

The Children's Museum of Denver, Inc.

Financial Statements

June 30, 2010 and 2009

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

**Board of Directors
The Children's Museum of Denver, Inc.:**

We have audited the accompanying statements of financial position of The Children's Museum of Denver, Inc. (the Museum) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Museum's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Denver, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Kundinger, Corder & Engle, P.C.

September 28, 2010

The Children's Museum of Denver, Inc.
Statements of Financial Position
June 30, 2010 and 2009

	2010	2009
Assets:		
Cash and cash equivalents	\$ 489,367	524,806
Grants and accounts receivable	4,653	35,736
Contributions receivable (note 2)	25,684	23,875
Prepaid expenses and deposits	29,704	21,566
Merchandise held for resale	18,586	18,735
Investments (note 3)	1,248,933	1,227,696
Property and equipment, net (note 5)	2,880,037	2,687,427
	\$ 4,696,964	4,539,841
Liabilities and Net Assets:		
Accounts payable and accrued expenses	\$ 104,000	88,175
Accrued compensation	199,369	188,628
Deferred revenue	214,287	201,757
	517,656	478,560
Net assets (note 7):		
Unrestricted:		
Board designated	218,579	218,197
Investment in property and equipment	2,880,037	2,687,427
Undesignated	854,104	1,023,706
Total unrestricted net assets	3,952,720	3,929,330
Temporarily restricted	226,588	131,951
Total net assets	4,179,308	4,061,281
Commitments (notes 6, 9 and 10)		
Total liabilities and net assets	\$ 4,696,964	4,539,841

See accompanying notes to financial statements.

The Children's Museum of Denver, Inc.

**Statement of Activities
Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Museum admission fees	\$ 896,014	-	896,014
Educational program fees	140,746	-	140,746
Memberships	384,536	-	384,536
Gift shop and concession operations:			
Gross sales	384,375	-	384,375
Less cost of sales	(208,076)	-	(208,076)
Gifts and grants:			
Corporate	26,837	213,486	240,323
Individuals	61,249	20,545	81,794
Foundations	148,842	233,533	382,375
Government	78,134	6,500	84,634
Scientific and Cultural Facilities District support (note 8)	541,371	-	541,371
In-kind contributions	309,301	-	309,301
Special event income	260,228	7,900	268,128
Less direct expenses	(85,467)	-	(85,467)
Interest and other income (note 3)	30,038	-	30,038
Net assets released from restrictions	387,327	(387,327)	-
Total support and revenues	3,355,455	94,637	3,450,092
Expenditures:			
Program activities:			
Guest experience	1,364,669	-	1,364,669
Exhibits	389,258	-	389,258
Museum facilities	596,128	-	596,128
Total program activities	2,350,055	-	2,350,055
Supporting activities:			
General and administrative	409,417	-	409,417
Marketing	148,727	-	148,727
Fundraising and development	423,866	-	423,866
Total supporting activities	982,010	-	982,010
Total expenditures	3,332,065	-	3,332,065
Change in net assets	23,390	94,637	118,027
Net assets at beginning of year	3,929,330	131,951	4,061,281
Net assets at end of year	\$ 3,952,720	226,588	4,179,308

See accompanying notes to financial statements.

The Children's Museum of Denver, Inc.

Statement of Activities

Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Museum admission fees	\$ 871,153	-	871,153
Educational program fees	108,893	-	108,893
Memberships	386,305	-	386,305
Gift shop and concession operations:			
Gross sales	374,700	-	374,700
Less cost of sales	(205,366)	-	(205,366)
Gifts and grants:			
Corporate	11,507	125,500	137,007
Individuals	35,601	18,718	54,319
Foundations	137,736	301,498	439,234
Government	54,866	6,500	61,366
Scientific and Cultural Facilities District support (note 8)	636,142	-	636,142
In-kind contributions	505,925	-	505,925
Special event income	302,466	-	302,466
Less direct expenses	(87,946)	-	(87,946)
Interest and other income (note 3)	38,829	-	38,829
Net assets released from restrictions	517,501	(517,501)	-
Total support and revenues	3,688,312	(65,285)	3,623,027
Expenditures:			
Program activities:			
Guest experience	1,294,275	-	1,294,275
Exhibits	409,645	-	409,645
Museum facilities	593,088	-	593,088
Total program activities	2,297,008	-	2,297,008
Supporting activities:			
General and administrative	535,807	-	535,807
Marketing	246,876	-	246,876
Fundraising and development	468,043	-	468,043
Total supporting activities	1,250,726	-	1,250,726
Total expenditures	3,547,734	-	3,547,734
Change in net assets	140,578	(65,285)	75,293
Net assets at beginning of year	3,788,752	197,236	3,985,988
Net assets at end of year	\$ 3,929,330	131,951	4,061,281

See accompanying notes to financial statements.

