

DISCOVERY Children's Museum

Financial Report
June 30, 2017

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RSM US LLP

Independent Auditor's Report

To the Board of Trustees
DISCOVERY Children's Museum

Report on the Financial Statements

We have audited the accompanying financial statements of DISCOVERY Children's Museum, which comprise the statement of financial position as of June 30, 2017, the related statements of activities, cash flows and functional expenses 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 of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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 DISCOVERY Children's Museum as of June 30, 2017 and 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 previously audited DISCOVERY Children’s Museum’s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2016. 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.

RSM US LLP

Las Vegas, Nevada
November 13, 2017

DISCOVERY Children's Museum

**Statement of Financial Position
June 30, 2017**

	2017	2016 Comparative Total
Assets		
Current assets:		
Cash	\$ 488,799	\$ 861,684
Certificates of deposit	1,253,834	1,098,064
Pledges receivable, net (Note 2)	141,189	399,639
Other receivable	34,869	4,710
Inventory	23,245	26,967
Prepaid expenses	165,580	81,726
Total current assets	2,107,516	2,472,790
Certificates of deposit	1,158,668	1,110,249
Investments (Note 3)	3,789,520	3,860,225
	4,948,188	4,970,474
Property and equipment:		
Donated building (Note 4)	30,414,948	30,414,948
Museum exhibits	8,135,991	8,135,991
Leasehold improvements	7,811,060	7,811,060
Furniture and equipment	781,291	779,991
	47,143,290	47,141,990
Less accumulated depreciation and amortization	(8,969,136)	(7,104,640)
Property and equipment, net	38,174,154	40,037,350
Total assets	\$ 45,229,858	\$ 47,480,614
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 72,439	\$ 62,766
Accrued expenses	172,865	169,532
Customer deposits	4,643	4,000
Total liabilities	249,947	236,298
Net assets:		
Unrestricted	10,982,310	11,867,184
Temporarily restricted (Note 5)	33,012,541	34,392,072
Permanently restricted (Notes 3 and 5)	985,060	985,060
Total net assets	44,979,911	47,244,316
Total liabilities and net assets	\$ 45,229,858	\$ 47,480,614

See notes to financial statements.

DISCOVERY Children's Museum

**Statement of Activities
Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Comparative Total
Support:					
Corporate and government grants	\$ -	\$ 91,401	\$ -	\$ 91,401	\$ 114,283
Corporate and individual contributions	489,526	95,350	-	584,876	846,581
Special events	429,232	-	-	429,232	474,175
Total support	918,758	186,751	-	1,105,509	1,435,039
Revenues:					
Admissions	1,575,853	-	-	1,575,853	1,679,771
Ancillary revenue	295,436	-	-	295,436	377,381
Membership dues	475,921	-	-	475,921	668,131
Investment income (Note 3)	495	167,370	-	167,865	162,053
Other income	62,364	-	-	62,364	39,600
Net assets released from restrictions	1,733,652	(1,733,652)	-	-	-
Total revenue	4,143,721	(1,566,282)	-	2,577,439	2,926,936
Total support and revenue	5,062,479	(1,379,531)	-	3,682,948	4,361,975
Expenses:					
Program services:	4,019,834	-	-	4,019,834	4,185,541
Management, marketing and general	1,485,699	-	-	1,485,699	1,616,735
Capital planning	-	-	-	-	465
Fund raising and development	441,820	-	-	441,820	363,864
Total expenses	5,947,353	-	-	5,947,353	6,166,606
Decrease in net assets	(884,874)	(1,379,531)	-	(2,264,405)	(1,804,631)
Net assets, beginning of year	11,867,184	34,392,072	985,060	47,244,316	49,048,947
Net assets, end of year	\$ 10,982,310	\$ 33,012,541	\$ 985,060	\$ 44,979,911	\$ 47,244,316

See notes to financial statements.

