



**Johnson & Block**  
AND COMPANY, INC.

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Certified Public Accountants

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2016 AND 2015**

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**CHILDREN'S MUSEUM OF LA CROSSE, INC.**

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**DECEMBER 31, 2016 AND 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Children's Museum of La Crosse, Inc.

We have audited the accompanying financial statements of the Children's Museum of La Crosse, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Children's Museum of La Crosse, Inc., as of December 31, 2016 and 2015 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.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
La Crosse, Wisconsin  
October 25, 2017

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

<u>ASSETS</u>	DECEMBER 31,	
	2016	2015
Cash and cash equivalents	\$ 72,380	\$ 72,822
Investments	648,444	670,762
Accounts receivable	398	441
Inventories	9,837	6,630
Prepaid expenses and deposits	70,764	33,099
Property and equipment – net	1,457,889	1,531,976
Assets whose use are limited:		
Certificate of deposit - UC Reserve	5,394	5,379
Investments - quasi-endowment	88,333	88,790
Cash restricted to capital campaign projects	82,014	-
Promises to give	278,729	650
Perpetual trust	723,686	727,280
<b>TOTAL ASSETS</b>	<b><u>\$ 3,437,868</u></b>	<b><u>\$ 3,137,829</u></b>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 7,674	\$ 7,843
Payroll taxes	919	907
Sales tax payable	399	397
Accrued compensation	22,880	19,709
Deferred revenue	4,058	5,572
<b>TOTAL LIABILITIES</b>	<b><u>35,930</u></b>	<b><u>34,428</u></b>
NET ASSETS		
Unrestricted		
Undesignated	2,229,176	2,286,681
Designated	88,333	88,790
Temporarily restricted	360,743	650
Permanently restricted	723,686	727,280
<b>TOTAL NET ASSETS</b>	<b><u>3,401,938</u></b>	<b><u>3,103,401</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,437,868</u></b>	<b><u>\$ 3,137,829</u></b>

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

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	YEAR ENDED DECEMBER 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Public support				
Contributions and grants	\$ 83,962	\$ 404,829	\$ -	\$ 488,791
Fundraising and special events	27,007	-	-	27,007
Operating revenue				
Admissions	167,790	-	-	167,790
Memberships	123,678	-	-	123,678
Programs, parties and field trips	74,042	-	-	74,042
Gift Shop	32,485	-	-	32,485
Investment income	83,215	-	-	83,215
Change in value of perpetual trust	-	-	(3,594)	(3,594)
Other income	40	-	-	40
Release of restrictions	44,736	(44,736)	-	-
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>	<u>636,955</u>	<u>360,093</u>	<u>(3,594)</u>	<u>993,454</u>
<b>EXPENSES</b>				
Program				
Gift shop cost of sales	16,688	-	-	16,688
Operations	527,080	-	-	527,080
Management and general	7,293	-	-	7,293
Public support	143,856	-	-	143,856
<b>TOTAL EXPENSES</b>	<u>694,917</u>	<u>-</u>	<u>-</u>	<u>694,917</u>
Change in net assets	(57,962)	360,093	(3,594)	298,537
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,375,471</u>	<u>650</u>	<u>727,280</u>	<u>3,103,401</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 2,317,509</b></u>	<u><b>\$ 360,743</b></u>	<u><b>\$ 723,686</b></u>	<u><b>\$ 3,401,938</b></u>

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

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

YEAR ENDED DECEMBER 31, 2015

REVENUE, GAINS AND OTHER SUPPORT	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support				
Contributions and grants	\$ 125,602	\$ 1,150	\$ -	\$ 126,752
Fundraising and special events	18,606	-	-	18,606
Operating revenue				
Admissions	161,248	-	-	161,248
Memberships	112,341	-	-	112,341
Programs, parties and field trips	82,892	-	-	82,892
Gift Shop	34,051	-	-	34,051
Investment income	10,814	-	-	10,814
Change in value of perpetual trust	-	-	(65,245)	(65,245)
Other income	40	-	-	40
Release of restrictions	2,500	(2,500)	-	-
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>	<u>548,094</u>	<u>(1,350)</u>	<u>(65,245)</u>	<u>481,499</u>
<b>EXPENSES</b>				
Program				
Gift shop cost of sales	18,898	-	-	18,898
Operations	517,503	-	-	517,503
Management and general	6,513	-	-	6,513
Public support	101,027	-	-	101,027
<b>TOTAL EXPENSES</b>	<u>643,941</u>	<u>-</u>	<u>-</u>	<u>643,941</u>
Change in net assets	(95,847)	(1,350)	(65,245)	(162,442)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,471,318</u>	<u>2,000</u>	<u>792,525</u>	<u>3,265,843</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 2,375,471</u></u>	<u><u>\$ 650</u></u>	<u><u>\$ 727,280</u></u>	<u><u>\$ 3,103,401</u></u>

