Museum of the Bible

Financial Statements
June 30, 2018

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Contents

RSM US LLP

Independent Auditor's Report

To the Board of Directors
Museum of the Bible

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, 2018 and 2017, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Emphasis of Matter
The Museum adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* during the current year, see Note 1. The adoption of the standard resulted in additional footnote disclosures and significant changes to classification of net assets and the disclosures related to net assets. The adoption was retrospectively applied to July 1, 2016: the earliest year presented. Our opinion is not modified with respect to this matter.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Oklahoma City, Oklahoma
November 15, 2018

Museum of the Bible

Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 299,079	$ 28,603,055
Certificates of deposit	-	392,864
Accounts receivable	554,937	3,565,504
Contributions receivable, net	9,619,567	16,115,997
Inventory	4,110,111	423,027
Prepaid expenses, deposits, and other assets	1,471,934	2,118,587
Restoration and loans, net	1,228,078	858,592
Publication costs:		
Prepublication costs	-	4,355,786
Publications in-service, net	1,235,401	9,648,792
Property and equipment, net	481,450,938	436,241,910
Total assets	$ 499,970,045	$ 502,324,114
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 3,436,100	$ 17,766,988
Accrued liabilities	3,115,992	14,174,965
Line of credit	17,559,680	-
Current portion of long-term debt	6,250,000	75,000,000
Long-term debt	43,606,562	-
Total liabilities	73,968,334	106,941,953
Net assets:		
Without donor restrictions	409,701,438	381,973,860
With donor restrictions	16,300,273	13,408,301
Total net assets	426,001,711	395,382,161
Total liabilites and net assets	$ 499,970,045	$ 502,324,114

See notes to financial statements.

Museum of the Bible

Statements of Activities
Years Ended June 30, 2018 and 2017

	2018	2017
Net assets without donor restrictions:		
Operating revenues and other support:		
Contributions	**$ 118,644,764**	$ 152,459,758
Admissions	**10,098,544**	25,962
Gift shop sales	**3,064,261**	-
Other income	**1,700,339**	1,539,625
Net assets released from restriction	**6,080,680**	14,036,249
Total support and revenues	**139,588,588**	168,061,594
Operating expense:		
Payroll and related benefits	**23,487,963**	14,489,334
Contract services	**9,138,304**	6,817,631
Sponsorships	**544,291**	742,436
Awards and grants	**2,698,411**	6,222,658
Marketing	**16,256,432**	5,248,593
Technology	**3,252,853**	1,667,800
Operations	**8,976,624**	1,273,970
Non-employee and program-related travel	**1,545,172**	2,494,005
Depreciation and amortization	**30,042,631**	2,252,091
General and administrative	**11,484,888**	4,696,622
Cost of goods sold	**2,457,841**	660,468
Development	**1,975,600**	3,994,540
Total operating expense	**111,861,010**	50,560,148
Change in net assets without donor restrictions	**27,727,578**	117,501,446
Net assets with donor restrictions:		
Gifts of cash and promises to give, net	**8,972,652**	18,069,092
Net assets released from restriction	**(6,080,680)**	(14,036,249)
Change in net assets with donor restrictions	**2,891,972**	4,032,843
Change in net assets	**30,619,550**	121,534,289
Net assets at beginning of year	**395,382,161**	273,847,872
Net assets at end of year	**$ 426,001,711**	$ 395,382,161

See notes to financial statements.

Museum of the Bible

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 30,619,550	$ 121,534,289
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,089,237	2,867,831
Bad debt expense	2,874,543	-
Unsuccessful efforts expense	-	82,000
Discount of contribution receivable	(223,695)	409,437
Gifts restricted for capital expenditures	(3,601,107)	(8,953,688)
Change in operating assets and liabilities:		
Accrued interest	-	1,158
Accounts receivable	(302,654)	(38,284)
Contributions receivable	3,845,582	(6,155,013)
Inventory	(3,687,084)	(337,279)
Prepaid expenses, deposits, and other assets	646,653	116,303
Accounts payable	(1,245,791)	2,651,886
Accrued liabilities	1,693,871	466,000
Net cash provided by operating activities	61,709,105	112,644,640
Cash flows from investing activities:		
Restoration of museum collections	(700,000)	(71,477)
Long-term artifact loan agreement	-	(138,585)
Redemption of certificates of deposit	392,864	-
Purchases of prepublication costs	(2,772,097)	(2,581,524)
Purchases of property and equipment	(83,557,759)	(181,367,142)
Net cash used in investing activities	(86,636,992)	(184,158,728)
Cash flows from financing activities:		
Borrowings on short-term debt	49,513,533	74,250,000
Payments on short-term debt	(106,347,291)	-
Borrowings on long-term debt	49,856,562	-
Gifts collected for capital expenditures	3,601,107	8,953,688
Net cash (used in) provided by financing activities	(3,376,089)	83,203,688
Net change in cash and cash equivalents	(28,303,976)	11,689,600
Cash and cash equivalents:		
Beginning of year	28,603,055	16,913,455
End of year	$ 299,079	$ 28,603,055
Supplemental data:		
Capital asset additions financed via accruals	$ 529,215	$ 26,973,718
Long-term artifact loan agreement restoration financed via accrued liabilities	$ -	$ 138,585
Financing costs withheld from short-term loan proceeds	$ 143,438	$ 750,000
Interest paid	$ 1,081,698	$ 3,269,777

See notes to financial statements.

Note 1. Significant Accounting Policies

Nature of operations: Museum of the Bible (the Museum) is a publicly supported not-for-profit organization headquartered in Oklahoma City, Oklahoma. The Museum is an innovative, global, educational institution whose purpose is to invite all people to engage with the history, narrative and impact of the Bible. The Museum has domestic and international traveling exhibits and in 2017, the Museum opened its 430,000 square-foot nonprofit museum in Washington D.C., located three blocks from the Capitol. The Museum supports scholarships and academic research activities through its Scholars Initiative and through development of Bible curricula 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:

Net assets without donor restrictions: Net assets that are generally not subject to donor-imposed restrictions. These may be designated for specific purposes by the Museum's Board of Directors, but have not been as of June 30, 2018 and 2017.

Net assets with donor restrictions: 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The amount of net assets identified as released from restrictions includes any amounts released whether received in the current year or prior periods. The Museum's net assets with donor restrictions are comprised of the following as of June 30:

	2018	2017
Permanent museum	$ 3,776,933	$ 2,499,290
Traveling exhibits	614,057	-
Research	1,697,705	2,021,413
Education	2,408,816	2,000,000
Time restricted	7,802,762	6,887,598
	$ 16,300,273	$ 13,408,301

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, 2018 and 2017, the Museum had certain concentrations of credit risk with financial institutions in the form of uninsured cash and time deposits (the Museum had no time deposits at June 30, 2018). 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 fair value.

Inventory: Inventory consists of retail items sold through its museum gift shop and traveling exhibits or online and are valued at the lower of cost or net realizable value using the average cost method.

Note 1. Significant Accounting Policies (Continued)

Collections, restorations and loans: The Museum's collections consist of donated and purchased biblical artifacts, facsimiles and restoration costs for items 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.

In conformity with accounting policies generally followed by museums with similar collections, the value of the Museum's collections has been excluded from the statement of financial position, and gifts of artifacts are excluded from revenue in the statement of activities. Purchases of artifacts for the collection by the Museum are recorded as decreases in net assets in the statement of activities as with or without donor restrictions based on the restriction of the donor. Proceeds from the deaccession of biblical artifacts are recorded as net assets with donor restrictions and are restricted to the acquisition of other biblical artifacts.

Restoration costs are capitalized and depreciated between ten and twenty years. Capitalized restoration costs of donated artifacts at June 30, 2018 and 2017 total $477,779 and $457,622, respectively. The Museum has entered into a separate restoration and loan agreement with a third party. Capitalized costs associated with this agreement at June 30, 2018 and 2017 are $620,805 and $620,805, respectively. The Museum occasionally enters into long-term loan agreements with various parties to use artifacts as part of its exhibits. Costs associated with these agreements at June 30, 2018 and 2017 are $700,000 and $-0-, respectively. Accumulated amortization is $570,506 and $219,835 at June 30, 2018 and 2017, respectively.

Property and equipment: Land, buildings and improvements, long-term museum exhibits, traveling exhibits, furniture and fixtures, durable equipment, computers and software are stated at cost. The Museum's capitalization policy includes purchases with a cost of $5,000 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	50 years
Museum long-term exhibits	7 to 10 years
Traveling exhibits	5 to 10 years
Furniture and fixtures	7 to 10 years
Durable equipment	5 years
Software and computer equipment	3 years

Publication costs: The Museum's prepublication costs are comprised of costs associated with development of the Museum's Bible curriculum and publications and are evaluated for capitalization and subsequent amortization in accordance with Accounting Standards Codification (ASC) Topic 985, Software. The Museum's capitalization policy includes purchases with a cost of $5,000 or more and an estimated useful life of greater than one year. As of June 30, 2018 and 2017, respectively, the Museum has $5,225,190 and $4,355,786, of capitalized prepublication costs related to development of its Bible curriculum. Once the Bible curriculum or publication is completed and placed in service, the costs are reclassified to publications in-service, and the Museum will begin amortizing it over its estimated useful life and expense the costs of maintenance and customer support.

As of June 30, 2018 and 2017, respectively, the Museum has $1,235,401 and $9,648,792 of publications in-service, which includes technology to allow for downloadable digital publications and the content of the publications themselves. Assets are depreciated or amortized on the straight-line method over the estimated useful lives of the respective asset. Estimated lives for purposes of amortization are 3 years for technology related to digital publications and 10 years for content of publications.

Note 1. Significant Accounting Policies (Continued)

Effective June 30, 2018, the Museum determined it expects to provide the curriculum to most users at no cost as part of its mission to engage all people with the Bible. A one-time amortization expense of $15,258,746 was made to capitalized pre-publication and in-service curriculum has been recognized as of June 30, 2018 of which $1,046,631 was recorded in cost of goods sold. Future curriculum-related investments will be expensed as incurred. Total amortization expense of publications in service for the year ended June 30, 2017 was $1,105,353, of which $657,632 was recorded in cost of goods sold. Total amortization expense of remaining publications in service at June 30, 2018 was $282,528 of which $-0- was recorded in cost of goods sold.

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.

Contributions and promises to give: Contributions, including promises to give are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. Other similar contributions may not be accompanied by a donor stipulation but are time restricted until due. An allowance is recognized for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Contributions receivable that are no longer expected to be expected are written off to bad debt expense. As of June 30, 2018 and 2017, the Museum has the following unconditional promises to give recorded as contributions receivable:

	2018	2017
Due in less than one year	$ 6,327,466	$ 10,486,588
Due in one to five years	4,504,751	4,880,999
Thereafter	1,196,000	1,616,000
	12,028,217	16,983,587
Less time value discount on pledge receivables	(643,895)	(867,590)
Less allowance for doubtful accounts	(1,764,755)	-
Net contributions receivable	$ 9,619,567	$ 16,115,997

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Museum reports gifts of long-lived assets as without donor restriction unless explicit donor stipulations specify how the donated asset must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

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.

Note 1. Significant Accounting Policies (Continued)

Advertising costs: The Museum expenses the costs of advertising as incurred. For the years ended June 30, 2018 and 2017, advertising expense totaled $16,256,431 and $5,248,593, respectively. The increase from 2017 to 2018 is mainly due to a one-time national media campaign related to the grand opening of the Museum's new permanent museum in November 2017 which was expensed as incurred in accordance with ASC Topic 720.

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 November 15, 2018, which is the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Reclassification: Certain amounts from 2017 have been reclassified to conform to 2018 presentations.

Liquidity management and funds available: The following reflects Museum's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

The Museum's financial assets available within one year of the statement of financial position for general expenditure are as follows at June 30, 2018:

Financial assets, at year end	$ 10,473,583
Less those unavailable for general expenditures within one year due to:	
Receivables not due in one year	(5,056,856)
Receivables due in one year for restricted purposes	(1,253,713)
Funds to be used for other commitments in the next year, not included in contributions receivable	(586,940)
Donor contributions restricted to specific purposes not included in contributions receivable	(3,576,074)
Financial assets available to meet cash needs for general expenditures within one year	$ -

The Museum maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Museum invests cash in excess of weekly requirements in short-term investments. As mentioned in Note 4, to help manage unanticipated liquidity needs, commitments and to cover purpose restricted amounts, the Museum has a revolving line of credit of $25 million, upon which it can draw. Further, the Museum has received conditional promises to give up to $50 million at June 30, 2018. Management expects these amounts to be received within the next fiscal year as needed to fund Museum operations and expenditures.

Note 1. Significant Accounting Policies (Continued)

Accounting pronouncements adopted: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (c) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (d) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources representing investment return net of external and direct internal investment expenses, and (f) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Museum has chosen to early-adopt this ASU as of and for the year ended June 30, 2018 with retrospective application for the 2017 financial statements.

The Museum opted to not disclose liquidity and availability information for 2017 as permitted under the ASU in the year of adoption. As a result, the investment expenses are netted against investment return in the statements of activities. In addition, the Museum changed its presentation of its net assets classes and expanded the footnote disclosures as required by the ASU.

Note 2. Property and Equipment

Property and equipment are summarized as follows:

	2018	2017
Land	$ 37,002,600	$ 37,002,600
Buildings and improvements	322,965,691	13,399,877
Museum long-term exhibits	121,777,117	-
Traveling exhibits	6,514,656	6,514,656
Furniture and fixtures	4,039,649	779,118
Durable equipment	4,756,908	-
Software and computer equipment	5,404,883	1,709,494
Construction in progress:		
Permanent museum	575,834	383,205,118
	503,037,338	442,610,863
Less accumulated depreciation	(21,586,400)	(6,368,953)
Net property and equipment	$ 481,450,938	$ 436,241,910

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. The building has undergone substantial renovations for it to be in a condition for its intended use and became substantially complete as of mid November 2017 when depreciation commenced.

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.

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, 2018 and 2017, the Museum Foundation held $8,162 and $15,175 designated for the benefit of the Museum.

Note 4. Loan Agreements

On July 18, 2016, the Museum entered into a loan agreement with a private lending institution for a twelve month, $75,000,000 loan due August 1, 2017. The loan includes a 1.0 percent origination fee and a minimum floating interest rate of 4.50 percent tied to the Wall Street Journal Prime index (5.0 percent at June 30, 2017). The loan proceeds have been used to fund capital needs related to the construction of the Museum's new permanent museum in Washington D.C. with any interest and fees capitalized. The loan is not collateralized but has been guaranteed by a trust controlled by a third party to the satisfaction of the lender.

On August 1, 2017, the Museum repaid the previous $75,000,000 loan from the private lending institution with cash and proceeds from a new lending arrangement from a local bank. Under that arrangement, the Museum has a $50,000,000 loan with principal due in eight annual payments beginning July 31, 2018 with a final maturity date of July 31, 2025. Interest is due quarterly beginning September 30, 2017 at a rate of 1.85 percent over the one month LIBOR rate (3.94 percent as of June 30, 2018). An administrative and commitment fee of .20 percent on the $50,000,000 loan has been recognized and will be amortized over the life of the loan. The entire principal balance of $50,000,000 was outstanding at June 30, 2018. This is netted with unamortized debt issuance costs of $143,438.

In addition, on August 1, 2017, the Museum entered into a $25,000,000 revolving line of credit arrangement to be used to fund operational needs as necessary. The revolving line of credit has a three-year term with an original maturity date of July 31, 2020 and is expected to be renewed as required prior to each maturity date. Interest is computed on the daily outstanding principal balance of indebtedness at a rate of 1.85 percent over the one month LIBOR rate (3.94 percent as of June 30, 2018). Interest is due on the same dates as the amortizing portion of the debt. An administrative and commitment fee of .20 percent on the full $25,000,000 commitment has been recognized and will be amortized over the life of the line of credit. In addition, a .25 percent fee on any unused portion of the line of credit is calculated on a daily basis and remitted quarterly to the lender. At June 30, 2018, there was an outstanding balance of $17,559,680 on the revolving line of credit.

Both the new loan and line of credit are not collateralized by assets but assets may not be pledged on any future debt without written authorization by the lender. Both the loan and line of credit have been guaranteed by a trust controlled by a third party to the satisfaction of the lender.

Note 5. Related Party Transactions

The Museum engages in business transactions with three of its board members and/or companies they control for goods and services, at fair value, that it would purchase or provide in the ordinary course of business.

The Museum's leasing arrangements include (a) office space in Oklahoma City with one-year terms and options to renew, (b) office space in Washington D.C. through December 2017, and (c) exhibit sublease space for its traveling exhibits with month-to-month terms.

The Museum's services agreement provides for the curation of biblical artifacts on a month-to-month basis. The monthly rate was amended in January 2016 and is currently $100,000 per month.

A summary of the expenses (revenue/cost recovery) related to these agreements and other transactions between the Museum and its related parties is as follows:

	2018	2017
Curatorial services	$ (1,200,000)	$ (1,200,000)
Office lease and other leasing expenses	475,223	604,317
Public relations services	627,696	251,299
Other expenses	65,995	129,800
	$ (31,086)	$ (214,584)

During 2018 and 2017, in connection with the construction of the permanent museum, the Museum incurred $-0- and $2,424,246, respectively, of construction related costs from a related party that have been capitalized as part of the permanent museum.

As of June 30, 2018 and 2017, the Museum had related party receivables of $47,656 and $-0-. As of June 30, 2018 and 2017, the Museum had related party payables of $16,498 and $22,004.

Note 6. Commitments and Contingencies

As the Museum has commenced operations in its new facility in Washington D.C., it has entered into many contracts related to its operations and continued maintenance. As of June 30, 2018, the Museum has approximately $8.2 million of outstanding commitments related to these activities.

As discussed in Note 1, the Museum is in the process of developing a Bible curriculum. Various contracts have been executed related to this project’s development. As of June 30, 2018, the Museum has approximately $1.1 million of outstanding commitments on existing software and hardware contracts for the curriculum.

The Museum has an outstanding contractual commitment of approximately $3.0 million for a grant to fund research services in Israel as of June 30, 2018.

The Museum occasionally becomes involved in various claims and legal disputes arising in the normal course of business. The Museum’s management does not believe that the outcome of these matters will have a material adverse impact on the Museum’s financial position.

Note 7. 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 50 percent on an employee's contribution, up to a maximum of 6 percent of their income. The Museum incurred minimal expense associated with the 401(k) plan in 2018 and 2017. The Museum contributed $313,623 and $212,407 of matching employer contributions in 2018 and 2017, respectively.

Note 8. Expenses by Functional Classification

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on by square footage, head count and direct costs.

Expenses by functional and natural classification for the years ended June 30, 2018 and 2017 are as follows:

2018

	Museum Program Expenses					Supporting Services		
	Traveling Exhibits	Museum Collections	Research	Permanent Museum	Education	Management and General	Fundraising	Total
Payroll and related benefits	$ 358,311	$ 2,037,425	$ 307,656	$ 10,986,991	$ 340,873	$ 7,066,971	$ 2,389,736	$ 23,487,963
Contract services	138,178	89,257	199,946	4,585,603	998,228	1,395,013	1,732,079	9,138,304
Sponsorships	-	-	310,907	119,084	-	100	114,200	544,291
Awards and grants	-	101,400	922,336	20,095	1,604,580	50,000	-	2,698,411
Marketing	40,060	647	8	15,857,773	207,633	49,519	100,792	16,256,432
Technology	3,187	13,888	134	808,868	2,723	2,339,006	85,047	3,252,853
Operations	249,254	419,918	4,914	8,135,128	37,761	66,007	63,642	8,976,624
Non-employee and program-related travel	81,957	66,854	78,449	536,399	135,871	259,782	385,860	1,545,172
Depreciation and amortization	1,523,220	116,570	16,866	13,446,540	14,091,338	429,656	418,441	30,042,631
General and administrative	36,440	526,960	48,591	4,389,880	101,135	2,826,011	3,555,871	11,484,888
Cost of goods sold	-	-	-	2,457,841	-	-	-	2,457,841
Development	4,466	-	144	970,941	2,337	131,201	866,511	1,975,600
	$ 2,435,073	$ 3,372,919	$ 1,889,951	$ 62,315,143	$ 17,522,479	$ 14,613,266	$ 9,712,179	$ 111,861,010

2017

	Museum Program Expenses					Supporting Services		
	Traveling Exhibits	Museum Collections	Research	Permanent Museum	Education	Management and General	Fundraising	Total
Payroll and related benefits	$ 283,894	$ 1,950,688	$ 203,369	$ 2,978,437	$ 417,355	$ 6,008,422	$ 2,647,169	$ 14,489,334
Contract services	112,068	51,048	403,915	1,729,158	803,162	790,014	2,928,266	6,817,631
Sponsorships	-	-	147,475	33,449	5,176	63,999	492,337	742,436
Awards and grants	-	-	2,097,216	69,440	3,914,753	81,249	60,000	6,222,658
Marketing	171	6,764	3	4,061,661	622,564	67,455	489,975	5,248,593
Technology	-	1,652	50	194,694	3,197	1,399,048	69,159	1,667,800
Operations	179,928	233,787	1,139	464,163	10,347	134,901	249,705	1,273,970
Non-employee and program-related travel	7,923	32,733	134,312	314,554	24,537	318,317	1,661,629	2,494,005
Depreciation and amortization	999,848	98,423	2,805	171,595	373,209	552,503	53,708	2,252,091
General and administrative	10,045	649,100	55,636	689,372	163,031	1,649,614	1,479,824	4,696,622
Cost of goods sold	-	-	-	660,468	-	-	-	660,468
Development	-	1,168	2,372	178,854	2,732	122,359	3,687,055	3,994,540
	$ 1,593,877	$ 3,025,363	$ 3,048,292	$ 11,545,845	$ 6,340,063	$ 11,187,881	$ 13,818,827	$ 50,560,148

Note 9. Concentrations

For the years ended June 30, 2018 and 2017, respectively, the Museum received 87 and 85 percent of its contributions from one donor.