DISCOVERY Children's Museum

**Statement of Cash Flows
Year Ended June 30, 2017**

	2017	2016 Comparative Total
Cash flows from operating activities:		
Decrease in net assets	\$ (2,264,405)	\$ (1,804,631)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,864,496	1,921,729
Net realized and unrealized appreciation on investments	(167,370)	(161,411)
Bad debt expense	16,000	-
Changes in operating assets and liabilities:		
Receivables	212,291	689,342
Inventory	3,722	(398)
Prepaid expenses	(83,854)	21,351
Accounts payable	9,673	(11,003)
Accrued expenses	3,333	60,519
Customer deposits	643	(20,000)
Net cash (used in) provided by operating activities	(405,471)	695,498
Cash flows from investing activities:		
Sale of investments	1,136,051	18,470
Purchase of investments	(1,102,165)	(543,211)
Purchase of property and equipment	(1,300)	(50,242)
Net cash provided by (used in) investing activities	32,586	(574,983)
Net (decrease) increase in cash	(372,885)	120,515
Cash, beginning of year	861,684	741,169
Cash, end of year	\$ 488,799	\$ 861,684

See notes to financial statements.

DISCOVERY Children's Museum

**Statement of Functional Expenses
Year Ended June 30, 2017**

	Program Services	Management and General, Marketing and Public Relations	Capital Planning	Fund Raising and Development	2017 Total	2016 Comparative Total
Salaries and benefits	\$ 942,976	\$ 446,619	\$ -	\$ 203,288	\$ 1,592,883	\$ 1,658,983
Advertising	-	782,018	-	-	782,018	873,255
Contracted services	146,975	3,783	-	26,038	176,796	182,936
Occupancy	328,209	16,963	-	-	345,172	369,766
Admission subsidies	63,622	-	-	-	63,622	65,954
Payroll taxes	114,469	35,537	-	21,017	171,023	175,804
Traveling exhibit fees	232,899	-	-	-	232,899	258,188
Supplies	80,531	4,500	-	2,411	87,442	98,094
Professional fees	1,800	120,164	-	9,792	131,756	122,336
Cost of sales	78,062	-	-	-	78,062	84,631
Credit card and bank fees	57,931	4,134	-	16,890	78,955	88,312
Miscellaneous/other	2,353	10,284	-	6,036	18,673	26,210
Liability and general insurance	3,330	35,332	-	-	38,662	37,603
Printing	5,567	6,887	-	4,480	16,934	25,465
Postage	80	3,206	-	2,166	5,452	8,861
Repair and maintenance	94,765	3,498	-	14,054	112,317	74,609
Conferences and travel	1,041	8,899	-	117,690	127,630	96,344
Dues/subscriptions/publications	728	3,875	-	1,958	6,561	7,364
Bad debt (recovery) allowance	-	-	-	16,000	16,000	(9,836)
	2,155,338	1,485,699	-	441,820	4,082,857	4,244,877
Depreciation and amortization	1,864,496	-	-	-	1,864,496	1,921,729
	\$ 4,019,834	\$ 1,485,699	\$ -	\$ 441,820	\$ 5,947,353	\$ 6,166,606

See notes to financial statements.

DISCOVERY Children's Museum

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Organization and purpose: DISCOVERY Children's Museum (the Museum) is a private, nonprofit organization designed to provide learning experiences for southern Nevada residents and visitors. The Museum was formally incorporated on January 1, 1985 and was opened to the public in September 1990. A significant portion of the operating costs of the Museum are funded from non-operating sources such as contributions, in-kind donations and monies raised from special events and various grants.

Basis of presentation: The Museum follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205, Presentation of Financial Statements for Not-for-Profit Entities. The ASC requires financial statements to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying transactions into three classes of net assets, as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of DISCOVERY Children's Museum and/or the passage of time. When conditions of the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions received and unconditional promises to give are measured at their fair values and reported as an increase in net assets.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by DISCOVERY Children's Museum. Generally, the donors of these assets permit DISCOVERY Children's Museum to use all or part of the income earned on related investments for general or specific purposes. These restrictions neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Gifts of cash and other assets are recognized as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose 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 restrictions.

The Museum has adopted ASC Subtopic 958-205, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds. The Board of Directors of the Museum has interpreted the State of Nevada enacted version of the Uniform Prudent Management of Institutional Funds Acts (UPMIFA) 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 as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is 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 UPMIFA.

DISCOVERY Children's Museum

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

In accordance with UPMIFA, the Museum considers the following factors in making a determination to accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Museum and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Museum
7. The investment policies of the Museum

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates include collectability of receivables, useful lives of property and equipment, allocation of functional expenses and fair value of investments. Actual results could differ from those estimates.

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

The following is a summary of the Museum's significant accounting policies:

Cash: At times, the Museum's cash deposited in financial institutions may be in excess of federally insured limits. The Museum has not experienced losses in such accounts.