The Children's Museum of Denver
Statement of Functional Expenses
Year Ended June 30, 2010

	Guest Experience	Exhibits	Museum Facilities	Total Program Activities	General and Administrative	Marketing	Fundraising and Development	Supporting Activities	Total
Salaries and related benefits	\$ 952,747	287,425	105,227	1,345,399	243,867	26,638	311,853	582,358	1,927,757
Outside services	65,652	5,480	2,172	73,304	39,228	7,947	25,358	72,533	145,837
Building occupancy	21,876	2,622	232,786	257,284	18,528	1,138	2,124	21,790	279,074
Advertising	-	-	-	-	-	58,958	-	58,958	58,958
Program and exhibit costs	121,095	76,931	-	198,026	-	-	-	-	198,026
Printing, postage, and copying	47,297	437	-	47,734	4,375	5,440	19,691	29,506	77,240
Office and other expenses	46,630	6,480	7,558	60,668	77,198	4,901	35,953	118,052	178,720
Cost of sales	208,076	-	-	208,076	-	-	-	-	208,076
In-kind expenses	88,414	585	4,201	93,200	1,582	43,705	28,567	73,854	167,054
Special event costs	-	-	-	-	-	-	85,467	85,467	85,467
Expenses before depreciation	1,551,787	379,960	351,944	2,283,691	384,778	148,727	509,013	1,042,518	3,326,209
Depreciation	20,958	9,298	244,184	274,440	24,639	-	320	24,959	299,399
Expenses after depreciation	1,572,745	389,258	596,128	2,558,131	409,417	148,727	509,333	1,067,477	3,625,608
Less expenses included with revenues on the statement of activities	(208,076)	-	-	(208,076)	-	-	(85,467)	(85,467)	(293,543)
Total expenses on the statement of activities	\$ 1,364,669	389,258	596,128	2,350,055	409,417	148,727	423,866	982,010	3,332,065

See accompanying notes to financial statements.

The Children's Museum of Denver
Statement of Functional Expenses
Year Ended June 30, 2009

	Guest Experience	Exhibits	Museum Facilities	Total Program Activities	General and Administrative	Marketing	Fundraising and Development	Total Supporting Activities	Total
Salaries and related benefits	\$ 910,251	256,124	108,915	1,275,290	305,885	21,142	281,634	608,661	1,883,951
Outside services	73,290	8,676	3,491	85,457	47,159	7,606	66,828	121,593	207,050
Building occupancy	23,783	4,107	229,375	257,265	17,418	1,143	2,078	20,639	277,904
Advertising	-	-	-	-	-	44,135	5,037	49,172	49,172
Program and exhibit costs	63,895	104,181	-	168,076	-	-	-	-	168,076
Printing, postage, and copying	58,065	8,394	-	66,459	1,417	5,617	18,885	25,919	92,378
Office and other expenses	75,649	7,310	7,044	90,003	54,231	6,646	28,097	88,974	178,977
Cost of sales	191,563	13,803	-	205,366	-	-	-	-	205,366
In-kind expenses	69,164	11,186	2,864	83,214	93,759	160,587	65,091	319,437	402,651
Special event costs	-	-	-	-	-	-	87,946	87,946	87,946
Expenses before depreciation	1,465,660	413,781	351,689	2,231,130	519,869	246,876	555,596	1,322,341	3,553,471
Depreciation	20,178	9,667	241,399	271,244	15,938	-	393	16,331	287,575
Expenses after depreciation	1,485,838	423,448	593,088	2,502,374	535,807	246,876	555,989	1,338,672	3,841,046
Less expenses included with revenues on the statement of activities	(191,563)	(13,803)	-	(205,366)	-	-	(87,946)	(87,946)	(293,312)
Total expenses on the statement of activities	\$ 1,294,275	409,645	593,088	2,297,008	535,807	246,876	468,043	1,250,726	3,547,734

See accompanying notes to financial statements.