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Public Support	Total
Employee Compensation				
Salaries and wages	\$ 123,210	\$ 101,088	\$ 70,207	\$ 294,505
Employee benefits	10,213	16,315	5,326	31,854
Total Employee Compensation	<u>133,423</u>	<u>117,403</u>	<u>75,533</u>	<u>326,359</u>
Other Expenses				
Gift shop cost of sales	16,688	-	-	16,688
Program expenses	18,373	-	-	18,373
Repairs and maintenance	30,420	390	130	30,940
Exhibit rental and expense	46,752	-	-	46,752
Advertising and promotion	-	11,966	-	11,966
Utilities	24,745	317	106	25,168
Seminars and training	-	6,277	-	6,277
Office expense	-	3,441	-	3,441
Dues and subscriptions	-	3,690	-	3,690
Insurance	14,204	182	61	14,447
Telephone	4,512	58	19	4,589
Permits and licenses	-	184	-	184
Postage and shipping	-	2,615	-	2,615
Printing and copies	-	6,232	-	6,232
Capital campaign	-	-	40,296	40,296
Depreciation	96,829	1,241	414	98,484
Professional fees	-	26,653	-	26,653
Bank and credit card fees	-	8,819	-	8,819
Other	-	2,834	110	2,944
Total Other Expenses	252,523	74,899	41,136	368,558
Allocation of Indirect Costs	<u>157,822</u>	<u>(185,009)</u>	<u>27,187</u>	<u>-</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 543,768</u></b>	<b><u>\$ 7,293</u></b>	<b><u>\$ 143,856</u></b>	<b><u>\$ 694,917</u></b>

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

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	YEAR ENDED DECEMBER 31, 2015			
	Program Services	Management and General	Public Support	Total
Employee Compensation				
Salaries and wages	\$ 109,885	\$ 103,154	\$ 67,635	\$ 280,674
Employee benefits	9,147	15,577	5,332	30,056
Total Employee Compensation	119,032	118,731	72,967	310,730
Other Expenses				
Gift shop cost of sales	18,898	-	-	18,898
Program expenses	23,449	-	-	23,449
Repairs and maintenance	18,377	236	78	18,691
Exhibit rental and expense	56,649	-	-	56,649
Advertising and promotion	-	10,537	-	10,537
Utilities	27,128	348	115	27,591
Seminars and training	-	4,546	-	4,546
Office expense	-	4,269	-	4,269
Dues and subscriptions	-	3,233	-	3,233
Insurance	15,283	196	65	15,544
Telephone	4,019	52	17	4,088
Permits and licenses	-	602	-	602
Postage and shipping	-	2,350	-	2,350
Printing and copies	-	5,936	-	5,936
Capital campaign	-	-	-	-
Depreciation	97,691	1,252	417	99,360
Professional fees	-	23,828	-	23,828
Bank and credit card fees	-	10,218	-	10,218
Other	-	2,924	498	3,422
Total Other Expenses	261,494	70,527	1,190	333,211
Allocation of Indirect Costs	155,875	(182,745)	26,870	-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 536,401</b>	<b>\$ 6,513</b>	<b>\$ 101,027</b>	<b>\$ 643,941</b>



**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>YEAR ENDED DECEMBER 31</u>	
	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 298,537	\$ (162,442)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	98,484	99,360
Net unrealized (gains) losses on investments	(19,970)	55,903
Change in value of perpetual trust	3,594	65,245
Contributions restricted to long-term purpose	(404,829)	-
Changes in operating assets and liabilities		
Accounts receivable	43	897
Promises to give	300	1,350
Inventories	(3,207)	2,648
Prepaid expenses and deposits	(37,665)	14,797
Accounts payable	(169)	(2,390)
Other accrued liabilities	3,185	2,267
Deferred revenue	(1,514)	489
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>(63,211)</u>	<u>78,124</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(24,397)	(51,049)
Net change in investments including investment income re-invested	42,730	(8,616)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>18,333</u>	<u>(59,665)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital campaign pledge collections	126,450	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>126,450</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	81,572	18,459
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>72,822</u>	<u>54,363</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 154,394</b></u>	<u><b>\$ 72,822</b></u>
<b>RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 72,380	\$ 72,822
Cash and cash equivalents restricted to capital campaign projects	82,014	-
<b>Total cash and cash equivalents</b>	<u><b>\$ 154,394</b></u>	<u><b>\$ 72,822</b></u>

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

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies**

The Children's Museum of La Crosse, Inc. (the "Museum") was incorporated in July 1996 for the purpose of creating a hands-on, interactive environment for children; a family place where children can explore, create, experiment, learn and exercise their imaginations. The Museum opened in February 1999.

