

Please Touch Museum

Financial Statements
Years Ended September 30, 2020 and 2019



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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, 2020 and 2019, 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, 2020 and 2019, 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 2LP

**Philadelphia, Pennsylvania
January 25, 2021**

PLEASE TOUCH MUSEUM

STATEMENTS OF FINANCIAL POSITION

September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 984,365	\$ 1,764,033
Investments	1,473,314	1,046,160
Receivables		
Grants and contributions	1,926,108	805,620
Other	15,061	62,126
Other current assets	<u>344,608</u>	<u>305,741</u>
Total current assets	4,743,456	3,983,680
GRANTS AND CONTRIBUTIONS RECEIVABLE AFTER ONE YEAR	1,131,897	1,114,344
PROPERTY, EQUIPMENT AND EXHIBITS, NET	27,112,546	26,879,979
INVESTMENTS, TO BE MAINTAINED INDEFINITELY	1,432,084	1,432,084
COLLECTION	-	-
CASH HELD IN ESCROW	<u>1,219,435</u>	<u>1,205,565</u>
Total assets	<u>\$ 35,639,418</u>	<u>\$ 34,615,652</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 700,000	\$ -
Loans payable	719,135	-
Accounts payable and accrued expenses	613,573	600,139
Deferred revenue	<u>207,387</u>	<u>268,083</u>
Total current liabilities	2,240,095	868,222
LOANS PAYABLE AFTER ONE YEAR	<u>24,679</u>	<u>-</u>
Total liabilities	<u>2,264,774</u>	<u>868,222</u>
NET ASSETS		
Without donor restrictions		
Operating	27,995,626	29,729,073
Board designated	<u>190,475</u>	<u>79,407</u>
	28,186,101	29,808,480
With donor restrictions		
Subject to expenditure for specific purposes or periods	3,756,459	2,506,866
To be maintained in perpetuity	<u>1,432,084</u>	<u>1,432,084</u>
Total net assets	<u>33,374,644</u>	<u>33,747,430</u>
Total liabilities and net assets	<u>\$ 35,639,418</u>	<u>\$ 34,615,652</u>

See accompanying notes

PLEASE TOUCH MUSEUM

STATEMENTS OF ACTIVITIES

Years ended September 30, 2020 and 2019

	2020					2019				
	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
REVENUES AND SUPPORT										
Museum revenue										
Admissions	\$ 1,532,591	\$ -	\$ -	\$ -	\$ 1,532,591	\$ 3,700,422	\$ -	\$ -	\$ -	\$ 3,700,422
Memberships	743,713	-	-	-	743,713	1,395,703	-	-	-	1,395,703
Fees for special events	413,456	-	-	-	413,456	918,021	-	-	-	918,021
Museum store receipts	26,019	-	-	-	26,019	74,359	-	-	-	74,359
Interest and dividends	49,739	-	29,376	-	79,115	66,420	-	41,717	-	108,137
Net appreciation of investments, net of fees	42,639	-	54,806	-	97,445	7,983	-	11,546	-	19,529
Donated goods and services	23,190	-	-	-	23,190	34,535	-	-	-	34,535
Grants and contributions	478,024	-	3,028,618	-	3,506,642	317,652	-	1,745,564	-	2,063,216
Other revenue	-	-	-	-	-	34,519	-	-	-	34,519
Net assets released from restrictions										
Spending policy distribution	-	111,068	(111,068)	-	-	-	79,407	(79,407)	-	-
Satisfaction of purpose restrictions	1,752,139	-	(1,752,139)	-	-	957,882	-	(957,882)	-	-
Total revenues and support	5,061,510	111,068	1,249,593	-	6,422,171	7,507,496	79,407	761,538	-	8,348,441
EXPENSES										
Program services	5,340,288	-	-	-	5,340,288	7,354,100	-	-	-	7,354,100
Supporting services										
Management and general	1,030,603	-	-	-	1,030,603	1,190,128	-	-	-	1,190,128
Fundraising	424,066	-	-	-	424,066	538,284	-	-	-	538,284
Total expenses	6,794,957	-	-	-	6,794,957	9,082,512	-	-	-	9,082,512
CHANGE IN NET ASSETS	(1,733,447)	111,068	1,249,593	-	(372,786)	(1,575,016)	79,407	761,538	-	(734,071)
NET ASSETS										
Beginning of year	29,729,073	79,407	2,506,866	1,432,084	33,747,430	31,304,089	-	1,745,328	1,432,084	34,481,501
End of year	\$ 27,995,626	\$ 190,475	\$ 3,756,459	\$ 1,432,084	\$ 33,374,644	\$ 29,729,073	\$ 79,407	\$ 2,506,866	\$ 1,432,084	\$ 33,747,430