The Children's Museum of Denver, Inc.

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

Cash flows from operating activities:	2010	2009
Change in net assets	\$ 118,027	75,293
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	299,399	287,575
Donation of fixed assets	(142,247)	(103,000)
(Increase) decrease in operating assets:		
Grants and accounts receivable	31,083	(33,841)
Contributions receivable	(1,809)	(780)
Prepaid expenses and deposits	(8,138)	2,840
Merchandise held for resale	149	(6,566)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	15,825	17,785
Accrued compensation	10,741	22,128
Deferred revenue	12,530	11,808
Net cash provided by operating activities	<u>335,560</u>	<u>273,242</u>
Cash flows from investing activities:		
Purchases of investments	(21,237)	(35,591)
Purchases of property and equipment	(349,762)	(198,848)
Net cash used in investing activities	<u>(370,999)</u>	<u>(234,439)</u>
Increase (decrease) in cash and cash equivalents	(35,439)	38,803
Cash and cash equivalents, beginning of year	<u>524,806</u>	<u>486,003</u>
Cash and cash equivalents, end of year	<u>\$ 489,367</u>	<u>524,806</u>
Supplemental cash flow information:		
Non-cash investing and financing activities:		
In-kind contributions of property and equipment	<u>\$ 142,247</u>	<u>103,000</u>

See accompanying notes to financial statements.

The Children's Museum of Denver, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

(1) Summary of Significant Accounting Policies

(a) General

The Children's Museum of Denver, Inc. (the Museum), is a not-for-profit corporation formed in 1973 for the purpose of creating a community where children and their grownups learn through play.

(b) Basis of Accounting

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

(c) Financial Statement Presentation

The Museum reports 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. There are no permanently restricted net assets at June 30, 2010 or 2009.

(d) Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105 *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification (FASB ASC) as the sole source of authoritative generally accepted accounting principles (GAAP). The adoption of this standard did not impact the financial position or results of operations.

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

(f) Reclassification

Certain prior year amounts have been reclassified to conform to current year's presentation.

The Children's Museum of Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(h) Contributions Receivable

Unconditional contributions receivable are recognized as revenues in the period the promise is received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

The Museum uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

(i) Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Museum considers all unrestricted highly liquid investments with an original maturity of three months or less, and which are not held as part of an investment portfolio, to be cash equivalents.

(j) Concentrations of Credit Risk

Financial instruments that potentially subject the Museum to concentrations of credit risk consist principally of cash and cash equivalents, and investments.

The Museum places its cash and cash equivalents with creditworthy, high quality financial institutions. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation or any other related entity.

The Museum has investments and is therefore subject to concentrations of credit risk. Investments are made and monitored by the Museum. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Museum and its beneficiaries.

The Children's Museum of Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Merchandise Held for Resale

Merchandise held for resale consists of gift shop items and café inventory that are valued at the lower of cost or market with cost determined using the first-in, first-out method.

(l) Accounts Receivable

Accounts receivable represent claims for reimbursement and other fees earned or due under contracts and fee agreements. The allowance for doubtful accounts is based on past collection experience and on analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Receivable balances are considered to be past due based on contractual terms.

(m) Investments

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

(n) Fair Value Measurements

The Museum is subject to the provisions of the *Fair Value Measurements and Disclosures* Topic of FASB ASC. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

(o) Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair value at date of donation. The Museum capitalizes property and equipment with a cost, or fair value at the date of donation, of \$1,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

(p) Deferred Revenue

Membership payments are recognized as revenue ratably over the term of the membership period. Amounts received but not yet earned are reported as deferred revenue. Income from advance admissions and fees is deferred and recognized when used or earned.

The Children's Museum of Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(q) Advertising

The Museum uses advertising to promote its programs among audiences it serves. The production costs of advertising are expensed as incurred. During the year ended June 30, 2010, advertising costs totaled \$100,803, which includes donated advertising totaling \$41,845. During the year ended June 30, 2009, advertising costs totaled \$263,103, which includes donated advertising totaling \$213,931.