A summary of significant accounting policies follows:

**Basis of Accounting** – The Museum utilizes the accrual method of accounting, whereby revenue is recognized when earned, and expenses are recognized when incurred. The Museum's financial statements are prepared in accordance with the provisions of the Financial Accounting Standards Board FASB ASC 958-205 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*). Under FASC ASC 958-205, the Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets:

**Net Assets** – All assets have been recorded and reported as either: unrestricted, temporarily restricted, or permanently restricted net assets.

Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Museum and include those expendable resources which have been designated for special use by the Museum's Board of Directors.

Temporarily restricted net assets represent those amounts, which are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a 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.

Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds, which mandate that the original principal be invested in perpetuity. This original principal is reported as a permanently restricted net asset, the income from which may be either temporarily restricted or unrestricted, depending on the donor's specifications.

**Promises to Give** – Contributions are recognized when the donor makes a promise to give to the Museum, that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

**Cash and Cash Equivalents** – For the purpose of the statement of cash flows, the Museum considers all deposits in financial institutions, with a maturity of three months or less, to be cash equivalents.

**Investments** – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2016 AND 2015

**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)**

**Concentrations of Credit Risk** – The Federal Deposit Insurance Corporation (FDIC) currently insures up to \$250,000 of substantially all depository accounts held at each financial institution. At various times during the year, the Museum's cash deposits may exceed the federally insured limits and at December 31, 2016 and December 31, 2015, its uninsured deposits totaled \$0. The Museum has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**Inventories** – Materials held for sale are stated at the lower of cost (first-in, first-out) or market and consist of gift shop items for resale.

**Contributed Services** – During the years ended December 31, 2016 and 2015, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

**Income Tax Status** – The Museum is recognized by the Internal Revenue Service to be an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

FASB ASC 740-10 (previously Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes) prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Museum believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Museum's federal Exempt Organization Returns for 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

**Property and Equipment** – Property and equipment in excess of \$1,000 are capitalized at cost or at their estimated fair value at date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. It is the Museum's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as support increasing temporarily restricted net assets. The Museum reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of the donated property and equipment's depreciation expense. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
 NOTES TO THE FINANCIAL STATEMENTS - continued  
 DECEMBER 31, 2016 AND 2015

**NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)**

**Fair Value Measurements** – The Museum has determined the fair value of certain assets in accordance with the provisions of FASB ASC 820-10 (formerly FASB Statement No. 157, *Fair Value Measurements*), which provides a framework for measuring fair value.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

**Advertising** – The Museum expenses advertising costs as incurred.

**Expense Allocation** – The costs of providing the Museum’s various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events** – The Museum has evaluated subsequent events through October 25, 2017, the date which the financial statements were available to be issued.

**NOTE 2 – Investments**

Investments consist of the following at December 31:

	2016		2015	
	FAIR VALUE	COST	FAIR VALUE	COST
Trust Point	<b>\$ 736,777</b>	<b>\$ 654,425</b>	<b>\$ 759,552</b>	<b>\$ 697,172</b>

At December 31, aggregate carrying amounts by major types are as follows:

	2016	2015
Cash Equivalents	\$ 13,869	\$ 8,184
Bond Funds	280,916	199,863
Stock Funds	441,992	551,505
<b>TOTAL</b>	<b>\$ 736,777</b>	<b>\$ 759,552</b>

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2016 AND 2015

**NOTE 2 – Investments (continued)**

Reconciliation to the Statement of Financial Position:

	<u>2016</u>	<u>2015</u>
Investments	\$ 648,444	\$ 670,762
Investments - quasi-endowment	<u>88,333</u>	<u>88,790</u>
<b>TOTAL</b>	<b><u>\$ 736,777</u></b>	<b><u>\$ 759,552</u></b>

For the year ended December 31, the investment return consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest, dividends and distributions	\$ 76,013	\$ 68,343
Net realized gains (losses)	(6,003)	5,602
Net unrealized gains (losses)	19,970	(55,903)
Investment fees	<u>(6,765)</u>	<u>(7,228)</u>
<b>TOTAL</b>	<b><u>\$ 83,215</u></b>	<b><u>\$ 10,814</u></b>

**NOTE 3 – Pledges Receivable**

Unconditional promises to give at December 31, 2016, are as follows:

