

# Please Touch Museum

Financial Statements  
Years Ended September 30, 2019 and 2018



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# PLEASE TOUCH MUSEUM

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## INDEPENDENT AUDITOR'S REPORT

**Board of Trustees  
Please Touch Museum  
Philadelphia, Pennsylvania**

We have audited the accompanying financial statements of Please Touch Museum (a nonprofit corporation), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 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 Please Touch Museum as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BBD 2LD

**Philadelphia, Pennsylvania  
January 28, 2020**

# PLEASE TOUCH MUSEUM

## STATEMENTS OF FINANCIAL POSITION

September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,764,033	\$ 2,609,382
Investments	1,046,160	929,833
Receivables		
Grants and contributions	805,620	562,656
Other	62,126	293,959
Other current assets	<u>305,741</u>	<u>198,692</u>
<b>Total current assets</b>	3,983,680	4,594,522
<b>GRANTS AND CONTRIBUTIONS RECEIVABLE AFTER ONE YEAR</b>	1,114,344	390,212
<b>PROPERTY, EQUIPMENT AND EXHIBITS, NET</b>	26,879,979	27,669,578
<b>INVESTMENTS, TO BE MAINTAINED INDEFINITELY</b>	1,432,084	1,432,084
<b>COLLECTION</b>	-	-
<b>CASH HELD IN ESCROW</b>	<u>1,205,565</u>	<u>1,175,795</u>
<b>Total assets</b>	<u>\$ 34,615,652</u>	<u>\$ 35,262,191</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 600,139	\$ 504,423
Deferred revenue	<u>268,083</u>	<u>276,267</u>
<b>Total liabilities</b>	<u>868,222</u>	<u>780,690</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Operating	29,729,073	31,304,089
Board designated	<u>79,407</u>	<u>-</u>
	29,808,480	31,304,089
With donor restrictions		
Subject to expenditure for specific purposes or periods	2,506,866	1,745,328
To be maintained in perpetuity	<u>1,432,084</u>	<u>1,432,084</u>
<b>Total net assets</b>	<u>33,747,430</u>	<u>34,481,501</u>
<b>Total liabilities and net assets</b>	<u>\$ 34,615,652</u>	<u>\$ 35,262,191</u>

See accompanying notes

# PLEASE TOUCH MUSEUM

## STATEMENTS OF ACTIVITIES

Years ended September 30, 2019 and 2018

	2019					2018				
	Without Donor Restrictions		With Restrictions			Without Donor Restrictions		With Restrictions		
	Operating	Board Designated	Purpose and Time Restrictions	To Be Maintained Indefinitely	Total	Operating	Board Designated	Purpose and Time Restrictions	To Be Maintained Indefinitely	Total
<b>REVENUES AND SUPPORT</b>										
Museum revenue										
Admissions	\$ 3,700,422	\$ -	\$ -	\$ -	\$ 3,700,422	\$ 4,187,977	\$ -	\$ -	\$ -	\$ 4,187,977
Memberships	1,395,703	-	-	-	1,395,703	1,425,251	-	-	-	1,425,251
Fees for special events	918,021	-	-	-	918,021	949,103	-	-	-	949,103
Museum store receipts	74,359	-	-	-	74,359	89,103	-	-	-	89,103
Interest and dividends	66,420	-	41,717	-	108,137	43,767	-	32,881	-	76,648
Net appreciation of investments, net of fees	7,983	-	11,546	-	19,529	39,293	-	64,495	-	103,788
Donated goods and services	34,535	-	-	-	34,535	32,086	-	-	-	32,086
Grants and contributions	317,652	-	1,745,564	-	2,063,216	529,509	-	498,250	-	1,027,759
Other revenue	34,519	-	-	-	34,519	6,345	-	-	-	6,345
Net assets released from restrictions										
Spending policy distribution	-	79,407	(79,407)	-	-	80,388	-	(80,388)	-	-
Satisfaction of purpose restrictions	957,882	-	(957,882)	-	-	872,357	-	(872,357)	-	-
<b>Total revenues and support</b>	<u>7,507,496</u>	<u>79,407</u>	<u>761,538</u>	<u>-</u>	<u>8,348,441</u>	<u>8,255,179</u>	<u>-</u>	<u>(357,119)</u>	<u>-</u>	<u>7,898,060</u>
<b>EXPENSES</b>										
Program services	7,354,100	-	-	-	7,354,100	7,169,011	-	-	-	7,169,011
Supporting services										
Management and general	1,190,128	-	-	-	1,190,128	1,129,860	-	-	-	1,129,860
Fundraising	538,284	-	-	-	538,284	532,369	-	-	-	532,369
<b>Total expenses</b>	<u>9,082,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,082,512</u>	<u>8,831,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,831,240</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,575,016)</u>	<u>79,407</u>	<u>761,538</u>	<u>-</u>	<u>(734,071)</u>	<u>(576,061)</u>	<u>-</u>	<u>(357,119)</u>	<u>-</u>	<u>(933,180)</u>
<b>NET ASSETS</b>										
Beginning of year	31,304,089	-	1,745,328	1,432,084	34,481,501	31,880,150	-	2,102,447	1,432,084	35,414,681
<b>End of year</b>	<u>\$ 29,729,073</u>	<u>\$ 79,407</u>	<u>\$ 2,506,866</u>	<u>\$ 1,432,084</u>	<u>\$ 33,747,430</u>	<u>\$ 31,304,089</u>	<u>\$ -</u>	<u>\$ 1,745,328</u>	<u>\$ 1,432,084</u>	<u>\$ 34,481,501</u>