(r) Donated Goods and Services

Donated goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. Donated goods and services received for the years ended June 30, are as follows:

	<u>2010</u>	<u>2009</u>
Donated goods	\$ 101,930	85,730
Donated advertising	41,845	213,931
Free use of facilities	28,620	28,620
Donated exhibit	38,250	100,000
Donated property and equipment	103,997	3,000
Donated legal services	—	91,295
Donated services used primarily for special events	8,175	9,646
Donated services, other	<u>22,046</u>	<u>—</u>
Total in-kind revenue	344,863	532,222
Less amounts included in special event revenue	<u>(26,297)</u>	<u>(26,297)</u>
	<u>\$ 309,301</u>	<u>505,925</u>

Many individuals volunteer their time and perform a variety of tasks that assist the Museum in its programs and general operations. The Museum received 6,364 and 5,596 volunteer hours during the years ended June 30, 2010 and 2009, respectively, but these were not recognized in the financial statements because they did not meet the criteria for recognition.

(s) Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

During the years ended June 30, 2010 and 2009, the Museum incurred joint costs of \$59,536 and \$71,848, respectively, for informational materials that include fund raising appeals and achieve the Museum's programmatic and management and general goals.

The Children's Museum of Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(s) Functional Allocation of Expenses, Continued

The costs of these activities are allocated as follows at June 30:

	<u>2010</u>	<u>2009</u>
Visitor experiences	\$ 46,580	53,742
General and administrative	4,237	8,725
Fundraising and development	<u>8,719</u>	<u>9,381</u>
	<u>\$ 59,536</u>	<u>71,848</u>

(t) Income Taxes

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business taxable income.

(u) Subsequent Events

In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Museum's financial statements were available to be issued on September 28, 2010 and this is the date through which subsequent events were evaluated.

(2) Contributions Receivable

Contributions receivable total \$25,684 and \$23,875 at June 30, 2010 and 2009, respectively. Management has determined that the pledges are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary. All amounts are due in one year.

(3) Investments

Investments are stated at fair value and are comprised of the following at June 30:

	<u>2010</u>	<u>2009</u>
Certificates of deposit	\$ 231,000	626,000
Money market funds	517,933	601,696
Mutual fund invested in fixed income securities	<u>500,000</u>	<u>—</u>
	<u>\$ 1,248,933</u>	<u>1,227,696</u>

The certificates of deposit bear interest at rates ranging from 2.55% to 3.15% and mature at various dates through December 2010. Investment income, for all investments including cash equivalents, consists primarily of interest and dividends and totaled \$22,062 and \$36,660 for 2010 and 2009, respectively.

The Children's Museum of Denver, Inc.

Notes to Financial Statements, Continued

(4) Fair Value Measurements

The carrying amount reported in the statements of financial position for cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

The Museum follows the provisions of FASB ASC Topic, *Fair Value Measurements*, which among other things requires enhanced disclosures about assets that are measured and reported at fair value. This standard establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial assets at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes mutual funds, listed equities, and cash and cash equivalents. For the Museum, Level 1 investments include a publicly traded mutual fund and money market funds.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives. For the Museum, Level 2 investments include certificates of deposit.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt. The Museum has no investments classified as Level 3 at June 30, 2010.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The Children's Museum of Denver, Inc.

Notes to Financial Statements, Continued

(4) Fair Value Measurements, Continued

The following table summarizes the valuation of the Museum's investments by the above fair value hierarchy levels as of June 30, 2010:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 231,000	-	231,000	-
Money market funds	517,933	517,933	-	-
Mutual fund	500,000	500,000	-	-
Total	\$ <u>1,248,933</u>	<u>1,017,933</u>	<u>231,000</u>	<u>-</u>

The following table summarizes the valuation of the Museum's investments by the above fair value hierarchy levels as of June 30, 2009:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 626,000	-	626,000	-
Money market funds	601,696	601,696	-	-
Total	\$ <u>1,227,696</u>	<u>601,696</u>	<u>626,000</u>	<u>-</u>

(5) Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 218,590	218,590
Building, improvements, and exhibits	5,794,017	5,341,087
Furniture and equipment	886,562	860,051
Vehicles	<u>52,102</u>	<u>46,490</u>
	6,951,271	6,466,218
Less accumulated depreciation	(4,071,234)	(3,778,791)
Net property and equipment	\$ <u>2,880,037</u>	<u>2,687,427</u>

(6) Line-of-Credit Agreement

The Museum has a \$300,000 line-of-credit agreement with a bank, which expires January 2011. The line-of-credit agreement requires monthly interest payments at the bank's prime rate, as defined, but not less than 4.5%. Amounts outstanding on the line-of-credit are collateralized by all business assets of the Museum. No amounts were outstanding under this agreement at June 30, 2010.

