

THE CHILDREN'S MUSEUM, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Years Ended June 30, 2022 and 2021

THE CHILDREN'S MUSEUM, INC.
Houston, Texas

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Fiscal Years Ended June 30, 2022 and 2021

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	4
CONSOLIDATED STATEMENTS OF ACTIVITIES	5
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	10
SUPPLEMENTARY INFORMATION	
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION	24
SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES	25
GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE REPORTS	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	26
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	27
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	28
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY BY THE UNIFORM GUIDANCE.....	30
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	33

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Children's Museum, Inc.
Houston, Texas

Report on the Audit of the Financial Statements*Opinion*

We have audited the consolidated financial statements of The Children's Museum, Inc. (a Texas nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Children's Museum, Inc. as of June 30, 2022, and the changes in their net assets, and their cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Children's Museum, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of The Children's Museum, Inc. for the fiscal year ended June 30, 2021, were audited by other auditors, who expressed an unmodified opinion on those statements on December 6, 2021.

Responsibilities of Management for the Financial Statements

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

(Continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's Museum, Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Children's Museum, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's Museum, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedules I and II are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

(Continued)

Other Matters – Supplementary Information Required by Uniform Guidance

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022 on our consideration of The Children’s Museum, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Children’s Museum, Inc.’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Children’s Museum, Inc.’s internal control over financial reporting and compliance.


Crowe LLP

Houston, Texas
November 14, 2022

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 11,119,705	\$ 6,486,370
Inventory	243,615	258,466
Accounts receivable	554,897	173,712
Operating pledges receivable, net	511,973	443,582
Pledges receivable for donated use of facilities, net	618,570	732,006
Employee retention credit receivable	1,256,470	741,386
Property and equipment, net	13,608,254	14,665,189
Investments	18,522,154	21,369,991
Prepaid expenses and other assets	<u>12,904</u>	<u>64,392</u>
 Total assets	 <u>\$ 46,448,542</u>	 <u>\$ 44,935,094</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 643,808	\$ 365,071
Deferred revenue	<u>751,417</u>	<u>488,649</u>
Total liabilities	1,395,225	853,720
Net assets		
Without donor restrictions	24,988,004	20,548,086
With donor restrictions	<u>20,065,313</u>	<u>23,533,288</u>
Total net assets	<u>45,053,317</u>	<u>44,081,374</u>
 Total liabilities and net assets	 <u>\$ 46,448,542</u>	 <u>\$ 44,935,094</u>

See accompanying notes to consolidated financial statements.

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenue			
Contributions	\$ 1,685,470	\$ 1,838,037	\$ 3,523,507
Membership fees	591,841	-	591,841
Special events	1,385,943	-	1,385,943
Direct donor benefit costs of special events	(293,638)	-	(293,638)
Admissions	2,859,550	-	2,859,550
Program fees	1,005,810	-	1,005,810
Museum gift shop and café sales	983,164	-	983,164
Cost of goods sold	(496,876)	-	(496,876)
Government grants	5,251,786	-	5,251,786
Parking fees	748,115	-	748,115
Donated use of facilities	66,564	-	66,564
Investment return (loss), net	283	(2,948,366)	(2,948,083)
Other revenue	42,634	-	42,634
Total revenue	<u>13,830,646</u>	<u>(1,110,329)</u>	<u>12,720,317</u>
Net assets released from restrictions:			
Program and capital campaign expenditures	<u>2,357,646</u>	<u>(2,357,646)</u>	<u>-</u>
Totals	<u>16,188,292</u>	<u>(3,467,975)</u>	<u>12,720,317</u>
Expenses			
Program services:			
Exhibitions and education	7,627,414	-	7,627,414
Membership and public outreach	749,953	-	749,953
Gift shop and café	446,769	-	446,769
Visitor services	502,789	-	502,789
Total program services	<u>9,326,925</u>	<u>-</u>	<u>9,326,925</u>
Supporting services:			
Management and general	1,601,871	-	1,601,871
Fundraising and membership development	819,578	-	819,578
Total expenses	<u>11,748,374</u>	<u>-</u>	<u>11,748,374</u>
Changes in net assets	4,439,918	(3,467,975)	971,943
Net assets, beginning of fiscal year	<u>20,548,086</u>	<u>23,533,288</u>	<u>44,081,374</u>
Net assets, end of fiscal year	<u>\$ 24,988,004</u>	<u>\$ 20,065,313</u>	<u>\$ 45,053,317</u>

See accompanying notes to consolidated financial statements.