See accompanying notes

**PLEASE TOUCH MUSEUM**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Years ended September 30, 2019 and 2018**

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	2019				2018			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,656,732	\$ 617,350	\$ 313,703	\$ 3,587,785	\$ 2,550,395	\$ 583,497	\$ 155,563	\$ 3,289,455
Payroll taxes and employee benefits	509,877	119,565	65,420	694,862	493,407	113,912	34,858	642,177
Education, programming and exhibits	591,268	7,169	5,301	603,738	529,246	7,692	4,402	541,340
Professional fees and affiliations	219,317	92,910	63,090	375,317	271,925	72,954	267,734	612,613
Donated goods and services	-	-	34,535	34,535	-	-	32,086	32,086
Insurance	225,750	33,147	982	259,879	206,073	36,943	546	243,562
Interest	-	-	-	-	-	1,965	-	1,965
Depreciation	1,141,680	115,090	11,743	1,268,513	1,093,530	104,329	7,218	1,205,077
Maintenance	940,863	66,723	3,842	1,011,428	862,687	61,179	3,522	927,388
Office administration	229,064	72,494	5,880	307,438	241,360	90,759	9,839	341,958
Marketing and advertising	378,353	20,907	27,206	426,466	416,631	1,496	7,597	425,724
Travel and entertainment	13,698	12,034	1,410	27,142	7,512	16,015	2,332	25,859
Printing	59,361	5,214	3,587	68,162	59,617	8,155	4,889	72,661
Utilities and telephone	388,137	27,525	1,585	417,247	436,628	30,964	1,783	469,375
	<u>\$ 7,354,100</u>	<u>\$ 1,190,128</u>	<u>\$ 538,284</u>	<u>\$ 9,082,512</u>	<u>\$ 7,169,011</u>	<u>\$ 1,129,860</u>	<u>\$ 532,369</u>	<u>\$ 8,831,240</u>

**See accompanying notes**

# PLEASE TOUCH MUSEUM

## STATEMENTS OF CASH FLOWS

Years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ (734,071)	\$ (933,180)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	1,268,513	1,205,077
Net appreciation of investments	(19,529)	(103,788)
(Increase) decrease in		
Grants and contributions receivable	(967,096)	332,894
Other receivables	231,833	(275,337)
Other current assets	(107,049)	(60,930)
Increase (decrease) in		
Accounts payable and accrued expenses	95,716	203,772
Deferred revenue	(8,184)	55,448
<b>Net cash provided by (used for) operating activities</b>	<u>(239,867)</u>	<u>423,956</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments purchased	(154,632)	(16,209)
Proceeds from sales of investments	57,834	7,258
Additions to property, equipment and exhibits	(478,914)	(613,858)
Net (increase) decrease in cash held in escrow	<u>(29,770)</u>	<u>(17,968)</u>
<b>Net cash provided by (used for) investing activities</b>	<u>(605,482)</u>	<u>(640,777)</u>
<b>Net change in cash and cash equivalents</b>	(845,349)	(216,821)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,609,382</u>	<u>2,826,203</u>
<b>End of year</b>	<u>\$ 1,764,033</u>	<u>\$ 2,609,382</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	<u>\$ -</u>	<u>\$ 1,965</u>

See accompanying notes

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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### (1) NATURE OF OPERATIONS

Please Touch Museum (the "**Museum**") is a Pennsylvania 501(c)(3) nonprofit organization established in 1976; operating at Memorial Hall in Fairmount Park, a National Historic site built in 1876 for the Nation's Centennial celebration.

