



the new children's museum

Financial Statements

December 31, 2011



Leaf & Cole, LLP
Certified Public Accountants

**THE NEW CHILDREN'S MUSEUM
FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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Independent Auditor's Report

To the Board of Directors
The New Children's Museum
San Diego, California

We have audited the accompanying statement of financial position of The New Children's Museum as of December 31, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The New Children's Museum's 2010 financial statements and in our report dated June 3, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides 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 New Children's Museum as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of functional expenses for the year ended December 31, 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The summarized comparative information included in the supplementary schedule of functional expenses for the year ended December 31, 2010 has been derived from The New Children's Museum's 2010 financial statements and in our report dated June 3, 2011, we expressed our opinion that the information was fairly stated in all material respects in relation to the financial statements as a whole.

Leaf & Cole LLP

San Diego, California
April 26, 2012

**THE NEW CHILDREN'S MUSEUM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)**

ASSETS		
	<u>2011</u>	<u>2010</u>
<u>Assets:</u> (Notes 1, 2, 3, 4 and 6)		
Cash and cash equivalents	\$ 941,361	\$ 815,154
Grants and other receivables	117,021	149,490
Contributions receivable, net	279,228	686,562
Prepaid expenses and deposits	13,732	19,182
Property and equipment, net	<u>21,256,065</u>	<u>21,250,450</u>
TOTAL ASSETS	\$ <u>22,607,407</u>	\$ <u>22,920,838</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities:</u> (Notes 1 and 6)		
Accounts payable and accrued expenses	\$ 143,927	\$ 154,596
Deferred revenue	155,919	155,977
Capital lease obligations	66,893	-
Total Liabilities	<u>366,739</u>	<u>310,573</u>
<u>Commitments</u> (Notes 5 and 9)		
<u>Net Assets:</u> (Notes 1 and 7)		
Unrestricted	21,800,950	21,902,388
Temporarily restricted	439,718	707,877
Total Net Assets	<u>22,240,668</u>	<u>22,610,265</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>22,607,407</u>	\$ <u>22,920,838</u>

The accompanying notes are integral part of the financial statements.

**THE NEW CHILDREN'S MUSEUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)**

	<u>Unrestricted Operations</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
<u>Operating Support and Revenue:</u>				
Contributions	\$ 948,898	\$ 168,156	\$ 1,117,054	\$ 751,644
Capital campaign contributions	124,824	-	124,824	3,291,994
Special events	762,871	-	762,871	697,246
Admissions	437,966	-	437,966	526,627
Fees and facility usage	269,739	-	269,739	290,566
Memberships	245,131	-	245,131	247,933
Government grants	151,580	-	151,580	154,113
Other income	3,899	-	3,899	61,859
Interest income	2,796	-	2,796	6,538
Net assets released from restrictions	436,315	(436,315)	-	-
Total Operating Support and Revenue	<u>3,384,019</u>	<u>(268,159)</u>	<u>3,115,860</u>	<u>6,028,520</u>
<u>Program and Supporting Services:</u>				
Program Services:				
Programs and exhibits	<u>2,420,621</u>	<u>-</u>	<u>2,420,621</u>	<u>2,449,698</u>
Total Program Services	<u>2,420,621</u>	<u>-</u>	<u>2,420,621</u>	<u>2,449,698</u>
Supporting Services:				
Fundraising	345,212	-	345,212	501,033
Management and general	<u>403,790</u>	<u>-</u>	<u>403,790</u>	<u>323,671</u>
Total Supporting Services	<u>749,002</u>	<u>-</u>	<u>749,002</u>	<u>824,704</u>
Total Program and Supporting Services	<u>3,169,623</u>	<u>-</u>	<u>3,169,623</u>	<u>3,274,402</u>
Special Events Expense	<u>315,834</u>	<u>-</u>	<u>315,834</u>	<u>291,581</u>
Total Expenses	<u>3,485,457</u>	<u>-</u>	<u>3,485,457</u>	<u>3,565,983</u>
Change in Net Assets	(101,438)	(268,159)	(369,597)	2,462,537
Net Assets at Beginning of Year	<u>21,902,388</u>	<u>707,877</u>	<u>22,610,265</u>	<u>20,147,728</u>
NET ASSETS AT END OF YEAR	<u>\$ 21,800,950</u>	<u>\$ 439,718</u>	<u>\$ 22,240,668</u>	<u>\$ 22,610,265</u>

The accompanying notes are integral part of the financial statements.

**THE NEW CHILDREN'S MUSEUM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)**

	<u>2011</u>	<u>2010</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (369,597)	\$ 2,462,537
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	553,040	527,765
Loss (Gain) on sale of property and equipment	11,638	(1,506)
Donated property and equipment	(75,000)	-
(Increase) Decrease in:		
Grants and other receivables	32,469	(81,357)
Contributions receivable, net	407,334	78,616
Prepaid expenses and deposits	5,450	2,046
Increase (Decrease) in:		
Accounts payable and accrued expenses	(18,869)	16,088
Deferred revenue	(58)	30,091
Net Cash Provided by Operating Activities	<u>546,407</u>	<u>3,034,280</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property and equipment	(419,522)	(42,518)
Proceeds from sale of property and equipment	1,200	6,492
Net Cash Used in Investing Activities	<u>(418,322)</u>	<u>(36,026)</u>
<u>Cash Flows From Financing Activities:</u>		
Payments on capital lease obligations	(1,878)	-
Payments on notes payable	-	(3,979,897)
Net Cash Used in Financing Activities	<u>(1,878)</u>	<u>(3,979,897)</u>
Increase (Decrease) in Cash and Cash Equivalents	126,207	(981,643)
Cash and Cash Equivalents at Beginning of Year	<u>815,154</u>	<u>1,796,797</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 941,361</u>	<u>\$ 815,154</u>
<u>Supplementary Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 1,428</u>	<u>\$ 171,549</u>
<u>Supplementary Disclosure of Noncash Investing and Financing Activities:</u>		
Equipment acquired through capital lease obligations	<u>\$ 68,771</u>	<u>\$ -</u>
Parking garage - contributed parking spaces	<u>\$ 75,000</u>	<u>\$ -</u>

The accompanying notes are integral part of the financial statements.

**THE NEW CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)**

Note 1 - Organization and Significant Accounting Policies:

Organization

The New Children's Museum ("NCM") is the only children's museum in the United States dedicated to commissioning contemporary artists to create works for a youth audience. NCM brings families together in a rich educational environment that fosters creativity – blending elements of art museum, children's museum, and community center. As a California not-for-profit corporation funded by admissions, memberships, and community support, the Museum empowers children to think, play and create through participatory exhibitions, engaging art-making activities, captivating artistic performances, and in-depth educational opportunities. Serving all ages, from toddler to teen, NCM inspires new ways to see the world through the language of art.

Incorporated on March 21, 1981, the original Children's Museum opened its first facility in 1983 in La Jolla, and relocated to a downtown warehouse at 200 West Island Avenue in 1993. At that time, the Museum became Children's Museum/Museo de los Niños San Diego. After nearly ten years in the warehouse space, the doors were closed in 2002 to break ground for a new building at the same site. The Museum operated "without walls" during the closure, providing community outreach activities throughout the region.

The New Children's Museum reinvented itself and opened a new environmentally sustainable facility in downtown San Diego's Marina District in May of 2008. Designed by Rob Wellington Quigley, the 50,000-square-foot building houses expansive galleries, open studio environments, and an Arts Education Center offering unique classes and in-depth camps.

In 2011, 145,061 children and families had an opportunity to experience the arts at The New Children's Museum; 586,873 since the opening in 2008. 17,425 students and chaperones were welcomed through the Museum's innovative education programs. Additionally, NCM has pioneered a distinct Community Access Program granting access to families from all economic levels. Visitors were served in 2011 through Free Title 1 school visits, "Check Out The New Children's Museum Program" at city and county libraries, Target Free Second Sunday, and a variety of community partnerships.

Vision

The New Children's Museum envisions a community with a vibrant artistic and cultural life in which all children and families share the joy of being active participants.

Mission

The New Children's Museum is dedicated to providing inventive and engaging art experiences that are meaningful to children and families. We stimulate imagination, inquisitiveness and innovative thinking by exhibiting participatory works of art by contemporary artists and providing a venue for art making and play.

THE NEW CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization (Continued)

Beliefs

- NCM believes that all children should have access to the creative process and arts of the highest quality.
- NCM believes that the arts play a critical role in the creative, emotional and intellectual development of children.
- NCM believes that early childhood engagement results in lifelong appreciation and involvement in the arts.
- NCM believes in embracing cultural diversity, all types of loving families and children from all walks of life.
- NCM believes in modeling sustainable practices and educating all generations in thinking green.

Programs

Current Exhibition

The New Children's Museum is a non-collecting museum that presents a biennial exhibition that occupies all of the gallery spaces. By commission and exhibiting exceptional works of art from internationally renowned and emerging local artists, NCM aspires to create profound contemporary art experiences that are approachable to a wide audience. The current exhibition *TRASH* (October 2011 – October 2012), seeks to draw attention to an invisible issue that increasingly dominates our lives. Did you know that in the United States, annual production of waste has tripled since 1960? That the average American produces 4.5 pounds of trash every day?

In this exhibition, our mission is to change how we see trash, and changing perspective starts by asking more questions:

- **How do we decide what is trash?**
- **How does your trash impact the lives of others?**
- **How can we imagine new possibilities, and a new future for our trash?**

For nearly 100 years, artists have chosen to work with trash to create a tangible connection to everyday life and to reject the idea that making art requires precious or expensive materials. Today artists are also passionately interested in the environmental impact of their materials. Through their transformation of trash into art, our artists encourage you to envision trash as more than waste needing disposal. They want you to see possibilities where others see waste.

The future starts here at NCM. We want to empower kids to act as the agents of change at home, and we look to kids to find the new approaches, new ideas, and new solutions that will change our future.

THE NEW CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization (Continued)

Programs (Continued)

Art Making

Taking inspiration from the participatory experiences in the galleries, children and families are encouraged to explore the creative process, materials used, and conceptual intent present in each artist's work through hands-on art making. Visitors use sustainable materials and found objects in a variety of walk-in projects and artist-led workshops. NCM unveils new projects every month, many of which are inspired by the artist of the month or commissioned by local emerging artists. Art making spaces include: Design Studio; Paint & Clay Studio; Improv Studio; Teen Studio; Tech Studio.

Arts Education Center

Providing sustained, educational experiences in a classroom environment is central to NCM's mission. The Arts Education Center (the "Center") offers ongoing weekly classes for families, after-school programs, camps, school visits, a school-in-residence program, parenting seminars, and more.

The Center provides thousands of students and families with access to in-depth arts classes and the opportunity to work directly with an artist. The Center also provides spaces to mission aligned organizations and projects, and is building a resource library of art books accessible to young audiences.

▪ **Camps & Intensive Workshops**

NCM differentiates its arts-based programs by focusing on project-based learning. Each camp and workshop works together to produce an artist project by working directly, and in small groups, with a contemporary artist. NCM brings working artists together with children, giving the community access to the artistic process.

▪ **School Visits**

NCM offers tours for schools and non-profit organizations ranging from pre-kindergarten to high school, and beyond. Groups may choose to participate in age-appropriate take-home studio projects, led by a trained artist. All school visits are participatory experiences that encourage inquiry-based learning from original artworks. Curricula are designed to have interdisciplinary applications in the classroom in areas like visual arts, reading, writing, social studies, and science.

▪ **Early Childhood Education Programs**

NCM's early childhood education programs serve children not yet of school age. Classes are developed to emphasize growth and development related to music and movement for young children.

THE NEW CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies

Method of Accounting

The financial statements of NCM have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

NCM has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). These standards do not change existing guidance as to whether or not an instrument is carried at fair value. NCM had no financial instruments at December 31, 2011 and 2010.

Allowance for Doubtful Accounts

Management believes that all grants and other receivables were fully collectible; therefore, no allowance for doubtful accounts was recorded as of December 31, 2011 and 2010.

Management believes that all contributions are fully collectible; therefore, no allowance for doubtful accounts was recorded at December 31, 2011 and 2010.

THE NEW CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to NCM that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions decreased by approximately \$2.8 million between 2010 and 2011 because NCM held a capital campaign in 2010 to obtain contributions to pay down debt on the building. This debt was paid in full as of December 31, 2010.

Capitalization and Depreciation

Property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, NCM reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. NCM reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Building and improvements	10 - 50 years
Parking garage	50 years
Furniture and fixtures	2 - 10 years
Exhibits	2 - 5 years
Equipment	5 years
Vehicles	5 years

Depreciation aggregated \$553,040 and \$527,765 for the years ended December 31, 2011 and 2010, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale. Any gain or loss resulting from the sale of assets is credited or charged to earnings.

Impairment of Real Estate

NCM reviews its investment in real estate for impairment wherever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted net cash flows expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2011 or 2010.

THE NEW CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Compensated Absences

Accumulated unpaid vacation is accrued when incurred. Accrued vacation totaled \$19,962 and \$44,241 at December 31, 2011 and 2010, respectively, and is included in accounts payable and accrued expenses.

Revenue Recognition

Revenue from memberships is recognized on a pro-rata basis over the period the memberships are earned during the year. Deferred memberships totaled \$117,464 and \$145,651 at December 31, 2011 and 2010, respectively.

Revenue from unredeemed membership vouchers is deferred until the earlier of (1) the redemption of the membership voucher (2) the expiration of the membership voucher. Deferred unredeemed membership vouchers totaled \$8,988 and \$4,326 at December 31, 2011 and 2010, respectively.

Refundable deposits received for facility events are recognized as revenue when the event occurs. Deferred event revenue totaled \$29,467 and \$6,000 at December 31, 2011 and 2010, respectively.

Donated Services, Materials, Supplies and Equipment

NCM utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended December 31, 2011 and 2010 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

NCM received donations of catering for the Gala, a special event. The donations of catering are recorded at their fair value and totaled \$-0- and \$22,616 for the years ended December 31, 2011 and 2010, respectively.

In 2011, NCM received a donation of exclusive rights to use two parking spaces in a luxury condominium high rise. The donated exclusive rights are recorded at fair value and totaled \$75,000 for the year ended December 31, 2011 and have been included in property and equipment at December 31, 2011.

Allocation of Expenses

NCM allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by NCM's management.

**THE NEW CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)**

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Income Taxes

NCM is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. NCM is not a private foundation.

NCM uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

Concentration of Credit Risk

NCM maintains its cash in bank accounts and brokerage accounts which, at times, may exceed federally insured limits. NCM has not experienced any losses in such accounts. NCM believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For the purposes of the statement of cash flows NCM considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity. The following is the composition of the combined amounts appearing in the statement of cash flows at December 31:

	<u>2011</u>	<u>2010</u>
Cash and money market funds	\$ 941,361	\$ 648,889
Certificates of deposit	-	166,265
Total Cash and Cash Equivalents	<u>\$ 941,361</u>	<u>\$ 815,154</u>

Comparative Totals for December 31, 2010

The financial statements include certain prior year summarized comparative information in total but not by net asset class. This summarized information is for comparative purposes only, and accordingly, such information should be read in conjunction with NCM's financial statements for the year ended December 31, 2010, from which the summarized comparative information was derived.

Subsequent Events

In preparing these financial statements, NCM has evaluated events and transactions for potential recognition or disclosure through April 26, 2012, the date the financial statements were available to be issued.

THE NEW CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)

Note 2 - Grants and Other Receivables:

Grants and other receivables consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
City of San Diego Commission for Arts and Culture	\$ 75,916	\$ 63,264
Scholarshare	20,000	-
Other	12,605	12,061
Rice Foundation	7,500	5,000
Special event 2011	1,000	-
Special projects	-	40,000
Special event 2010	-	29,165
Total Grants and Other Receivables	<u>\$ 117,021</u>	<u>\$ 149,490</u>

Note 3 - Contributions Receivable:

Contributions receivable consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Current:		
Receivables due in less than one year	<u>\$ 116,666</u>	<u>\$ 298,333</u>
Noncurrent:		
Receivables due in one to five years	165,000	398,333
Less: Discounts to present value	<u>(2,438)</u>	<u>(10,104)</u>
Total Noncurrent	<u>162,562</u>	<u>388,229</u>
Contributions Receivable, Net	<u>\$ 279,228</u>	<u>\$ 686,562</u>

The contributions receivable have been discounted to their present value using a discount rate of 1.5% at December 31, 2011 and 2010.

Note 4 - Property and Equipment:

Property and equipment consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 2,232,286	\$ 2,232,286
Building and improvements	18,638,857	18,638,434
Parking garage	1,275,000	1,200,000
Furniture and fixtures	316,689	316,689
Exhibits	484,769	195,979
Equipment	160,302	158,276
Equipment held under capital lease obligations	68,771	-
Vehicles	11,106	11,106
Construction in progress	10,000	-
Subtotal	<u>23,197,780</u>	<u>22,752,770</u>
Less: Accumulated depreciation	<u>(1,941,715)</u>	<u>(1,502,320)</u>
Property and Equipment, Net	<u>\$ 21,256,065</u>	<u>\$ 21,250,450</u>

THE NEW CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)

Note 5 - Line-of-Credit:

NCM has a line-of-credit with Torrey Pines Bank in the amount of \$250,000 with interest at the bank's index rate plus .50% with a minimum rate of 6.50% and 7% at December 31, 2011 and 2010, respectively. The line-of-credit is renewable on November 15, 2012, and is secured by real property. There was no outstanding balance at December 31, 2011 and 2010.

Note 6 - Capital Lease Obligations

NCM leases equipment under capital leases expiring in various years through 2016. The economic substance of the leases is that NCM is financing the acquisition of the assets through the lease, and accordingly, it is recorded in NCM's assets and liabilities. The leased property under the capital leases consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Cost	\$ 68,771	\$ -
Less: Accumulated depreciation	-	-
Net Book Value	<u>\$ 68,771</u>	<u>\$ -</u>

Future minimum capital lease payments are as follows:

<u>Years Ended</u> <u>December 31</u>	
2012	\$ 19,743
2013	20,712
2014	20,712
2015	19,776
2016	<u>7,110</u>
Total	88,053
Less: Amount representing interest	<u>(21,160)</u>
Capital Lease Obligations	<u>\$ 66,893</u>

Note 7 - Temporarily Restricted Net Assets:

Temporarily restricted net assets represent contributions received or receivable by NCM, which are limited in their use by time or donor-imposed restrictions. Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2011</u>	<u>2010</u>
Contributions receivable - time restrictions	\$ 279,228	\$ 686,562
Contribution - time restriction	160,490	15,098
Exhibition catalogue	-	6,217
Total Temporarily Restricted Net Assets	<u>\$ 439,718</u>	<u>\$ 707,877</u>

Net assets in the amount of \$436,315 were released from donor restrictions for the year ended December 31, 2011, by incurring expenses satisfying the purpose or time restrictions specified by donors.

THE NEW CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)

Note 8 - Pension Plan:

NCM has a 403(b) plan covering all regular employees. Under the plan, employees can contribute and defer taxes on compensation contributed. NCM does not make any contributions on the employee's behalf.

Note 9 - Commitments:

Landscape Maintenance Agreement

The City of San Diego constructed the Children's Museum Park in 2008 which is adjacent to NCM. NCM entered into a landscape maintenance agreement with the City of San Diego that obligates NCM to pay all costs of maintaining the park for an initial period of 30 years, renewable for an additional 30 years. The maintenance costs totaled \$8,445 and \$11,253 for the years ended December 31, 2011 and 2010, respectively.

Common Area and Parking

NCM has a common interest in the adjacent common area and parking structure with Pinnacle Market Development (US), LLC. The Covenants, Conditions, and Restrictions (CC&Rs) for NCM & Pinnacle Museum Tower Development require payments for operating and replacement funding. Payments totaled \$30,875 and \$30,883 for the years ended December 31, 2011 and 2010, respectively.

THE NEW CHILDREN'S MUSEUM
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

	Supporting Services				2011 Total	2010 Total
	Programs and Exhibits	Management and General	Fundraising	Total Supporting Services		
<u>Salaries and Related Expenses:</u>						
Salaries and wages	\$ 1,066,141	\$ 134,615	\$ 190,006	\$ 324,621	\$ 1,390,762	\$ 1,518,813
Payroll taxes	103,970	11,100	15,587	26,687	130,657	132,059
Employee benefits	90,180	12,296	8,050	20,346	110,526	90,480
Total Salaries and Related Expenses	<u>1,260,291</u>	<u>158,011</u>	<u>213,643</u>	<u>371,654</u>	<u>1,631,945</u>	<u>1,741,352</u>
<u>Nonsalary Related Expenses:</u>						
Advertising	44,825	-	249	249	45,074	23,027
Artist honorarium	12,975	-	-	-	12,975	23,529
Bank fees and other charges	30,879	1,179	891	2,070	32,949	29,849
Conferences and meetings	7,048	13,283	884	14,167	21,215	15,926
Consultants and contract services	213,117	118,769	70,566	189,335	402,452	315,131
Donor recognition and events	39,533	625	11,273	11,898	51,431	36,007
Insurance	24,753	8,475	-	8,475	33,228	32,445
Interest	1,428	-	-	-	1,428	171,549
Occupancy	130,892	16,192	3,387	19,579	150,471	130,705
Office	44,166	19,212	13,587	32,799	76,965	63,669
Other expenses	6,156	3,367	-	3,367	9,523	6,675
Professional fees	5,334	34,288	-	34,288	39,622	35,434
Repairs and maintenance	27,142	254	-	254	27,396	20,882
Supplies and materials	53,303	920	1,000	1,920	55,223	78,735
Travel, meals and entertainment	21,043	1,563	2,080	3,643	24,686	21,722
Total Nonsalary Related Expenses	<u>662,594</u>	<u>218,127</u>	<u>103,917</u>	<u>322,044</u>	<u>984,638</u>	<u>1,005,285</u>
Depreciation	<u>497,736</u>	<u>27,652</u>	<u>27,652</u>	<u>55,304</u>	<u>553,040</u>	<u>527,765</u>
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	<u>\$ 2,420,621</u>	<u>\$ 403,790</u>	<u>\$ 345,212</u>	<u>\$ 749,002</u>	<u>\$ 3,169,623</u>	<u>\$ 3,274,402</u>