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenue			
Contributions	\$ 1,730,422	\$ 1,571,535	\$ 3,301,957
Membership fees	316,287	-	316,287
Special events	1,211,475	-	1,211,475
Direct donor benefit costs of special events	(109,317)	-	(109,317)
Admissions	383,368	-	383,368
Program fees	602,408	-	602,408
Museum gift shop and café sales	181,185	-	181,185
Cost of goods sold	(97,811)	-	(97,811)
Government grants	2,331,764	-	2,331,764
Parking fees	242,481	-	242,481
Donated use of facilities	66,564	-	66,564
Investment return, net	11,729	4,086,703	4,098,432
Other revenue	35,604	-	35,604
Total revenue	<u>6,906,159</u>	<u>5,658,238</u>	<u>12,564,397</u>
 Net assets released from restrictions:			
Program and capital campaign expenditures	2,305,816	(2,305,816)	-
Endowment earnings appropriated for operations	440,500	(440,500)	-
Totals	<u>9,652,475</u>	<u>2,911,922</u>	<u>12,564,397</u>
 Expenses			
Program services:			
Exhibitions and education	5,918,111	-	5,918,111
Membership and public outreach	581,702	-	581,702
Gift shop and café	262,958	-	262,958
Visitor services	277,858	-	277,858
Total program services	<u>7,040,629</u>	<u>-</u>	<u>7,040,629</u>
Supporting services:			
Management and general	1,006,358	-	1,006,358
Fundraising and membership development	901,538	-	901,538
Total expenses	<u>8,948,525</u>	<u>-</u>	<u>8,948,525</u>
 Changes in net assets	703,950	2,911,922	3,615,872
 Net assets, beginning of fiscal year	<u>19,844,136</u>	<u>20,621,366</u>	<u>40,465,502</u>
 Net assets, end of fiscal year	<u>\$ 20,548,086</u>	<u>\$ 23,533,288</u>	<u>\$ 44,081,374</u>

See accompanying notes to consolidated financial statements.

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the fiscal year ended June 30, 2022

	Program Services				Supporting Services			
	Exhibitions and <u>Education</u>	Membership and Public <u>Outreach</u>	Gift Shop and Café	Visitor <u>Services</u>	Total Program <u>Services</u>	Management and General	Fundraising and Membership <u>Development</u>	Total <u>Expenses</u>
Salaries and wages	\$ 2,985,244	\$ 388,079	\$ 236,711	\$ 201,428	\$ 3,811,462	\$ 628,899	\$ 441,218	\$ 4,881,579
Fringe benefits	401,300	35,752	17,969	12,659	467,680	68,631	37,971	574,282
Payroll taxes	249,342	31,518	21,423	9,239	311,522	46,182	36,523	394,227
Advertising	-	-	-	-	-	211,589	-	211,589
Bank and credit card fees	-	25,451	26,491	109,511	161,453	20,974	24,083	206,510
Contract labor	406,919	161,727	14,627	30,778	614,051	393,297	53,629	1,060,977
Depreciation	1,121,743	18,619	43,971	7,592	1,191,925	33,794	65,292	1,291,011
Dues and subscriptions	16,334	5,419	443	201	22,397	21,251	2,207	45,855
Electricity	157,026	2,856	6,744	1,164	167,790	5,183	5,429	178,402
Equipment rental	17,422	-	-	-	17,422	6,417	635	24,474
Exhibit maintenance	611,274	-	-	-	611,274	-	-	611,274
Insurance	208,133	3,919	9,256	8,516	229,824	7,114	6,545	243,483
Janitorial	278,710	4,892	11,553	1,995	297,150	8,879	12,906	318,935
Other occupancy	285,361	2,834	6,693	1,156	296,044	5,144	38,449	339,637
Other utilities	43,039	825	1,949	11,196	57,009	1,498	1,231	59,738
Postage and delivery	37,750	18,259	-	424	56,433	1,185	22,472	80,090
Printing	9,027	2,176	-	4,588	15,791	-	6,890	22,681
Professional fees	873	-	-	-	873	51,864	9,850	62,587
Rent and storage fees	161,360	-	-	-	161,360	10,806	-	172,166
Repair and maintenance	184,903	3,464	13,903	31,472	233,742	6,288	6,211	246,241
Supplies	394,872	40,526	31,205	68,903	535,506	46,073	38,581	620,160
Telephone	34,628	2,805	1,702	701	39,836	7,312	4,740	51,888
Travel	21,154	332	-	89	21,575	1,719	3,465	26,759
Other	1,000	500	2,129	1,177	4,806	17,772	1,251	23,829
Totals	\$ 7,627,414	\$ 749,953	\$ 446,769	\$ 502,789	\$ 9,326,925	\$ 1,601,871	\$ 819,578	\$ 11,748,374

See accompanying notes to consolidated financial statements.