See accompanying notes

PLEASE TOUCH MUSEUM

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended September 30, 2020 and 2019

	2020				2019			
	<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	\$ 1,715,366	\$ 538,704	\$ 259,627	\$ 2,513,697	\$ 2,656,732	\$ 617,350	\$ 313,703	\$ 3,587,785
Payroll taxes and employee benefits	355,724	112,135	55,385	523,244	509,877	119,565	65,420	694,862
Education, programming and exhibits	344,542	5,545	5,684	355,771	591,268	7,169	5,301	603,738
Professional fees and affiliations	127,233	71,169	38,886	237,288	219,317	92,910	63,090	375,317
Donated goods and services	-	-	23,190	23,190	-	-	34,535	34,535
Insurance	239,342	23,491	-	262,833	225,750	33,147	982	259,879
Depreciation	1,262,652	116,533	12,036	1,391,221	1,141,680	115,090	11,743	1,268,513
Maintenance	581,761	41,259	2,375	625,395	940,863	66,723	3,842	1,011,428
Office administration	170,000	77,630	12,876	260,506	229,064	72,494	5,880	307,438
Marketing and advertising	167,765	587	3,020	171,372	378,353	20,907	27,206	426,466
Travel and entertainment	8,118	10,595	987	19,700	13,698	12,034	1,410	27,142
Printing	41,211	9,795	8,667	59,673	59,361	5,214	3,587	68,162
Utilities and telephone	326,574	23,160	1,333	351,067	388,137	27,525	1,585	417,247
	<u>\$ 5,340,288</u>	<u>\$ 1,030,603</u>	<u>\$ 424,066</u>	<u>\$ 6,794,957</u>	<u>\$ 7,354,100</u>	<u>\$ 1,190,128</u>	<u>\$ 538,284</u>	<u>\$ 9,082,512</u>

PLEASE TOUCH MUSEUM

STATEMENTS OF CASH FLOWS

September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (372,786)	\$ (734,071)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	1,391,221	1,268,513
Net appreciation of investments	(97,445)	(19,529)
(Increase) decrease in		
Grants and contributions receivable	(1,138,041)	(967,096)
Other receivables	47,065	231,833
Other current assets	(38,867)	(107,049)
Increase (decrease) in		
Accounts payable and accrued expenses	13,434	95,716
Deferred revenue	(60,696)	(8,184)
Net cash used for operating activities	<u>(256,115)</u>	<u>(239,867)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(551,529)	(154,632)
Proceeds from sales of investments	221,820	57,834
Additions to property, equipment and exhibits	<u>(1,623,788)</u>	<u>(478,914)</u>
Net cash used for investing activities	<u>(1,953,497)</u>	<u>(575,712)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from line of credit	700,000	-
Proceeds from notes payable	<u>743,814</u>	<u>-</u>
Net cash provided by investing activities	<u>1,443,814</u>	<u>-</u>
Net change in cash and cash equivalents	(765,798)	(815,579)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,969,598</u>	<u>3,785,177</u>
End of year	<u>\$ 2,203,800</u>	<u>\$ 2,969,598</u>

