

Museum of the Bible

Financial Statements
June 30, 2015

Contents

Independent Auditor's Report	1-2
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Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6-14



Independent Auditor's Report

To the Board of Directors
Museum of the Bible
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Museum of the Bible, which comprise the statements of financial position as of June 30, 2015, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum of the Bible as of June 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of The Museum of the Bible, as of and for the year ended June 30, 2014 were audited by other auditors whose report dated December 23, 2014 expressed an unmodified opinion on those statements.

McGladrey LLP

Oklahoma City, Oklahoma
October 14, 2015

Museum of the Bible

Statements of Financial Position June 30, 2015 and 2014

Assets	2015	2014
Cash and cash equivalents	\$ 9,805,739	\$ 2,908,113
Certificates of deposit	393,194	-
Accounts receivables less allowance for doubtful accounts of \$26,133 and \$971,544 at June 30, 2015 and 2014	176,932	862,732
Contributions receivable	2,501,500	-
Inventory	71,587	58,500
Prepaid expenses, deposits, and other assets	2,743,573	359,213
Museum collections	201,236,667	135,042,828
Prepublication costs	9,549,411	3,126,329
Property and equipment, net	123,697,027	68,311,655
Total assets	\$ 350,175,630	\$ 210,669,370
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,051,379	\$ 2,573,104
Accrued liabilities	6,838,838	720,315
Refundable deposits	-	185,431
Total liabilities	7,890,217	3,478,850
Net Assets		
Unrestricted	339,557,338	207,190,520
Temporarily restricted	2,728,075	-
Total net assets	342,285,413	207,190,520
Total liabilities and net assets	\$ 350,175,630	\$ 210,669,370

See Notes to Financial Statements.

Museum of the Bible

**Statements of Activities
June 30, 2015 and 2014**

	2015	2014
Unrestricted Net Assets		
Operating Revenues and Other Support:		
Contributions:		
Gifts of cash and promises to give	\$ 85,726,490	\$ 22,732,380
Biblical artifacts	65,368,000	50,294,500
Admissions	273,220	379,984
Gift shop sales	102,820	162,991
Investment income	25,411	13,915
Release from temporarily restricted net assets	2,627,629	-
Total support and revenues	154,123,570	73,583,770
Operating Expense:		
Payroll and related benefits	4,941,021	2,675,941
Contract services	2,790,110	1,927,132
Sponsorships, awards, and grant expenses	1,412,327	656,608
Marketing	799,655	565,024
Technology	546,473	367,002
Operations	1,024,275	1,264,529
General and administrative	4,810,896	3,183,767
Cost of goods sold	92,471	98,416
Fundraising	4,348,631	-
Total operating expense	20,765,859	10,738,419
Excess of Operating Revenues and Support over Operating Expenses	133,357,711	62,845,351
Non-operating Revenues, Expenses, and Other Support:		
Rental income	369,277	7,589,415
Property management expenses	(1,360,170)	(3,575,079)
Total non-operating revenues, expenses and other support	(990,893)	4,014,336
Change in unrestricted net assets	132,366,818	66,859,687
Temporarily Restricted Net Assets		
Gifts of cash and promises to give	5,355,704	-
Release of temporarily restricted net assets	(2,627,629)	-
Change in temporarily restricted net assets	2,728,075	-
Change in net assets	135,094,893	66,859,687
Net Assets at:		
Beginning of Year	207,190,520	140,330,833
End of Year	\$ 342,285,413	\$ 207,190,520

See Notes to Financial Statements.

Museum of the Bible

**Statements of Cash Flows
June 30, 2015 and 2014**

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ 135,094,893	\$ 66,859,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash contributions of artifacts	(65,368,000)	(50,294,500)
Depreciation and amortization expense	1,320,161	995,644
Bad debt expense	348,708	791,646
Gifts restricted for capital expenditures	(4,602,479)	-
Change in operating assets and liabilities:		
Accounts receivable	337,092	(609,242)
Accrued interest	(194)	-
Contributions receivable	(1,500)	-
Inventory	(13,087)	6,006
Prepaid expenses, deposits, and other assets	(2,384,360)	(276,381)
Accounts payable	(1,521,725)	1,742,743
Accrued liabilities	123,059	(6,039)
Refundable deposits	(185,431)	(31,087)
Net cash provided by operating activities	63,147,137	19,178,477
Cash Flows from Investing Activities		
Restoration of museum collections	(267,751)	(38,952)
Long-term artifact loan agreement	(143,171)	-
Purchases of certificates of deposit	(393,000)	-
Purchases of prepublication costs	(6,423,082)	(3,091,429)
Purchases of property and equipment	(51,124,986)	(14,050,573)
Net cash used in investing activities	(58,351,990)	(17,180,954)
Cash Flows from Financing Activities		
Collection of gifts restricted for capital expenditures	2,102,479	-
Net cash provided by financing activities	2,102,479	-
Net change in cash and cash equivalents	6,897,626	1,997,523
Cash and Cash Equivalents		
Beginning of Year	2,908,113	910,590
End of Year	<u>\$ 9,805,739</u>	<u>\$ 2,908,113</u>
Supplemental Data:		
Capital asset additions financed via accrued liabilities	\$ 5,529,375	\$ -
Long-term artifact loan agreement restoration financed via accrued liabilities	\$ 466,090	\$ -

See Notes to Financial Statements.

Museum of the Bible

Notes to the Financial Statements

Note 1. Significant Accounting Policies

Nature of operations: Museum of the Bible (the Museum) is a publicly supported not-for-profit institution headquartered in Oklahoma City, Oklahoma. The Museum exists to invite all people to engage with the Bible, which is done through museum exhibits and scholarly pursuits. The Museum currently utilizes domestic and international traveling exhibits to showcase its collection of biblical artifacts. In 2017, the Museum is scheduled to open its 430,000 square-foot nonprofit museum in Washington D.C., located just two blocks from the National Mall and three blocks from the Capitol. The Museum supports scholarships and academic research activities through Green Scholars Initiative and through development of a high school Bible curriculum for domestic and international use.

Basis of presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Museum classifies its net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Net assets of the Museum and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are generally not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Museum's Board of Directors.

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Museum and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The amount of net assets identified as released from donor restrictions includes any amounts released whether received in the current year or prior periods. The Museum's temporarily restricted net assets are comprised of the following as of June 30, 2015 (none in 2014): (a) construction of permanent museum—\$2,503,075 and (b) awards and grants—\$225,000.

Permanently restricted net assets: Net assets subject to donor-imposed permanent restrictions. Generally, the donors of these assets permit the Museum to use all or part of the income earned on related assets for specific or general purposes. The Museum has no permanently restricted net assets as of June 30, 2015 and 2014.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, on deposit in demand, and interest-bearing accounts administered by the Museum with original maturities of three months or less. At June 30, 2015, the Museum had certain concentrations of credit risk with financial institutions in the form of uninsured cash and time deposits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the Museum is periodically reviewed, and management believes that credit risk related to the balances is minimal.

Certificates of deposit: Certificates of deposit are carried at cost, which is a reasonable estimate of fair value.

Accounts receivable: Accounts receivable are generally uncollateralized obligations due under leasing arrangements with third parties and cost reimbursements from a related party. The Museum's management considers various factors in estimating its allowance for doubtful accounts, including the length of time from the initial billing, the payment history of the customer, the customer's financial status, and the Museum's overall collection history. Receivables are normally considered to be delinquent when they become 90 days outstanding from the date they were originally billed. A receivable is charged against the allowance when management has determined that all methods for collection of the receivable have been exhausted.

Museum of the Bible

Notes to the Financial Statements

Note 1. Significant Accounting Policies (Continued)

Management has established reserves for estimated uncollectible receivables from its leasing arrangements with its former design center tenants, which total \$26,133 and \$971,544 as of June 30, 2015 and 2014, respectively.

Inventory: Inventory consists of retail items sold through traveling exhibits and are valued at the lower of cost or market, using the average cost method.

Collections: The Museum's collections consist of biblical artifacts that are held for public exhibition, education, or research in the furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved in perpetuity and, as a result, their service potential is undiminished. These assets are evaluated annually for indicators of impairment. The value of the biblical artifacts are included as an asset of the Museum and reflected in the statements of financial position.

Biblical artifacts are stated at fair value at date of receipt by gift when acquired by donation or at cost when purchased by the Museum (no artifact purchases since inception). Collection items are not depreciated; however, restoration costs are capitalized and depreciated over twenty years. Capitalized restoration costs of donated artifacts at June 30, 2015 and 2014 total \$323,104 and \$77,328, respectively, net of associated depreciation. The Museum has entered into a separate restoration and loan agreement with a third party. Capitalized costs associated with this agreement at June 30, 2015 and 2014 are \$573,720 and \$-0-, respectively, net of associated depreciation.

Property and equipment: Land, buildings and improvements, traveling exhibits, furniture and fixtures, and computers and equipment are stated at cost when purchased by the Museum or at fair value at date of receipt by gift when acquired by donation. The Museum's capitalization policy for furniture, fixtures, and equipment includes all items with a cost of \$1,000 or more and an estimated useful life of greater than one year. Assets are depreciated on the straight-line method over the estimated useful lives of the respective asset. Estimated lives for purposes of depreciation are as follows:

Buildings and improvements	Not in service
Traveling exhibits	5 to 10 years
Furniture, fixtures, and equipment	7 to 10 years
Software	3 years

The buildings and improvements will begin depreciation when placed into service.

Prepublication costs: The Museum's prepublication costs are comprised entirely of costs associated with development of the Museum's Bible curriculum and is evaluated for capitalization and subsequent amortization in accordance with ASC 985, *Software*. For the years ending June 30, 2015 and 2014, respectively, the Museum capitalized \$9,549,411 and \$3,091,429 of costs related to development of its Bible curriculum. Once the Bible curriculum is completed and placed in service, the Museum will begin amortizing the Bible curriculum over its estimated useful life and expense the costs of maintenance and customer support.

Museum operations: The Museum includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. Museum operations exclude rental operations associated with the building acquired for conversion into the Museum's permanent museum in Washington D.C.

Museum of the Bible

Notes to the Financial Statements

Note 1. Significant Accounting Policies (Continued)

Contributions and promises to give: Contributions, including promises to give, and non-cash contributions, are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. As of June 30, 2015 and 2014, the Museum has the following unconditional promises to give recorded as contributions receivable:

	2015	2014
Due in less than one year	\$ 1,701,500	\$ -
Due in one to five years	800,000	-
	<u>\$ 2,501,500</u>	<u>\$ -</u>

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. When a donor restriction expires, that is, when a stipulated purpose restriction is satisfied either by the passage of time or the actions of the Museum, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Museum reports gifts of long-lived assets (exclusively biblical artifacts in 2015 and 2014) as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, or in the case of Museum collections, when received.

Through June 30, 2015, all of the Museum's collections have been received via contribution and valued at fair value as of the date of the contribution. None of the Museum's contributed artifacts have any restrictions on their use or disposition and, as a result, have been reported as unrestricted contributions in the statements of activities.

It is the Museum's policy to recognize contributions restricted by a donor for the acquisition or construction of long-lived assets as temporarily restricted support and to reclassify such support to unrestricted net assets as net assets released from restriction when the asset has been acquired and placed in service.

Rental income: Rental income is recognized monthly, on a straight-line basis, consistent with the terms of each individual lease agreement. See Note 2 for a discussion of the Museum's lease agreements associated with the building acquired for its permanent museum location in Washington D.C.

Admissions and gift shop sales: Admission and gift shop sales revenue is recorded when earned, which is the date of sale. Inventory is relieved at the time gift shop revenue is recognized.

Income tax status: The Museum is an organization exempt from federal income tax pursuant to Section 501 (a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) of the Code. Provision has been made, where material, for any taxes due on unrelated business income. Management has evaluated their tax positions and concluded they have taken no uncertain tax positions that require recognition or disclosure in the financial statements. With few exceptions, the Museum is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2011.

Advertising costs: The Museum expenses the costs of advertising as incurred. For the years ended June 30, 2015, and 2014, advertising expense totaled \$170,881 and \$214,448, respectively.

Museum of the Bible

Notes to the Financial Statements

Note 1. Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent events: The Museum has evaluated subsequent events through October 14, 2015, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Note 2. Property and Equipment

Property and equipment are summarized as follows:

Description	2015	2014
Land	\$ 37,002,600	\$ 37,002,600
Building	13,358,255	13,358,255
Traveling exhibits	5,956,866	5,747,510
Furniture, fixtures, and equipment	1,133,251	117,564
Software	452,555	367,941
Construction in progress:		
Permanent museum	68,736,722	13,392,019
	<u>126,640,249</u>	<u>69,985,889</u>
Less: accumulated depreciation	(2,943,222)	(1,674,234)
Net property and equipment	<u>\$ 123,697,027</u>	<u>\$ 68,311,655</u>

In July 2012, the Museum acquired a building in Washington D.C. to serve as its permanent museum. The acquisition price totaled \$50,360,855 of which \$37,002,600 was allocated to land and \$13,358,255 allocated to the building. At the time of the acquisition, the building was being operated as a commercial property with existing lease agreements. The Museum did not renew expiring lease agreements and negotiated with other tenants to early terminate their agreements. In October 2014, the Museum settled its last contractual lease dispute with a tenant. As of December 10, 2014, all tenants had vacated the building.

As the building has not been utilized for its intended use since its acquisition and, the building will require substantial renovation for it to be in condition for its intended use, the building has not been depreciated since acquisition. It is anticipated that the building will not be depreciated until all renovations are complete and the Museum's permanent Washington D.C. location is opened.

Note 3. Funds Held By Others

The Museum has a Single Charity Fund Agreement (the Museum Foundation) at the National Christian Charitable Foundation, Inc. (NCF). Individuals and other organizations may contribute to the NCF and designate their contributions to benefit the Museum Foundation. All funds held in the Museum Foundation are the property of NCF. NCF retains full and unlimited control, use, and distribution of the assets of the fund. Further, NCF may distribute the Museum Foundation assets in contravention of the Museum's Single Charity Fund Agreement to the extent it determines that such a restriction is unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

Museum of the Bible

Notes to the Financial Statements

Note 3. Funds Held By Others (Continued)

Due to the conditions outlined above, assets held in the Museum Foundation are not reflected as assets of the Museum in the accompanying statements of financial position. As of June 30, 2015, the Museum Foundation held \$27,096,696 (\$11,635,453 at June 30, 2014) designated for the benefit of the Museum.

In December 2014, the Museum Foundation received a conditional promise to give of \$150 million to the Museum Foundation. For the fiscal year ended June 30, 2015, the Museum Foundation at NCF had received \$75 million related to this conditional promise and expects to receive the remaining amount in the 2016 fiscal year.

Note 4. Related Party Transactions

The Museum has entered into various agreements with a company whose president is the Museum's Chairman of the Board. The agreements are summarized as follows:

- *Office Space Lease Agreement:* On December 31, 2012, the Museum entered into an office space lease agreement (the Lease Agreement) with the aforementioned related party. The Lease Agreement commenced on January 1, 2013 with a one-year term; however, the Lease Agreement provides the Museum an option to renew for successive one-year terms with appropriate written notice. Annual rent under the Lease Agreement was \$55,440.

Effective April 1, 2014, the Lease Agreement was amended to reflect the growing office space for the Museum (the Amended Lease Agreement). Under the Amended Lease Agreement, the annual rent was adjusted to \$312,525 to be paid in monthly installments. The term of the Amended Lease Agreement remains one-year with optional renewals for successive one-year terms with appropriate written notice.

For the years ended June 30, 2015 and 2014, the amount expensed under these agreements totals \$312,525 and \$119,711.

- *Storage Agreement:* On December 31, 2012, the Museum entered into a storage agreement (the Storage Agreement) with the aforementioned related party. The Storage Agreement commenced on January 1, 2013 and is on a month-to-month basis, cancellable by either party with appropriate written notice. Annual rent charged to this related party under the Storage Agreement was \$13,000.

Effective April 1, 2014, the Storage Agreement was amended to reflect the growing space provided by the Museum (the Amended Storage Agreement). Under the Amended Storage Agreement, the annual rent was adjusted to \$23,195. The term of the Amended Storage Agreement remains month-to-month, cancellable by either party with appropriate written notice.

For the years ended June 30, 2015 and 2014, the Museum recognized \$23,195 and \$15,550 related to the Storage Agreements.

- *Services Agreement:* On December 31, 2012, the Museum entered into a services agreement (the Services Agreement) with the aforementioned related party. The Services Agreement commenced on January 1, 2013 and is on a month-to-month basis, cancellable by either party with appropriate written notice. The Services Agreement results in the aforementioned related party providing the Museum with administrative services such as telephone, marketing, advertising, printing, software, and other services. Monthly charges incurred under the Services Agreement are \$4,500.

Museum of the Bible

Notes to the Financial Statements

Note 4. Related Party Transactions (Continued)

For the years ended June 30, 2015 and 2014, the amount expensed under this agreement totals \$54,000 and \$54,000.

- *Washington D.C. Office Space Agreement:* The Museum entered into a lease agreement with the aforementioned related party, effective September 1, 2014, for certain property located in Washington D.C. The lease term is three-years and includes a one-time right to terminate after 24-months with at least 90-days written notice. Monthly rent under this agreement is \$10,950. For the year ended June 30, 2015, the amount expensed under the agreement was \$109,500.
- *Exhibit Lease Agreement:* The Museum entered into a sublease agreement with the aforementioned related party, effective March 18, 2015, for certain property located in Santa Clara, California for purposes of obtaining space for its Passages traveling exhibit. The lease term is eleven and one-half months and includes a right to terminate upon either the termination of the master lease between sub-landlord and landlord or on a month to month basis at the conclusion of his lease with thirty days written notice. Month rent under this agreement is \$11,063.

For the year ended June 30, 2015, the amount expensed under the agreement totals \$38,183.

Total transactions described above between a company whose president is the Museum's Chairman of the Board and the Museum are summarized as follows:

- Museum as purchaser – lease and services expenses of \$514,208 and \$173,711 for the years ended June 30, 2015 and 2014, respectively.
- Museum as provider – storage revenues of \$23,195 and \$15,550 for the years ended June 30, 2015 and 2014, respectively.

Furniture and Fixtures: During the year ended June 30, 2015, the Museum purchased \$54,477 of furniture and fixtures for its Oklahoma City corporate office from a company controlled by the Museum's Chairman of the Board.

Museum of the Bible

Notes to the Financial Statements

Note 4. Related Party Transactions (Continued)

In addition to the agreements discussed above, the Museum and the aforementioned related party had the following transactions for the years ended June 30

Transaction description - expense (reimbursement)	2015	2014
Payroll costs reimbursed by related party	\$ (802,714)	\$ (634,631)
Relocation expenses	122,529	47,695
Consulting revenue from related party	-	(125,125)
Printing and copying expenses	54,265	72,971
Telephone and communications expenses	39,994	49,838
Freight expenses	196,348	115,818
General and administrative	196,961	-
Development related gifts and services	64,304	-
Computer network equipment and buildout	74,790	-
Other	57,516	92,410
	<u>\$ 3,993</u>	<u>\$ (381,024)</u>

The Museum provides artifact collection support to this related party and receives proportional payroll reimbursements for the estimated time allotted to such activities.

As of June 30, 2015 and 2014, the Museum had receivables from this related party of \$138,031 and \$386,148. As of June 30, 2015 and 2014, the Museum had payables due to this related party of \$592,549 and \$599,662.

In addition to the above, this related party contributed artifacts to the Museum's collection for the years ending June 30, 2015 and 2014 of \$65,368,000 and \$50,294,500, respectively

Public Relations Services: The Museum has entered into an agreement for a company to provide public relation services from a company owned by a member of the Museum's Board of Directors. For the years ended June 30, 2015 and 2014, the amount expensed under this agreement totals \$236,656 and \$209,451.

Note 5. Commitments and Contingencies

As discussed in Note 2, the Museum has acquired a facility in Washington D.C. that will be transformed from commercial real estate into a 430,000 square foot permanent museum to educate the public and showcase the Museum's biblical artifacts. As part of the conversion from commercial real estate to a world-class museum, the Museum anticipates entering into multiple contracts for architecture, construction, design, and other ancillary services. The Museum has finalized some contracts and is in process of negotiating others. The Museum estimates the total costs subject to current and future project contracts to be \$345 to \$375 million. As of June 30, 2015, the Museum has approximately \$250 million of outstanding commitments on existing construction and designer contracts for the permanent museum.

Museum of the Bible

Notes to the Financial Statements

Note 5. Commitments and Contingencies (Continued)

As discussed in Note 1, the Museum is in the process of developing a Bible curriculum to be used in high school classrooms. Various contracts have been executed related to this project's development. The Museum estimates the total costs subject to current and future project contracts to be \$2.8 to \$3.0 million. As of June 30, 2015, the Museum has approximately \$2.9 million of outstanding commitments on existing software and hardware contracts for the curriculum.

The Museum has an outstanding contractual commitment of approximately \$3.9 million for research services in Israel as of June 30, 2015.

In connection with certain construction commitments discussed above, the Museum has issued irrevocable letters of credits of \$391,272, which are collateralized by certificates of deposits totaling \$393,194.

The Museum is involved in various claims and legal disputes from time to time arising in the normal course of business. However, the Museum's management does not believe that the outcome of any of these matters will have a material adverse effect on the Museum's financial position.

Note 6. Employee Benefit Plan

The Museum maintains and offers a defined contribution retirement plan with a "401(k)" feature. Substantially all employees meeting certain age and service requirements are eligible to participate in the 401(k) plan. The Museum provides a discretionary match of 25 percent on an employee's contribution, up to a maximum of 4 percent of their income. The Museum incurred minimal expense associated with the 401(k) plan in 2015 and 2014.

Note 7. Expenses By Functional Classification

Expenses by functional classification for the years ending June 30, 2015 and 2014 are as follows:

	2015	2014
Museum operating expenses, excluding depreciation	\$ 19,445,697	\$ 9,742,775
Depreciation	1,320,162	995,644
	<u>\$ 20,765,859</u>	<u>\$ 10,738,419</u>
Museum program expenses:		
Traveling exhibits	\$ 3,231,612	\$ 4,639,839
Museum collections	979,660	436,183
Research	2,092,110	1,868,123
Permanent museum	407,562	156,195
Education	411,849	104,337
Cost of sales	92,470	98,416
	<u>7,215,263</u>	<u>7,303,093</u>
Supporting services:		
Management and general	5,842,241	3,104,909
Fundraising	7,708,355	330,417
	<u>13,550,596</u>	<u>3,435,326</u>
	<u>\$ 20,765,859</u>	<u>\$ 10,738,419</u>

Museum of the Bible

Notes to the Financial Statements

Note 8. Concentrations

For the years ended June 30, 2015 and 2014, the Museum received 100 percent of its artifact donations from one entity. For the years ended June 30, 2015 and 2014, respectively, the Museum received 96 and 99 percent of its cash contributions from one entity.

