The Museum's contributions to the defined benefit pension plan and defined contribution pension plan for the year ended June 30, 2017 totaled \$69,368 and \$41,562, respectively. Management believes the defined benefit pension plan is underfunded; however, the amount attributable to the Museum is indeterminable at this time and, therefore, any underfunding is not reflected on the accompanying financial statements.

On January 1, 2017, the Plan's funded percentage was more than 80% (the Green Zone). The funded percentage is determined by dividing the value of the plan's assets by the plan's liability for accrued pension benefits, measured as of the first day of the plan year.

**THE ZIMMER CHILDREN'S MUSEUM
(A California Nonprofit Corporation)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)**

NOTE 10 – Retirement Plan (Continued)

The Plan did not have a surcharge imposed and neither a funding improvement plan nor a rehabilitation plan was in place during the year ended June 30, 2017.

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the Multiemployer Plan currently and in future years. The funding policy of the Multiemployer Plan is to fund the plan based on contributions from the Participating Employers. The Participating Employers are required to make contributions that, collectively, are designed to meet or exceed the minimum ERISA funding requirements. The minimum ERISA funding requirements are determined by an actuary on an annual basis. The Participating Employers' contributions for the Multiemployer Plan's year ended June 30, 2017 exceeded the minimum funding requirements of ERISA.

The Plan has been amended to provide that employees hired after December 31, 2005 will not be eligible to participate in the defined benefit pension plan; in response the Museum has established an Internal Revenue Code Section 403(b) retirement plan for the benefit of all full-time employees hired after December 31, 2005. There were no employer contributions to the 403(b) retirement plan for the years ended June 30, 2017 and 2016.