CASH AND RESTRICTED CASH

The following table provides a reconciliation of cash and restricted deposits reported within the statements of financial position to the total of such amounts shown in these statements of cash flows:

Cash	\$ 984,365	\$ 1,764,033
Escrowed cash	<u>1,219,435</u>	<u>1,205,565</u>
	<u>\$ 2,203,800</u>	<u>\$ 2,969,598</u>

See accompanying notes

PLEASE TOUCH MUSEUM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

(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, 2020 and 2019

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, 2020 and 2019

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 \$1,219,435 and \$1,205,565 as of September 30, 2020 and 2019, respectively.

Revenue Recognition

The Museum recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

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.

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.

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, 2020 and 2019.

Advertising

The Museum expenses advertising costs as incurred. For the years ended September 30, 2020 and 2019, marketing and advertising expenses were \$171,372 and \$426,466, respectively.

PLEASE TOUCH MUSEUM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

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, 2020, 79% of grants and contributions receivable was due from four donors. At September 30, 2019, 88% of grants and contributions receivable was due from four donors.

Accounting Pronouncements Adopted

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Museum adopted ASU 2014-09 on October 1, 2019 using the modified retrospective method approach.

The Museum performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The impact of adopting ASU 2014-09 was not material to total revenues and support without donor restrictions, change in net assets, or total net assets. The Museum's revenue recognition policies are detailed within Note 2.

PLEASE TOUCH MUSEUM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. The Museum adopted ASU 2018-08 on October 1, 2019.

(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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 984,365	1,764,033
Receivables	3,073,066	1,982,090
Investments	<u>2,905,398</u>	<u>2,478,244</u>
Total financial assets	6,962,829	6,224,367
Less: financial assets not available for general operations within one year		
Subject to expenditure for specific purposes or periods	(3,756,459)	(2,506,866)
To be maintained in perpetuity	(1,432,084)	(1,432,084)
Board designated net assets	<u>(190,475)</u>	<u>(79,407)</u>
Total financial assets available within one year	<u>\$ 1,583,811</u>	<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, as of September 30, were comprised as follows:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 290,892	\$ -
Mutual funds		
Fixed-income	133,031	123,758
Equity	484,906	402,209
Exchange-traded funds		
Fixed-income	699,728	690,053
Equity	<u>1,296,841</u>	<u>1,262,224</u>
	<u>\$ 2,905,398</u>	<u>\$ 2,478,244</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.

PLEASE TOUCH MUSEUM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

(5) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable were comprised as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 1,926,108	\$ 805,620
Due in one to five years	<u>1,138,545</u>	<u>1,132,270</u>
	3,064,653	1,937,890
Less discount to present value	<u>(6,648)</u>	<u>(17,926)</u>
	<u>\$ 3,058,005</u>	<u>\$ 1,919,964</u>

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, 2020 and 2019. 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:

	<u>2020</u>	<u>2019</u>
Real estate interest and improvements	\$ 40,999,788	\$ 40,974,663
Equipment and fixtures	2,702,406	2,502,806
Exhibits	<u>13,752,397</u>	<u>12,353,334</u>
	57,454,591	55,830,803
Less accumulated depreciation	<u>(30,342,045)</u>	<u>(28,950,824)</u>
	<u>\$ 27,112,546</u>	<u>\$ 26,879,979</u>

(7) LINE OF CREDIT

In April 2020, the Museum opened a \$700,000 line of credit which bears interest at the London Interbank Offered Rate plus 135 basis points and expires in February 2021. The interest rate on the line of credit is 1.49% at September 30, 2020. Advances under this credit line are secured by the Museum's investments. The line of credit has advances outstanding of \$700,000 at September 30, 2020.

(8) LOANS PAYABLE

On April 13, 2020, The Museum received loan proceeds in the amount of \$718,814 under the Paycheck Protection Program ("**PPP**"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("**Cares Act**"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period.