Please Touch Museum's mission is to "Change a child's life as they discover the power of learning through play." Our Museum is where lifelong learning begins, curiosity is encouraged, and every child is always welcome. Underpinning this mission is a promise, "To be a leader in 21st century children's museums as a key resource of learning through play, and expand our reach and impact in the Philadelphia region and beyond." To fulfill this promise, Please Touch Museum will continue to be inclusive, open and accessible to all communities.

Our interactive exhibits, programs and special events are designed to focus on creativity, collaboration, communication and critical thinking as core elements. With this, children discover, learn and play and as a result develop the intellectual, social and emotional skills they need to succeed in school and life.

### (2) SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

#### **Financial Statement Presentation**

The Museum reports information regarding its financial position and activities according to the following classes of net assets:

##### ***Without donor restrictions***

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

This category also includes board designated net assets which include distributions from endowment that require board approval to be spent.

##### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Museum and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting the Museum to expend the income generated in accordance with the provisions of the contribution.

#### **Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America ("**GAAP**"), management makes 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates



# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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### Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Museum. Unobservable inputs reflect the Museum's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the Museum's own assumptions.

### Cash and Cash Equivalents

The Museum considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in operating accounts at major financial institutions and also in money market mutual funds, in which the Museum is exposed to market and credit risk.

### Investments and Investment Income

Investments in debt and equity securities with readily determinable fair values are reported at fair value as determined by quoted market prices with gains and losses included in the statements of activities. Dividend and interest income is recorded as earned. Restricted investment income whose restrictions are satisfied in the same period are reported as unrestricted.

Donated investments are recorded at fair value at the date of receipt.

The Museum invests in a professionally-managed portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

### Property, Equipment and Exhibits

Property, equipment and exhibits are stated at cost as determined by either the purchase price, or, for donated assets, their appraised value at the time of the donation. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets as follows:

Real estate interest and improvements	35 years
Equipment and fixtures	3 – 5 years
Exhibits	7 years

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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### **Collections**

The collection, which has been acquired through purchases and contributions since the Museum's inception, is not recognized as an asset on the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The core of the Museum's collection is the Contemporary Toy Collection (toys post-1945 through present) which showcases changing ideas of play, childhood, education, gender and socialization and other topics of importance and relevance to 21st century families. The museum collects, catalogs, exhibits and borrows only those objects for which it is able to care, store and exhibit in a manner consistent with its educational purpose and with generally accepted museum practice. Collection management policies have been adopted to ensure that Please Touch Museum carries out its responsibilities for its collections in a manner consistent with its mission and its responsibilities as a non-profit museum accredited by the American Association of Museums.

### **Cash Held in Escrow**

Under the lease with the City of Philadelphia, the Museum is required to deposit \$1.5 million into a capital repairs and replacements escrow every ten years for the term of the lease. A \$1.5 million deposit was made in 2012. The balance in this escrow was \$1,205,565 and \$1,175,795 as of September 30, 2019 and 2018, respectively.

### **Museum Revenue**

Admissions revenue is recognized in the period in which the Museum visit took place. Membership fees are recognized when received. Fees for special events are recognized in the period in which the event took place. Fees for future special events are included in deferred revenue on the statements of financial position.

### **Contributions and Grants**

Contributions and grants are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and grants whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

### **Other Accounts Receivable**

Other accounts receivable are stated at the amount management expects to collect from outstanding balances. The Museum uses the allowance method to determine uncollectible other accounts receivable. The allowance is based on historical experience, current economic conditions and management's analysis of outstanding balances. Management has determined that no allowance was necessary as of September 30, 2019 and 2018.

### **Advertising**

The Museum expenses advertising costs as incurred. For the years ended September 30, 2019 and 2018, marketing and advertising expenses were \$426,466 and \$425,724, respectively.

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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### **Functional Allocation of Expenses**

The costs of providing the various program and supporting services have been presented on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The financial statements have certain categories of expenses that are attributed to more than one program or supporting function, therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated on the basis of estimates of time and effort include certain salaries and wages and related benefits and payroll taxes. Expenses that are allocated based on estimates of square footage include depreciation, maintenance, and utilities and telephone.

### **Income Tax Status**

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Museum's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Museum believes that it had no uncertain tax positions as defined in GAAP.

### **Concentration of Credit Risk**

Financial instruments which potentially subject the Museum to concentration of credit risk are cash and cash equivalents and grants and contributions receivable. The Museum maintains its cash at various financial institutions. At times, such deposits may exceed federally-insured limits.

At September 30, 2019, 88% of grants and contributions receivable was due from four donors. At September 30, 2018, 82% of grants and contributions receivable was due from three donors.

### **Accounting Pronouncements Adopted**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Museum has implemented ASU 2016-14 and adjusted the presentation in these financial statements accordingly.

### **Reclassification**

Certain amounts have been reclassified in the 2018 financial statements to confirm with the 2019 presentation.

## **(3) LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions that allow their use during the 12 months after the statement of financial position date, comprise the following:

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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Cash and cash equivalents	\$ 1,764,033
Receivables	1,982,090
Investments	<u>2,478,244</u>
Total financial assets	6,224,367
Less: financial assets not available for general operations within one year	
Subject to expenditure for specific purposes or periods	(2,506,866)
To be maintained in perpetuity	(1,432,084)
Board designated net assets	<u>(79,407)</u>
Total financial assets available within one year	<u>\$ 2,206,010</u>

### Liquidity Management

The Museum manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

#### (4) INVESTMENTS

Investments were comprised as follows:

	<u>2019</u>	<u>2018</u>
Mutual funds		
Fixed-income	\$ 123,758	\$ 116,177
Equity	402,209	419,556
Exchange-traded funds		
Fixed-income	690,053	-
Equity	<u>1,262,224</u>	<u>1,826,184</u>
	<u>\$ 2,478,244</u>	<u>\$ 2,361,917</u>

The fair value of investments are based upon quoted prices in active markets. These investments have been classified within Level 1 of the valuation hierarchy.

#### (5) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable were comprised as follows:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 805,620	\$ 833,500
Due in one to five years	<u>1,132,270</u>	<u>120,000</u>
	1,937,890	953,500
Less discount to present value	<u>(17,926)</u>	<u>(632)</u>
	<u>\$ 1,919,964</u>	<u>\$ 952,868</u>

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# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

The Museum uses the allowance method to determine uncollectible contributions receivable. The allowance is based on historical experience, current economic conditions and management's analysis of outstanding contributions receivable. Management has determined that no allowance was necessary as of September 30, 2019 and 2018. Grants and contributions receivable, which are receivable in more than one year, are discounted at rates ranging from .77% to .88%.

### (6) PROPERTY, EQUIPMENT AND EXHIBITS

Property, equipment and exhibits consisted of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Real estate interest and improvements	\$ 40,974,663	\$ 40,927,198
Equipment and fixtures	2,502,806	2,376,401
Exhibits	<u>12,353,334</u>	<u>12,071,863</u>
	55,830,803	55,375,462
Less accumulated depreciation	<u>(28,950,824)</u>	<u>(27,705,884)</u>
	<u>\$ 26,879,979</u>	<u>\$ 27,669,578</u>

### (7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes:

	<u>September 30, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>September 30, 2019</u>
Subject to expenditure for specific purposes or periods				
Digital learning exhibit	\$ 453,975	\$ 149,000	\$ (137,815)	\$ 465,160
Floor restoration	48,625	1,000,000	-	1,048,625
Exhibit Sponsorship/Other	758,757	517,064	(532,357)	743,464
Available for future periods	<u>340,000</u>	<u>79,500</u>	<u>(287,710)</u>	<u>131,790</u>
	<u>1,601,357</u>	<u>1,745,564</u>	<u>(957,882)</u>	<u>2,389,039</u>
Endowments				
Subject to appropriation and expenditure when a specified event occurs:				
Excess endowment earnings available to support the programs, services and mission of PTM	143,971	53,263	(79,407)	117,827
To be maintained indefinitely				
Endowment, with an historic dollar value of \$1,432,084	<u>1,432,084</u>	<u>-</u>	<u>-</u>	<u>1,432,084</u>
Total endowments	<u>1,576,055</u>	<u>53,263</u>	<u>(79,407)</u>	<u>1,549,911</u>
Total net assets with donor restrictions	<u>\$ 3,177,412</u>	<u>\$ 1,798,827</u>	<u>\$ (1,037,289)</u>	<u>\$ 3,938,950</u>

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

	<u>September 30,</u> <u>2017</u>	<u>Additions</u>	<u>Releases</u>	<u>September 30,</u> <u>2018</u>
Net assets restricted for specific purposes or periods				
Digital learning exhibit	\$ 690,672	\$ -	\$ (236,697)	\$ 453,975
Floor restoration	48,625	-	-	48,625
Exhibit Sponsorship/Other	555,167	488,250	(284,660)	758,757
Available for future periods	<u>681,000</u>	<u>10,000</u>	<u>(351,000)</u>	<u>340,000</u>
	<u>1,975,464</u>	<u>498,250</u>	<u>(872,357)</u>	<u>1,601,357</u>
Endowments				
Subject to appropriation and expenditure when a specified event occurs:				
Excess endowment earnings available to support the programs, services and mission of PTM	126,983	97,376	(80,388)	143,971
To be maintained indefinitely				
Endowment, with an historic dollar value of \$1,432,084	<u>1,432,084</u>	<u>-</u>	<u>-</u>	<u>1,432,084</u>
Total endowments	<u>1,559,067</u>	<u>97,376</u>	<u>(80,388)</u>	<u>1,576,055</u>
Total net assets with donor restrictions	<u>\$ 3,534,531</u>	<u>\$ 595,626</u>	<u>\$ (952,745)</u>	<u>\$ 3,177,412</u>

### (8) ENDOWMENT

The endowment consists of donor-restricted endowment gifts that are currently invested and participate in the Museum's investment pool. The funds were established to support its general operations.

Accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). The Museum is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

In 2018, the Museum's Board of Directors adopted Commonwealth of Pennsylvania law and has interpreted this law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies net assets to be maintained indefinitely as (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 and at the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the Museum while preserving the long-term, real purchasing power of its endowment assets.

The Museum appropriates for distribution each year between 2% and 7% of its endowment fund's three-year average value. In establishing this policy, the Museum seeks to reduce the variability of the annual fund distributions by factoring past spending and portfolio asset values into its current spending policy, its target asset allocation, or both. The spending policy calculates the amount of money annually distributed from the permanently restricted endowment fund to support various programs. The current spending policy is to distribute an amount equal to 5% of an average of the trailing twelve quarters of the fair value of the endowment fund.

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

### September 30, 2019 and 2018

For the years ended September 30, 2019 and 2018, the Museum's endowment and Board designated net assets had the following activity:

	<b>Year ended September 30, 2019</b>			
	<b>With Donor Restrictions</b>			
	<b>Board Designated</b>	<b>Excess</b>	<b>To be</b>	<b>Total</b>
		<b>Endowment Earnings</b>	<b>Maintained Indefinitely</b>	
Endowment net assets, beginning of the year	\$ -	\$ 143,971	\$ 1,432,084	\$ 1,576,055
Interest and dividends	-	41,717	-	41,717
Net appreciation of investments	-	11,546	-	11,546
Spending policy distribution	<u>79,407</u>	<u>(79,407)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 79,407</u>	<u>\$ 117,827</u>	<u>\$ 1,432,084</u>	<u>\$ 1,629,318</u>

  

	<b>Year ended September 30, 2018</b>			
	<b>With Donor Restrictions</b>			
	<b>Board Designated</b>	<b>Excess</b>	<b>To be</b>	<b>Total</b>
		<b>Endowment Earnings</b>	<b>Maintained Indefinitely</b>	
Endowment net assets, beginning of the year	\$ -	\$ 126,983	\$ 1,432,084	\$ 1,559,067
Interest and dividends	-	32,881	-	32,881
Net appreciation of investments	-	64,495	-	64,495
Spending policy distribution	<u>-</u>	<u>(80,388)</u>	<u>-</u>	<u>(80,388)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 143,971</u>	<u>\$ 1,432,084</u>	<u>\$ 1,576,055</u>

### (9) RETIREMENT PLAN

The Museum contributes to a retirement plan for eligible employees under a contract with Massachusetts Mutual Life Insurance Company. The Museum makes a contribution on behalf of each eligible employee equal to 3.5% of the employee's compensation, provided the employee's elective deferral equals or exceeds 1% of the employee's compensation. Retirement plan expense was \$57,782 and \$59,600 in 2019 and 2018, respectively.

### (10) COMMITMENTS

In 2005, the Museum entered into an 80-year lease agreement (including option period) with the City of Philadelphia for the use of Memorial Hall, a national historic landmark in Fairmount Park. The lease requires annual nominal rent for the lease term provided that the Museum uses Memorial Hall for the purposes described in Note 1.

Another requirement under this lease is that the Museum make required contributions into the Memorial Hall Trust which is included in cash held in escrow on the statements of financial position. The Museum was required to make a contribution of \$1.5 million in 2012 which was completed. The next required contributions are in 2021 for another \$1.5 million and the same amount is required in years 2031, 2041 and 2051. In 2061, the contribution is \$1.75 million and in 2071 and 2081, the contribution is \$2.25 million each.

Under the terms of the lease, all building, improvements and remaining balance of Memorial Hall Trust become the property of the City of Philadelphia at the termination of the lease.

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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The Museum leases equipment under operating leases expiring in April 2023.

The future minimum lease payments under the operating leases are as follows:

**Year ending September 30,**

2020	\$ 44,810
2021	19,527
2022	19,527
2023	<u>11,391</u>
	<u>\$ 95,255</u>

### (11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 28, 2020, the date on which the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2019 that required recognition or disclosure in the financial statements.