The Children's Museum of Denver, Inc.

Notes to Financial Statements, Continued

(7) Net Assets

Designated Unrestricted Net Assets

At June 30, a portion of unrestricted net assets is designated by the Board of Directors for the following purposes:

	<u>2010</u>	<u>2009</u>
Operating reserve	\$ 180,000	180,000
Board designated endowment	<u>38,579</u>	<u>38,197</u>
	\$ <u>218,579</u>	<u>218,197</u>

Temporarily Restricted

At June 30, temporarily restricted net assets consist of pledges and unexpended cash restricted for the following purposes or periods:

	<u>2010</u>	<u>2009</u>
Programs and initiatives	\$ 15,000	37,373
Exhibits	30,980	33,750
Sponsored admissions	148,608	35,828
Capital	<u>32,000</u>	<u>25,000</u>
	\$ <u>226,588</u>	<u>131,951</u>

For the years ended June 30, 2010 and 2009, net assets of \$387,327 and \$517,501, respectively, were released from restrictions due to the purpose restrictions being accomplished or the passage of time.

(8) Scientific and Cultural Facilities District Funds

In November 1988, the voters of the Denver metropolitan area approved formation of a special tax district to support the scientific and cultural institutions within the district. Beginning in 1989, revenues for the district were generated through a sales tax and distributed to various institutions in accordance with the provisions of the act. In 1994 and again in 2004, the voters of the Denver Metropolitan area extended the expiration date of the special tax district. The special tax district is currently scheduled to expire in June 2018. During the years ended June 30, 2010 and 2009, the Museum recorded revenue of \$541,371 and \$636,142, respectively, from the SCFD.

(9) Retirement Plan

The Museum sponsors a defined contribution plan (the Plan) under the provisions of Internal Revenue Code Section 401(k). The Plan is open to all employees of the Museum who have completed three months of service. Participants are eligible to contribute an amount not to exceed limits set by the Internal Revenue Service. The Museum has no matching obligations on contributions made to this Plan. However, the Museum may make a discretionary contribution based upon a percentage of the employee's annual salary, to be determined annually. The Museum made no contributions to this Plan during the years ended June 30, 2010 and 2009.

The Children's Museum of Denver, Inc.

Notes to Financial Statements, Continued

(10) Operating Leases

The Museum leases certain office equipment under non-cancelable operating leases that expire through January 2015. Future minimum lease payments required under these non-cancelable operating leases are as follows as of June 30, 2010:

Year Ended June 30:

2011	\$ 15,744
2012	15,744
2013	15,744
2014	14,442
2015	<u>5,475</u>
	\$ <u>67,149</u>

Total lease expense was \$13,558 and \$10,497 for the years ended June 30, 2010 and 2009, respectively.

(11) The Helen M. McLoraine Children's Museum of Denver Endowment Fund

In 2003, a donor established a \$1 million dollar endowment fund, called The Helen M. McLoraine Children's Museum of Denver Endowment Fund (the Fund), at The Denver Foundation and named the Museum as the designated beneficiary. The Fund was established to provide support for the Museum's sponsored admissions program. The agreement gives The Denver Foundation variance power which allows it to redirect the funds to another beneficiary. Since The Denver Foundation has variance power over the gift, the fund is not recorded as an asset in the financial records of the Museum. Per the agreement, the donor intended that an annual distribution equal to 5% of the Fund be made each year to the Museum. During 2010 and 2009, \$46,881 and \$58,652, respectively, were received from the Fund and recorded as contributions on the Museum's statements of activities.

(12) Income Taxes

The Museum adopted the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Museum to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. Based on its continued analysis, the Museum has determined that the adoption of the standard does not have a material impact on its financial statements.