	<u>Pledges Receivable</u>
Receivable in less than one year	\$ 89,195
Receivable in one to five years	<u>197,115</u>
	286,310
Less discount to net present value at 4%	(7,581)
Less allowance for uncollectibles	<u>-</u>
<b>Net unconditional promises to give</b>	<b><u>\$ 278,729</u></b>

Unconditional promises to give at December 31, 2015, are as follows:

	<u>Pledges Receivable</u>
Receivable in less than one year	\$ 300
Receivable in one to five years	<u>350</u>
	650
Less discount to net present value at 4%	-
Less allowance for uncollectibles	<u>-</u>
<b>Net unconditional promises to give</b>	<b><u>\$ 650</u></b>

The Museum considers all promises to give to be collectible.

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2016 AND 2015

**NOTE 4 – Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 77,000	\$ 77,000
Building and improvements	2,264,087	2,264,087
Fixtures and equipment	121,840	112,662
Exhibits	569,124	566,895
Assets not placed into service	<u>12,990</u>	<u>-</u>
	3,045,041	3,020,644
Accumulated depreciation	<u>(1,587,152)</u>	<u>(1,488,668)</u>
<b>TOTAL</b>	<b><u>\$ 1,457,889</u></b>	<b><u>\$ 1,531,976</u></b>

**NOTE 5 – Pension Plan**

The Museum implemented a savings incentive match plan for employees (SIMPLE) in January 2010. The Museum matches eligible employee contributions up to 3% of the compensation deferred by the employee. The match expense was \$7,294 and \$6,512 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 6 – Capital Campaign**

In 2016, the Museum began the quiet phase of a \$2 million capital campaign and began soliciting contributions. Pledges and contributions are to be used to renovate and remodel the Museum facility and provide additions to the Museum's endowment fund for continued access for economically disadvantaged families. Enhancements to the Museum include refurbishing and re-imaging museum exhibits and updating the building interior and exterior. As of December 31, 2016, the Museum has not committed any funds towards construction contracts for campaign projects.

**NOTE 7 – Net Assets**

Designated unrestricted net assets consist of funds invested for long-term growth as more fully described in Note 9.

Temporarily restricted net assets consist of promises to give and are restricted due to time as more fully described in Note 8.

Permanently restricted net assets consist of beneficial interests in perpetual trusts as more fully described in Note 9.

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2016 AND 2015

**NOTE 8 – Restrictions on Net Assets**

Temporarily restricted net assets are restricted for a specific purpose as specified by the donor. The funds are not released to the unrestricted operations until this purpose or time restriction is met. Restrictions on net assets at December 31, 2016 and 2015 consisted of the following:

Temporarily restricted net assets consist of the following at December 31:

	2016	2015
Unconditional promises to give	\$ 350	\$ 650
Capital campaign pledges	278,379	-
Capital campaign collections	82,014	-
<b>TOTAL</b>	<b>\$ 360,743</b>	<b>\$ 650</b>

**NOTE 9 – Endowment Funds and Perpetual Trusts**

FASB ASC 958-205 (formerly FASB Staff Position No. FAS 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds”) provides 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 of 2006 (“UPMIFA”), which was enacted by the State of Wisconsin in July of 2009. FASB ASC 958-205 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.

As described below, the Museum’s endowments and perpetual trusts include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Museum has interpreted the State of Wisconsin enacted version of the Uniform Prudent Management of Institutional Funds Act (“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 endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments 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 funds 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.

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2016 AND 2015

**NOTE 9 – Endowment Funds and Perpetual Trusts (continued)**

In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Museum, and (7) the Museum's investment policies.

Following is a description of the Museum's endowment funds and perpetual trusts for purposes of the requirements of FASB ASC 958-205:

**Board-Designated Endowment**

In 2004, the Museum established a fund that is to function as an endowment. The purpose of the fund is to receive and hold property, transferred to the Museum, in perpetuity. The net income of the fund is to be distributed, from time to time, for the benefit of the Museum. Principal payments may be made, at the discretion of the Board of Directors, for necessary or appropriate purposes. These designated assets are held and maintained under an agency agreement with Trust Point and subject to the Museum's investment policy.

**Perpetual Trusts**

Permanently restricted net assets consist of funds held in a perpetual trust and administered by the La Crosse Community Foundation (the "Foundation"). Investment decisions of funds held in perpetual trust are determined by the Foundation rather than the Museum.

The Museum is one of the beneficiaries of the Evelyn Bach Combined Foundation Trust. This perpetual trust, administered by a third-party trustee, provides the irrevocable right to receive unrestricted income distributions in perpetuity.