PLEASE TOUCH MUSEUM

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

To the extent that the Museum is not granted forgiveness, the Museum will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date. The terms of the loan provide for customary events of default including payment defaults, breach of representation of warranties and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event. Management believes it has complied with the forgiveness requirements and expects the loan to be approved for forgiveness.

In July 2020, the Museum received an unsecured loan in the amount of \$25,000 from the Small Business Administration (SBA) Economic Injury Disaster Loan program. The loan is due in June 2050 and bears interest at a rate of 2.75% per annum. Monthly principal and interest payments are deferred for twelve months. The note had an outstanding balance of \$25,000 at September 30, 2020.

Annual principal payments required by the terms of the SBA loan for the next five fiscal years and thereafter are as follows:

Year ending September 30,

2021	\$ 321
2022	1,284
2023	1,284
2024	1,284
2025	1,284
Thereafter	<u>19,543</u>
	<u>\$ 25,000</u>

(9) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>September 30,</u> <u>2019</u>	<u>Additions</u>	<u>Releases</u>	<u>September 30,</u> <u>2020</u>
Subject to expenditure for specific purposes or periods				
Digital learning exhibit	\$ 595,160	\$ 421,000	\$ (1,016,160)	\$ -
Floor restoration	1,048,625	-	-	1,048,625
Exhibit Sponsorship/Other	613,464	2,173,168	(615,443)	2,171,189
Available for future periods	<u>131,790</u>	<u>434,450</u>	<u>(120,536)</u>	<u>445,704</u>
	<u>2,389,039</u>	<u>3,028,618</u>	<u>(1,752,139)</u>	<u>3,665,518</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	117,827	84,182	(111,068)	90,941
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>1,549,911</u>	<u>84,182</u>	<u>(111,068)</u>	<u>1,523,025</u>
Total net assets with donor restrictions	<u>\$ 3,938,950</u>	<u>\$ 3,112,800</u>	<u>\$ (1,863,207)</u>	<u>\$ 5,188,543</u>

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NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

	<u>September 30,</u> <u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>September 30,</u> <u>2019</u>
Net assets restricted for specific purposes or periods				
Digital learning exhibit	\$ 453,975	\$ 279,000	\$ (137,815)	\$ 595,160
Floor restoration	48,625	1,000,000	-	1,048,625
Exhibit Sponsorship/Other	758,757	387,064	(532,357)	613,464
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>

(10) 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 can appropriate 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 allows the Museum to distribute an amount equal to 7% of an average of the trailing twelve quarters of the fair value of the endowment fund.

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NOTES TO FINANCIAL STATEMENTS

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For the years ended September 30, 2020 and 2019, the Museum's endowment and Board designated net assets had the following activity:

	<u>Year ended September 30, 2020</u>			
	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Board Designated</u>	<u>Excess Endowment Earnings</u>	<u>To be Maintained Indefinitely</u>	
Endowment net assets, beginning of the year	\$ 79,407	\$ 117,827	\$ 1,432,084	\$ 1,629,318
Interest and dividends	-	29,376	-	29,376
Net appreciation of investments	-	54,806	-	54,806
Spending policy distribution	<u>111,068</u>	<u>(111,068)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$190,475</u>	<u>\$ 90,941</u>	<u>\$ 1,432,084</u>	<u>\$ 1,713,500</u>

	<u>Year ended September 30, 2019</u>			
	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Board Designated</u>	<u>Excess Endowment Earnings</u>	<u>To be Maintained Indefinitely</u>	
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>

(11) 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 \$50,150 and \$57,782 in 2020 and 2019, respectively.

(12) 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

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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,

2021	\$ 27,955
2022	19,527
2023	<u>11,391</u>
	<u>\$ 58,873</u>

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 25, 2021, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on the Museum's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No other material subsequent events have occurred since September 30, 2020 that require recognition or disclosure in the financial statements: