

CuriOdyssey

Audited Financial Statements

Year Ended September 30, 2016

CuriOdyssey

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
CuriOdyssey
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of CuriOdyssey (the Organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 audit. 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 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 Organization'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

INDEPENDENT AUDITOR'S REPORT
(Continued)

the effectiveness of the Organization'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 Organization as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2016. These financial statements were restated for the year ended September 30, 2016 (see Note 12). In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the restated audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

SingerLewak, LLP

January 25, 2017

CuriOdyssey
Statement of Financial Position
September 30, 2016
(With Comparative Totals at September 30, 2015)

	<u>2016</u>	<u>(Restated)</u> <u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 948,364	\$ 238,742
Unconditional Promises to Give		
Unrestricted Capital Campaign	2,759,165	3,661,134
Restricted to Facilities Use	119,717	110,344
Grants/Accounts Receivable	44,295	288,005
Annuity Receivable	466	499
Investments		
Operating Reserves	-	591,232
Store Inventories	44,593	32,909
Prepaid Expenses	26,359	31,954
Total Current Assets	<u>3,942,959</u>	<u>4,954,819</u>
NONCURRENT ASSETS		
Restricted Cash		
Temporarily Restricted Fund	65,311	-
Permanently Restricted	876,221	-
Capital Revolving Fund	3,345,192	-
Investments		
Permanently Restricted	-	876,211
Capital Revolving Fund	-	1,613,309
Building Project - Campaign for CuriOdyssey	2,906,832	1,774,097
Property and Equipment, net	1,317,855	1,476,183
Annuity Receivable, net	9,416	10,158
Unconditional Promises to Give		
Unrestricted Capital Campaign, net	2,632,597	1,799,113
Restricted to Facilities Use, net	986,628	1,106,345
Total Noncurrent Assets	<u>12,140,052</u>	<u>8,655,416</u>
 Total Assets	 <u>\$ 16,083,011</u>	 <u>\$ 13,610,235</u>

CuriOdyssey
Statement of Financial Position
September 30, 2016
(With Comparative Totals at September 30, 2015)
(Continued)

	<u>2016</u>	<u>(Restated) 2015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 114,929	\$ 273,796
Accrued Payroll and Vacation	220,618	196,103
Deferred Revenue	41,187	65,765
Total Current Liabilities	<u>376,734</u>	<u>535,664</u>
NET ASSETS		
Unrestricted		
Capital Campaign	10,555,450	7,923,744
Other Unrestricted	2,967,684	2,929,384
Total Unrestricted	13,523,134	10,853,128
Temporarily Restricted	1,306,932	1,345,232
Permanently Restricted	876,211	876,211
Total Net Assets	<u>15,706,277</u>	<u>13,074,571</u>
Total Liabilities and Net Assets	<u>\$ 16,083,011</u>	<u>\$ 13,610,235</u>

CuriOdyssey
Statement of Activities and Changes in Net Assets
Year Ended September 30, 2016
(With Comparative Totals at September 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>(Restated) Total 2015</u>
REVENUE					
Contributions - Combined Campaign					
Annual & Allocation via Campaign Plan	\$ 1,267,806	\$ 563,685	\$ -	\$ 1,831,491	\$ 2,015,374
In-Kind Contributions	18,727	96,862	-	115,589	142,156
Total Contributions	1,286,533	660,547	-	1,947,080	2,157,530
Program Fees	439,198	-	-	439,198	422,673
Admissions	436,270	-	-	436,270	417,906
Membership	344,472	-	-	344,472	321,745
Store Sales (Net of Cost of Sales)	100,812	-	-	100,812	90,011
Special Event Income	338,630	-	-	338,630	298,763
Special Event Expenses	(125,228)	-	-	(125,228)	(160,245)
Facility Rental Income	190,127	-	-	190,127	201,326
Net Investment Income (Loss)	12,503	-	-	12,503	(7,324)
Subtotal	3,023,317	660,547	-	3,683,864	3,742,385
Net Assets Released from Restrictions	698,847	(698,847)	-	-	-
Total Revenue	3,722,164	(38,300)	-	3,683,864	3,742,385
EXPENSES					
Program Services	2,861,921	-	-	2,861,921	2,818,655
Supporting Services					
Management and General	392,803	-	-	392,803	465,133
Fund Raising	270,002	-	-	270,002	306,306
Membership	159,138	-	-	159,138	152,291
Total Supporting Services	821,943	-	-	821,943	923,730
Total Expenses	3,683,864	-	-	3,683,864	3,742,385
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN					
	38,300	(38,300)	-	-	-
CAPITAL CAMPAIGN					
Contributions	4,799,938	-	-	4,799,938	2,432,265
In-Kind Contributions	4,960	-	-	4,960	30,000
Net Investment Income (Loss)	15,362	-	-	15,362	(720)
Allocated via Campaign Plan to Annual Operations	(1,397,767)	-	-	(1,397,767)	(1,252,227)
Capital Campaign Expenses	(790,550)	-	-	(790,550)	(671,855)
Uncollectible Pledge Expense	(237)	-	-	(237)	(110,000)
Addition to Net Assets	2,631,706	-	-	2,631,706	427,463
CHANGE IN NET ASSETS	2,670,006	(38,300)	-	2,631,706	427,463
NET ASSETS, Beginning of Year	10,853,128	1,345,232	876,211	13,074,571	12,647,108
NET ASSET, Ending of Year	\$ 13,523,134	\$ 1,306,932	\$ 876,211	\$ 15,706,277	\$ 13,074,571

CuriOdyssey
Statement of Functional Expenses
Year Ended September 30, 2016
(With Comparative Totals at September 30, 2015)

	Program Services						
	Wildlife Habitats	Programs/ Changing Exhibits	School Services/ Volunteers	Building and Grounds	Store	Community Outreach	Total Program Services
Salaries	\$ 439,818	\$ 491,952	\$ 174,880	\$ 108,060	\$ 57,191	\$ 321,594	\$ 1,593,495
Employee Benefits and Payroll Taxes	78,674	75,499	34,288	11,298	11,379	63,422	274,560
Total Personnel Costs	518,492	567,451	209,168	119,358	68,570	385,016	1,868,055
Outside Services	51,063	17,127	1,297	133,461	500	30,643	234,091
Facilities Use/Rent	68,028	74,452	27,444	15,660	4,830	4,710	195,124
Supplies, Equipment and Exhibit Rental	86,986	37,662	4,498	17,551	2,226	7,362	156,285
Office Expense and Mileage	3,702	22,313	3,405	7,820	6,228	17,893	61,361
Printing and Postage	227	237	2,478	1,217	51	20,192	24,402
Repairs and Maintenance	16,250	7,298	1,672	19,158	836	4,179	49,393
Dues and Subscriptions	20,600	145	195	250	-	3,371	24,561
Insurance	11,187	4,638	1,899	1,019	539	3,032	22,314
Promotion/Advertising	-	1,478	-	-	-	21,572	23,050
Conferences/Staff Training	5,651	1,541	1,211	-	921	8,981	18,305
Telephone	3,340	3,508	1,340	813	431	2,417	11,849
Total Nonpersonnel Costs	267,034	170,399	45,439	196,949	16,562	124,352	820,735
Total Expenses Before Depreciation	785,526	737,850	254,607	316,307	85,132	509,368	2,688,790
Depreciation	59,869	70,310	25,916	14,790	514	1,732	173,131
Total Expenses	\$ 845,395	\$ 808,160	\$ 280,523	\$ 331,097	\$ 85,646	\$ 511,100	\$ 2,861,921
2015 Total	<u>\$ 845,838</u>	<u>\$ 761,935</u>	<u>\$ 287,321</u>	<u>\$ 301,447</u>	<u>\$ 88,600</u>	<u>\$ 533,514</u>	<u>\$ 2,818,655</u>

CuriOdyssey
Statement of Functional Expenses
Year Ended September 30, 2016
(With Comparative Totals at September 30, 2015)
(Continued)

	Supporting Services							
	Management and General	Fund- raising	Member- ship	Total Supporting Services	Total Operating 2016	Capital Campaign	Total 2016	Total 2015
Salaries	\$ 255,911	\$ 205,809	\$ 68,754	\$ 530,474	\$ 2,123,969	\$ 320,352	\$ 2,444,321	\$ 2,296,947
Employee Benefits and Payroll Taxes	59,641	33,863	7,264	100,768	375,328	36,060	411,388	412,334
Total Personnel Costs	<u>315,552</u>	<u>239,672</u>	<u>76,018</u>	<u>631,242</u>	<u>2,499,297</u>	<u>356,412</u>	<u>2,855,709</u>	<u>2,709,281</u>
Outside Services	26,905	1,002	37,838	65,745	299,836	220,645	520,481	659,818
Facilities Use/Rent	3,860	2,932	930	7,722	202,846	82,029	284,875	226,910
Supplies, Equipment and Exhibit Rental	4,505	1,202	4,523	10,230	166,515	17,130	183,645	178,117
Office Expense and Mileage	6,720	11,191	16,227	34,138	95,499	24,054	119,553	112,964
Printing and Postage	1,080	5,527	14,090	20,697	45,099	59,496	104,595	73,700
Repairs and Maintenance	4,749	3,343	3,343	11,435	60,828	5,958	66,786	61,164
Dues and Subscriptions	12,518	195	10	12,723	37,284	5,750	43,034	36,480
Insurance	7,282	1,940	648	9,870	32,184	5,832	38,016	34,993
Promotion/Advertising	-	40	157	197	23,247	7,039	30,286	84,231
Conferences/Staff Training	6,208	185	4,483	10,876	29,181	382	29,563	33,823
Telephone	2,005	1,695	529	4,229	16,078	4,219	20,297	17,224
Total Nonpersonnel Costs	<u>75,832</u>	<u>29,252</u>	<u>82,778</u>	<u>187,862</u>	<u>1,008,597</u>	<u>432,534</u>	<u>1,441,131</u>	<u>1,519,424</u>
Total Expenses Before Depreciation	391,384	268,924	158,796	819,104	3,507,894	788,946	4,296,840	4,228,705
Depreciation	<u>1,419</u>	<u>1,078</u>	<u>342</u>	<u>2,839</u>	<u>175,970</u>	<u>1,604</u>	<u>177,574</u>	<u>185,535</u>
Total Expenses	<u>\$ 392,803</u>	<u>\$ 270,002</u>	<u>\$ 159,138</u>	<u>\$ 821,943</u>	<u>\$ 3,683,864</u>	<u>\$ 790,550</u>	<u>\$ 4,474,414</u>	<u>\$ 4,414,240</u>
2015 Total	<u>\$ 465,133</u>	<u>\$ 306,306</u>	<u>\$ 152,291</u>	<u>\$ 923,730</u>	<u>\$ 3,742,385</u>	<u>\$ 671,855</u>	<u>\$ 4,414,240</u>	

CuriOdyssey
Statement of Cash Flows
Year Ended September 30, 2016
(With Comparative Totals at September 30, 2015)

	<u>2016</u>	<u>(Restated)</u> <u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,631,706	\$ 427,463
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	177,574	185,535
Amortization of Discount	(96,862)	101,705
Dividends Reinvested	(11,588)	(42,410)
Net Realized and Unrealized (Gain) Loss on Investments	(16,277)	28,911
(Increase) Decrease in Operating Assets		
Unconditional Promises to Give	275,691	347,327
Grants/Accounts Receivable	243,712	(117,237)
Annuity Receivable	775	743
Store Inventories	(11,684)	2,995
Prepaid Expenses	5,595	(5,505)
Increase (Decrease) in Operating Liabilities		
Accounts Payable and Accrued Liabilities	(158,867)	117,022
Accrued Payroll and Vacation	24,515	556
Deferred Revenue	(24,578)	(135)
Net Cash Provided by Operating Activities	<u>3,039,712</u>	<u>1,046,970</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	3,108,615	1,923,832
Purchase of Investments	-	(1,592,493)
Restricted Cash - Permanently Restricted	(876,221)	-
Restricted Cash - Capital Revolving Fund	(3,345,192)	-
Purchase of Property and Equipment	<u>(1,151,981)</u>	<u>(1,483,466)</u>
Net Cash (Used) by Investing Activities	<u>(2,264,779)</u>	<u>(1,152,127)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	774,933	(105,157)
CASH AND CASH EQUIVALENTS, Beginning	<u>238,742</u>	<u>343,899</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,013,675</u>	<u>\$ 238,742</u>

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

1. Nature of Activities

CuriOdyssey (the Organization) is a serious science playground where more than 100,000 kids a year observe wild animals and experiment with real scientific phenomena. The majority of support and revenue is derived from contributions and grants from individuals and foundations located in the San Francisco Bay Area. CuriOdyssey was founded in 1953 as a California non-profit corporation.

2. Summary of Significant Accounting Policies

Method of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP), which reflects revenues when earned and expenses as incurred.

Basis of Presentation – CuriOdyssey 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.

Fair Value of Financial Instruments – The carrying amounts of cash and cash equivalents, grants/accounts receivables, prepaid expenses, accounts payable and accrued expenses, none of which are held for trading purposes, approximate the fair value due to the short-term maturities of those instruments. The fair value of promises to give is determined using present value techniques that consider historical trends of collection, the type of donor, general economic conditions, and market interest rate assumptions for individuals and foundations.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, CuriOdyssey considers all unrestricted highly liquid investments with a maturity of three months or less at the purchase date to be cash equivalents.

Restricted Cash – Balances include money market funds related to permanently restricted endowment funds and board-designated capital revolving funds which are restricted in use by the Organization. These balances are not considered part of cash and cash equivalents and are included in noncurrent assets on the Statement of Financial Position.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

2. Summary of Significant Accounting Policies (continued)

Grants and Accounts Receivable – Grants and accounts receivable represent program grants and event receivables. Grants and accounts receivable have been reviewed by management and it has been determined that there is no requirement for an allowance for doubtful accounts as of September 30, 2016.

Promises to Give – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Promises to give 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 promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A discount to pledges for the capital campaign has been recognized on the books. Promises to Give have been reviewed by management and it has been determined that there is no requirement for an allowance for doubtful accounts as of September 30, 2016.

Investments – CuriOdyssey carried investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. For the year ended September 30, 2016, all investments at Schwab were sold and reinvested in money market funds held at Boston Private Bank. These balances are included in cash and cash equivalents, with the exception of funds related to permanent endowment and capital revolving funds which are included in restricted cash in the noncurrent asset section of the Statement of Financial Position.

Store Inventories – Store inventories are presented at the lower of cost or market determined by the first-in, first-out method.

Property and Equipment – All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

2. Summary of Significant Accounting Policies (continued)

Restricted and Unrestricted Revenue – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the Statement of Activities as net assets released from restrictions.

Deferred Revenue – Deferred revenue results from payments made in advance of services performed. Amounts will be recognized as revenue as the services are performed.

Donated Assets – Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Facilities and Services – The financial statements reflect \$96,862 of donated occupancy rights for the year ended September 30, 2016 (see Note 7). Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CuriOdyssey.

A substantial number of volunteers make significant contributions of their time to ensure the success of CuriOdyssey. Reported volunteer hours were approximately 13,000 for the fiscal year. CuriOdyssey volunteers assist significantly in providing educational programs for citizens and schools in the San Francisco Bay Area as well as volunteering in the wildlife habitats and administration. The value of the contributed time is not reflected in the accompanying financial statements since they do not meet with criteria for recognition.

In-kind donations are recognized as contributions that would otherwise have been purchased by CuriOdyssey. During the year ended September 30, 2016, CuriOdyssey received \$23,687 of donated goods or services for the following: services and items for the successful annual fundraiser, catering for an event, and goods for exhibits, wildlife, and the capital campaign.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

2. Summary of Significant Accounting Policies (continued)

Expense Allocation – Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services based on square footage, facility usage, number of employees, and specific identification.

Advertising – CuriOdyssey uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During the year ended September 30, 2016, advertising costs totaled \$30,286.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP,. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes – CuriOdyssey is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization recognizes the effect of income tax positions only if those positions are more than not to be sustained. Management continuously evaluates tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

Presentation of Sales Taxes – The State of California imposes a sales tax on all sales to customers. CuriOdyssey collects that sales tax from customers and remits the entire amount to the State. CuriOdyssey's accounting policy is to exclude the tax collected and remitted to the State from sales and expenses.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

2. Summary of Significant Accounting Policies (continued)

Comparative Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CuriOdyssey’s financial statements for the year ended September 30, 2015, from which the summarized information was derived. The financial statements were restated for the year ended September 30, 2015 – see Note 12 for details.

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Recent Accounting Pronouncements – In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Organization beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements. The adoption of ASU 2016-18 is not expected to have a material impact on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued) – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements. The Organization currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the balance sheet in amounts that will be material.

3. Concentration of Credit Risk

CuriOdyssey maintains its cash and money market fund accounts at two commercial banks. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2016, CuriOdyssey had uninsured cash and money market fund balances of \$4,847,035 in accounts at Boston Private Bank. The organization does not believe that it is exposed to any significant risk in connection with these cash balances.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

4. Promises to Give – Capital Campaign

Receivable in less than one year	\$ 2,759,168
Receivable in one to five years	<u>2,827,834</u>
Total unconditional promises to give	5,587,002
Less: discounts to net present value	<u>(195,240)</u>
Net present value	5,391,762
Less: current portion	<u>(2,759,165)</u>
 Long-term portion	 \$ <u>2,632,597</u>

Promises to give to be received after September 30, 2016 are discounted at 3%.

5. Promises to Give – Donated Facilities

Restricted to facilities use (see Note 7)	
Receivable in less than one year	\$ 207,206
Receivable in one to five years	1,036,030
Receivable in more than five years	<u>155,404</u>
	1,398,640
Less: discounts to present value	<u>(292,295)</u>
Net present value	1,106,345
Less: current portion	<u>(119,717)</u>
 Long-term portion	 \$ <u>986,628</u>

The discount rate used on the long-term unconditional promise to give was 8% through June 2019 and 4% from July 2019 through June 2023.

6. Investments

During the year ended September 30, 2016, all investments in marketable securities were sold and reinvested in money market funds, which are included in cash and cash equivalents and restricted cash on the Statement of Financial Position. As of September 30, 2016, balance of investments is \$0.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

6. Investments (continued)

Net Investment Gain for the year ended September 30, 2016 was as follows:

Interest and Dividends	\$ 15,649
Change in Unrealized Gains and Losses	(50,596)
Net Realized Gains and Losses	66,873
Investment Management Fees	<u>(4,061)</u>
Total	\$ <u>27,865</u>

Net Investment Gain is shown in the Statement of Activities and Changes in Net Assets as follows:

Net Investment Gain from Operations	\$ 12,503
Net Investment Gain from Capital Campaign	<u>15,362</u>
Total	\$ <u>27,865</u>

7. Property, Equipment and Donated Facilities

Wildlife Habitats	\$ 4,665,007
Building Improvements	1,208,283
Office Furniture and Equipment	487,435
Redwood Hall and Related Equipment	<u>243,448</u>
	6,604,173
Less: Accumulated Depreciation	<u>(5,286,318)</u>
Property and Equipment – Net	\$ <u>1,317,855</u>

The CuriOdyssey building was constructed on land owned by the County of San Mateo. The Organization paid a portion of the cost of construction. The CuriOdyssey building contains the offices, classrooms, Redwood Hall, and exhibits. The Wildlife Habitats were built adjacent to the building on land also owned by the County of San Mateo. The construction of the Wildlife Habitats was financed entirely by contributions to the Organization.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

7. Property, Equipment and Donated Facilities (continued)

CuriOdyssey has an agreement with the Board of Supervisors of the County of San Mateo to operate for 30 years as of August 15, 1989. During the year ended June 30, 2002, this agreement was amended to extend the use for four additional years to 2023. Title to the land, building, and exterior improvements are held by the County. The title to the Wildlife Habitats, Redwood Hall, exhibits, and personal property remains with CuriOdyssey until the termination of the aforementioned agreement. The Organization is not required to pay electricity, water, or rent to the County for use of the facilities, but is responsible for interior maintenance of the building and operation of the programs.

The fair market value of the rent at the date of the promise to give use of the facilities was \$207,206 per year and is recorded in facilities use/rent in the accompanying Statement of Functional Expenses. For the year ended September 30, 2016, \$96,862 of the unamortized discount was realized as contributed facilities. The remaining present value of this unconditional promise to give at September 30, 2016, is \$1,106,345, net of the unamortized discount of \$292,295 (see Note 5).

In May 2016, the Organization signed a new agreement with the Board of Supervisors of the County of San Mateo which will commence from the date of the issuance of a building permit for the new building renovation. See Note 13.

8. Temporarily Restricted Net Assets

Restricted as to Purpose:	
Public Programs	\$ 2,500
School Services	2,500
Operations	132,794
Restricted as to Timing:	
Donated Facilities – County of San Mateo	1,106,345
Grant and Annuity in Future Years	<u>62,793</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,306,932</u>

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

9. Permanently Restricted Net Assets

The Board of Trustees has determined that the permanently restricted net assets meet the definition of endowment funds. CuriOdyssey has reviewed these funds and considers that they are currently being appropriately reflected in the financial statements.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted an investment policy, approved by the Board of Trustees, which attempts to provide a predictable stream of funding available for the purposes of the endowment while also maintaining the purchasing power of the endowment assets over the long term. The endowment is invested entirely in money market funds as of September 30, 2016, which is included in Restricted Cash in the Statement of Financial Position.

Endowment Spending Policy

CuriOdyssey has a policy of transferring any gain or loss on investment to unrestricted net assets. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects its endowment to be consistent over the next years with any changes being appropriately reflected as unrestricted. All investment return has been transferred to unrestricted net assets for the year ended September 30, 2016.

10. Retirement Plan

CuriOdyssey has a Non-ERISA tax-deferred retirement plan under Section 403(b) of the Internal Revenue Code which covers all employees at least 21 years of age. Eligible employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The Organization did not make any employer contributions during the year ended September 30, 2016.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

11. Lease Commitments

CuriOdyssey leases a copier and a postage meter under leases through November 2021, and is leasing warehouse space under a lease that expires in May 2018 with the first right option to renegotiate an extension at the end of the lease term. Rent expense under these and other leases/contracts was \$88,989 for the year ended September 30, 2016. Future minimum lease payments are as follows:

<u>Year Ended September 30,</u>	
2017	\$ 83,808
2018	56,404
2019	3,000
2020	3,000
2021	<u>500</u>
Total	\$ <u>146,712</u>

12. Restatement

During the current year under audit, it was discovered a pledge in the amount of \$225,000 had been recognized as revenue for the year ended September 30, 2015, but on further investigation was deemed to be conditional on groundbreaking for the renovation of the main building. As of September 30, 2016, this condition has not been met, and the pledge should not have been included in promises to give in the prior year. The financial statements for the year ended September 30, 2015 have been restated to reduce contribution revenue and related promise to give in the amount of \$225,000. See Note 13 for details on conditional promises to give.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

12. Restatement (continued)

	<u>As Previously Reported</u>	<u>As Restated</u>
As of September 30, 2016		
Unconditional Promises to Give		
Unrestricted Capital Campaign	\$ 3,886,134	\$ 3,661,134
Total Assets	13,835,235	13,610,235
Net Assets	13,299,571	13,074,571
For the Year Ended September 30, 2016:		
Capital Campaign		
Contributions	\$ 2,657,265	\$ 2,432,265
Addition to Net Assets	652,463	427,463
Changes in Net Assets	652,463	427,463

13. *The Campaign for CuriOdyssey: Building the Minds of Tomorrow Today*

On October 1, 2011, the Board of Trustees began a comprehensive capital campaign for the purposes of ensuring the sustainability and mission of the organization. The comprehensive campaign aims to raise funds for a new science facility as well as funds for the operating budget through annual contributions. Specifically, contributions allocated to the *Campaign for CuriOdyssey* will support: 1) program costs over the term of the campaign through our goals for annual grants and gifts; and 2) facility project costs, including a complete renovation of the main building, interim staging, reserves, campaign costs, and contingencies.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

13. *The Campaign for CuriOdyssey: Building the Minds of Tomorrow Today* (continued)

Gifts to the campaign will strongly benefit the community and anchor CuriOdyssey's future. They will:

- Fundamentally build out CuriOdyssey's capacity, reach, and proven effectiveness in helping children become creative, informed, science-minded and nature-minded learners.
- Completely re-configure, re-design and wholly renovate the main building and surrounding site, which are deeply inadequate: 1) in terms of mission – to bring our comprehensive, experiential introduction to science for young children to the necessary scale, and 2) in terms of long-term financial viability – to provide ordinary efficiencies and to attract sufficient attendance and support to sustain the organization long-term.
- Broaden donor and community support for the science and wildlife centers and education programs sufficient to sustain balanced operating budgets post construction.
- Sustain balanced operating budgets during the duration of the Campaign.

During fiscal year ended September 30, 2016, the *Campaign for CuriOdyssey* counted total contributions and booked promises to give of \$5,233,663 towards a working goal of \$35 million for combined operations over four years plus facility renovations. Of that total, \$433,725 was raised through the regular Annual Fund, and \$4,799,938 was raised through campaign-specific solicitations. Additionally, two conditional grants totaling \$525,000 were pledged for when the building construction starts. These grants are not reflected in financial statements.

Per the combined Campaign Plan, a total of \$1,397,767 was allocated to annual program operations for the year ended September 30, 2016.

From the inception of the campaign through September 30, 2016, a total of \$21,898,407 has been raised via campaign and annual gifts, plus \$525,000 in conditional pledges. As of September 30, 2016, \$13,046,405 has been expended to support annual operations, campaign expenses, and the acquisition of fixed assets.

CuriOdyssey
Notes to Financial Statements
September 30, 2016
(Continued)

13. *The Campaign for CuriOdyssey: Building the Minds of Tomorrow Today* (continued)

CuriOdyssey signed a new ground lease with County of San Mateo in May 2016. The updated lease will commence from the date of the issuance of a building permit and will expire on the thirtieth (30th) anniversary of the Certificate of Occupancy, with the option to extend the lease for two (2) additional fifteen (15) year terms. As of January 25, 2017, this lease has not gone into effect.

In September 2016, the CuriOdyssey Board of Trustees voted to decouple the combined campaign plan starting with all donations received in the following fiscal year, beginning October 1, 2016. The organization will raise funds separately for annual operating and the building campaign.

14. Subsequent Events

Management has evaluated subsequent events through January 25, 2017, the date on which the financial statements were available to be issued, and determined the following subsequent event to be reported:

- The CuriOdyssey Board of Trustees voted to decouple the combined campaign plan beginning October 1, 2016. See Note 13 for details.