Endowment and perpetual trust net asset composition by type of fund as of December 31, 2016 is as follows:

	<b><u>Permanently Restricted Net Assets</u></b>	<b><u>Temporarily Restricted Net Assets</u></b>	<b><u>Unrestricted Net Assets</u></b>	<b><u>Total</u></b>
Board-designated endowment funds	\$ -	\$ -	\$ 88,333	\$ 88,333
Perpetual trusts	<u>723,686</u>	<u>-</u>	<u>-</u>	<u>723,686</u>
<b>TOTAL</b>	<b><u>\$ 723,686</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 88,333</u></b>	<b><u>\$ 812,019</u></b>



**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2016 AND 2015

**NOTE 9 – Endowment Funds and Perpetual Trusts (continued)**

Endowment and perpetual trust net asset composition by type of fund as of December 31, 2015 is as follows:

	<b>Permanently Restricted <u>Net Assets</u></b>	<b>Temporarily Restricted <u>Net Assets</u></b>	<b>Unrestricted <u>Net Assets</u></b>	<b><u>Total</u></b>
Board-designated endowment funds	\$ -	\$ -	\$ 88,790	\$ 88,790
Perpetual trusts	<u>727,280</u>	<u>-</u>	<u>-</u>	<u>727,280</u>
<b>TOTAL</b>	<b><u>\$ 727,280</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 88,790</u></b>	<b><u>\$ 816,070</u></b>

Changes in endowment and perpetual trust net assets for the year ended December 31, 2016 are as follows:

	<b>Permanently Restricted <u>Net Assets</u></b>	<b>Temporarily Restricted <u>Net Assets</u></b>	<b>Unrestricted <u>Net Assets</u></b>	<b><u>Total</u></b>
Balance at beginning of year	\$ 727,280	\$ -	\$ 88,790	\$ 816,070
Donations	-	-	-	-
Investment income	-	-	1,702	1,702
Net appreciation	(3,594)	-	2,624	(970)
Distributions	<u>-</u>	<u>-</u>	<u>(4,783)</u>	<u>(4,783)</u>
<b>BALANCE AT END OF YEAR</b>	<b><u>\$ 723,686</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 88,333</u></b>	<b><u>\$ 812,019</u></b>

Changes in endowment and perpetual trust net assets for the year ended December 31, 2015 are as follows:

	<b>Permanently Restricted <u>Net Assets</u></b>	<b>Temporarily Restricted <u>Net Assets</u></b>	<b>Unrestricted <u>Net Assets</u></b>	<b><u>Total</u></b>
Balance at beginning of year	\$ 792,525	\$ -	\$ 95,863	\$ 888,388
Donations	-	-	-	-
Investment income	-	-	4,474	4,474
Net appreciation	(65,245)	-	(7,234)	(72,479)
Distributions	<u>-</u>	<u>-</u>	<u>(4,313)</u>	<u>(4,313)</u>
<b>BALANCE AT END OF YEAR</b>	<b><u>\$ 727,280</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 88,790</u></b>	<b><u>\$ 816,070</u></b>

**CHILDREN'S MUSEUM OF LA CROSSE, INC.**  
NOTES TO THE FINANCIAL STATEMENTS - continued  
DECEMBER 31, 2016 AND 2015

**NOTE 10 – Fair Values Measured on Recurring Basis**

Fair values of assets measured on a recurring basis at December 31 are as follows:

	2016		2015	
	<u>Fair Value</u>	<u>Quoted Market Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Fair Value</u>	<u>Quoted Market Prices in Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 736,777	\$ 736,777	\$ 759,552	\$ 759,552
Perpetual trust	723,686	723,686	727,280	727,280
<b>TOTAL</b>	<b><u>\$ 1,460,463</u></b>	<b><u>\$ 1,460,463</u></b>	<b><u>\$ 1,486,832</u></b>	<b><u>\$ 1,486,832</u></b>

**NOTE 11 - Effect of New Accounting Standards on Current Period Financial Statements**

The Financial Accounting Standards Board (FASB) has approved the following:

- Accounting Standards Update (ASU) No. 2016-02, (Topic 842): Leases. For most entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019.
- ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

When they become effective, application of these standards may restate portions of these financial statements.

**NOTE 12 – Subsequent Events**

Subsequent to year end but prior to the issuance of this report, the Museum officially launched its \$2 million capital campaign and received several significant donations to meet its campaign goal. As part of the capital campaign projects, the Museum entered into a contract with LUCKEY, LLC to provide services for the design, construction, and installation of a “Climber” exhibit for \$300,000.