Certificates of deposit: Interest-bearing deposits with other financial institutions have three months to three years remaining prior to maturity and are carried at cost. As of June 30, 2017, \$101,322 included in certificates of deposits is permanently restricted.

Pledges receivable: Unconditional promises to give that are expected to be collected are recorded at their net realizable value as an increase in net assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. Management periodically evaluates the collectability of promises to give. At June 30, 2017, the Museum recorded \$100,000 of reserve for uncollectible promises to give. All pledges receivable have been discounted to reflect their approximate fair value.

Inventory: Inventory consists of educational materials held for sale in the Museum's gift shop and are carried at the lower of cost or market, with cost determined by the first-in, first-out method.

DISCOVERY Children's Museum

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments: The Museum accounts for its investments in marketable securities in accordance with FASB ASC Topic 958, Investments—Debt and Equity Securities for Not-for-Profit Entities. Investments primarily consist of U.S. government agency obligations, mutual funds and corporate debt securities. Investments are presented in the financial statements at fair value. Fair value of investments was estimated using the quoted market value of such investments at June 30, 2017. Unrealized gains and losses are reflected in the statement of activities.

Property and equipment: Property and equipment acquisitions greater than \$2,500 in aggregate value are capitalized at cost when purchased or at the fair value at the date of gift when donated. Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. The useful lives range between three and seven years for equipment and furniture, seven years for museum exhibits, 32 years for tenant improvements and 90 years for the donated building. Leasehold improvements are amortized straight-line over the shorter of the lease term or estimated useful life of the asset.

Long-lived assets: The Museum evaluates long-lived assets for potential impairment in accordance with FASB ASC Topic 360, Impairment of Disposal of Long-Lived Assets. If it is determined that the carrying value of long-lived assets may not be recoverable based upon the relevant facts and circumstances, the Museum estimates the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, the Museum will recognize an impairment loss for the difference between the carrying value of the asset and its fair value. Management believes no impairment in long-lived assets exists at June 30, 2017.

The process of estimating future cash flows is inherently uncertain and relies to a considerable extent on current and future economic conditions. Therefore, it is reasonably possible that the estimate of undiscounted cash flows may change in the near term, resulting in the need to write down those assets to fair value.

Customer deposits: Customer deposits consist of prepayments for future special events.

Revenue: Revenues received from contributions are recognized upon the satisfaction of any restrictions, including the passage of time or expiration of program restrictions. Membership dues, which are essentially contributions, are recognized as revenue when such income is received. Admission revenues are recognized when received upon guest entry. Special event revenue is recognized when the event occurs. All other ancillary revenue is recognized when earned.

Contributions of services and in-kind contributions: Contributions of services are recognized at their estimated fair value when they are received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not donated. The Museum received in-kind contributions of advertising expenses, and the fair market value of these services was \$441,500 for the year ended June 30, 2017.

Functional allocation of expenses: The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising: The Museum expenses advertising costs as incurred. Advertising expenses were \$782,018 for the year ended June 30, 2017. Of this total, \$441,500 was made via in-kind donations.

DISCOVERY Children's Museum

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income taxes: The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been included in the accompanying financial statements.

The Museum follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Museum may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement.

The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Museum's tax positions and concluded that it had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Museum is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2014.

Fair value of financial instruments and fair value measurements: The Museum applies the standards of FASB ASC Topic 820, Fair Value Measurements and Disclosures, which provides a framework for measuring fair value under generally accepted accounting principles. These standards apply to all financial instruments that are being measured and reported on a fair value basis. The Museum measures and reports its investments in marketable securities on a fair value basis.

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. In determining fair value, the Museum uses various methods, including market, income and cost approaches. Based on these approaches, the Museum often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Museum is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

DISCOVERY Children's Museum

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended June 30, 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. A description of the valuation techniques applied to the Museum's major classes of assets and liabilities measured at fair value on a recurring basis at June 30, 2017 is as follows:

	Level 1	Level 2	Level 3	Total
Corporate bonds:				
Consumer goods	\$ 632,493	\$ 20,063	\$ -	\$ 652,556
Energy	48,748	11,802	-	60,550
Financial	641,148	70,124	-	711,272
Healthcare and insurance	106,997	-	-	106,997
Services	637,155	76,555	-	713,710
Utility	136,929	-	-	136,929
	2,203,470	178,544	-	2,382,014
Government fixed income	-	21,918	-	21,918
Investments with fixed maturity dates	2,203,470	200,463	-	2,403,932
Marketable securities:				
Exchange traded - Highly Liquid	675,368	-	-	675,368
	675,368	-	-	675,368
Money market funds	710,220	-	-	710,220
Total investments	\$ 3,589,058	\$ 200,463	\$ -	\$ 3,789,520

The fair value of 100 percent of the Museum's investments is determined using Level 1 and Level 2 inputs, which are derived from readily available pricing sources and third-party pricing services for identical or comparable instruments.

During the year ended June 30, 2017, the Museum did not make significant transfers between Level 1 and Level 2 assets.

Pending accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, 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 accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with 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, and interim periods within annual periods beginning after December 15, 2019. Management has not yet determined the effect of the adoption of this guidance on the Museum's financial statements.

DISCOVERY Children's Museum

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not yet evaluated the impact of this ASU on the Museum's financial statements.

Subsequent events: The Museum has evaluated subsequent events through November 13, 2017, the date on which the financial statements were available to be issued.

Note 2. Pledges Receivable

Unconditional promises to give as of June 30, 2017 are summarized as follows:

Within one year	\$ 253,772
Less allowance for doubtful accounts	(100,000)
Less discounts for the time value of money	(12,583)
	<u>\$ 141,189</u>

Note 3. Investments

Total investments were \$3,789,520 at June 30, 2017, with \$1,502,517 in temporarily restricted funds, \$883,738 in permanently restricted funds and \$1,403,265 that is unrestricted.

At the direction of the Board of Trustees and in accordance with donor restrictions, earnings generated from investments in the Museum's permanently restricted fund are available for unrestricted operating purposes. Accordingly, investment gain generated by these investments, totaling \$49,849 for the year ended June 30, 2017, is classified as unrestricted. The Museum received income from idle funds invested and dividends from stock donated totaling \$118,016 for the year ended June 30, 2017. Thus, \$167,865 in total investment income has been reported on the statement of activities for 2017. Of this total, \$495 is unrestricted and \$167,370 is temporarily restricted.

Gains (realized and unrealized) included in changes in net assets were recorded in revenues and other income on the statement of activities as follows:

Interest and dividends	\$ 118,016
Unrealized gain on investments	49,849
	<u>\$ 167,865</u>

DISCOVERY Children's Museum

Notes to Financial Statements

Note 4. Leasehold Interest and Donated Building

In July 2012, the Museum entered into a "sublease" agreement with The Smith Center (TSC), whereby TSC will sublease space to the Museum for a period of 30 years at \$1 per year, plus common area maintenance fees. TSC and the Museum have the option to extend the lease for six periods of 10 years each under the same terms and conditions as the initial lease. In accordance with ASC Topic 958-605, Not-For-Profit Entities Revenue Recognition, the Museum recorded a donated building of approximately \$30,756,000 based on the fair value of the land and building, with a corresponding offset to contribution revenue during the year ended June 30, 2013.

The building is being depreciated over the lease term of 90 years. Accumulated depreciation for the building totaled \$1,366,964 for the year ended June 30, 2017. At June 30, 2017, the book value of the donated building is \$29,047,984. In addition, in accordance with the terms of the lease, the contribution is recorded as temporarily restricted (for both time and purpose), with the restriction expiring over the lease term.

This balance is to be depreciated over the remaining term of the lease as follows:

Years ending June 30:	
2018	\$ 341,741
2019	341,741
2020	341,741
2021	341,741
2022	341,741
Thereafter	27,339,279
	<u>\$ 29,047,984</u>

Note 5. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2017:

Donated building (Note 4)	\$ 29,047,984
Capital campaign - Operations	2,915,019
Capital campaign - Youthworks	1,000,000
Outreach	15,000
Other temporarily restricted net assets	34,538
	<u>\$ 33,012,541</u>

For the year ended June 30, 2017, temporarily restricted net assets of \$1,391,911 were released from donor restrictions by satisfying the restricted purposes specified by the donors.

For the year ended June 30, 2017, temporarily restricted net assets released from restrictions due to the passage of time and purpose totaled \$341,741 and consisted of the depreciation of the donated building. For the year ended June 30, 2017, permanently restricted net assets in the amount of \$985,060 are restricted to an endowment account, which requires, in perpetuity, that the principal be invested. Income earned on such assets can be used currently.