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the fiscal year ended June 30, 2021

	Program Services				Supporting Services			
	Exhibitions and <u>Education</u>	Membership and Public <u>Outreach</u>	Gift Shop and Café	Visitor <u>Services</u>	Total Program <u>Services</u>	Management and General	Fundraising and Membership <u>Development</u>	Total <u>Expenses</u>
Salaries and wages	\$ 2,144,275	\$ 261,980	\$ 112,733	\$ 105,083	\$ 2,624,071	\$ 598,106	\$ 564,177	\$ 3,786,354
Fringe benefits	433,391	65,649	31,706	3,771	534,517	87,924	68,137	690,578
Payroll taxes	183,142	20,052	9,492	2,165	214,851	40,760	43,223	298,834
Advertising	-	-	-	-	-	54,260	-	54,260
Bank and credit card fees	-	7,782	4,138	21,641	33,561	7,942	19,415	60,918
Contract labor	125,503	149,205	5,945	9,795	290,448	52,593	56,422	399,463
Depreciation	1,224,289	20,712	47,744	8,243	1,300,988	36,693	49,235	1,386,916
Dues and subscriptions	9,522	24,580	613	14	34,729	14,805	1,707	51,241
Electricity	138,281	2,651	6,222	1,074	148,228	4,782	3,287	156,297
Equipment rental	19,215	-	-	-	19,215	7,769	-	26,984
Exhibit maintenance	301,574	-	-	-	301,574	-	-	301,574
Insurance	194,899	3,680	8,619	8,208	215,406	6,624	5,046	227,076
Janitorial	128,463	2,284	5,305	916	136,968	4,077	4,356	145,401
Other occupancy	218,274	1,596	2,920	504	223,294	2,244	24,108	249,646
Other utilities	26,606	486	1,133	9,925	38,150	871	808	39,829
Postage and delivery	4,531	244	1,678	-	6,453	-	5,935	12,388
Printing	16,837	4,372	-	-	21,209	2,415	19,575	43,199
Professional fees	678	3,389	-	-	4,067	52,557	4,400	61,024
Rent and storage fees	154,220	-	-	-	154,220	9,995	-	164,215
Repair and maintenance	191,770	3,586	8,389	40,539	244,284	6,448	5,215	255,947
Supplies	366,553	6,244	12,528	65,303	450,628	5,981	20,415	477,024
Telephone	25,740	2,710	3,032	677	32,159	4,264	2,710	39,133
Travel	3,178	-	-	-	3,178	121	494	3,793
Other	7,170	500	761	-	8,431	5,127	2,873	16,431
Totals	\$ 5,918,111	\$ 581,702	\$ 262,958	\$ 277,858	\$ 7,040,629	\$ 1,006,358	\$ 901,538	\$ 8,948,525

See accompanying notes to consolidated financial statements.

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the fiscal years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Changes in net assets	\$ 971,943	\$ 3,615,872
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Net realized and unrealized (gain) loss on investments	3,396,331	(3,699,768)
Fair value of stock contributed	(57,470)	-
Depreciation	1,291,011	1,386,916
Loss on disposal of property and equipment	102,611	13,586
Contributions restricted for endowment	(100,000)	(48,436)
Change in discount on pledges receivable	(65,719)	(66,820)
Donated use of facilities	180,000	180,000
Changes in operating assets and liabilities:		
Inventory	14,851	38,219
Accounts receivable	(381,185)	(7,351)
Operating pledges receivable	(69,236)	185,825
Employee retention credit receivable	(515,084)	(741,386)
Prepaid expenses and other assets	51,488	(23,996)
Accounts payable and accrued expenses	278,737	89,502
Deferred revenue	262,768	(294,170)
Refundable advance	-	(119,546)
Net cash from operating activities	5,361,046	508,447
Cash flows from investing activities		
Purchases of property and equipment	(336,687)	(254,068)
Purchase of investments	(523,050)	(439,186)
Proceeds from sale of investments	32,555	482,710
Redemption (reinvestment) of certificates of deposit held as investments	(529)	2,208,000
Net cash from investing activities	(827,711)	1,997,456
Cash flows from financing activities		
Proceeds from contributions restricted for capital expansion	-	8,895
Proceeds from contributions restricted for endowment	100,000	48,436
Net cash from financing activities	100,000	57,331
Net change in cash	4,633,335	2,563,234
Cash, beginning of fiscal year	6,486,370	3,923,136
Cash, end of fiscal year	\$ 11,119,705	\$ 6,486,370

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Children's Museum, Inc., operating as Children's Museum Houston (the "Museum"), a Texas nonprofit corporation, was founded in November 1980 to create a lifelong passion for learning through educational exhibits and programs that provoke curiosity and inspiration. The Museum's mission is to transform communities through innovative, child-centered learning. This mission is achieved through efforts to address six key community needs identified through community forums that involve 1) fostering the development of Houston's significant child population; 2) increasing and supporting parental engagement in their children's learning; 3) providing learning experiences that reinforce and supplement classroom instruction; 4) reducing the effects of poverty on learning; 5) serving a multicultural, multilingual population; and 6) promoting workforce readiness through the development of 21st century skills.

In July 2013, the Museum formed a limited liability company, Fort Bend Children's Discovery Center, LLC (the "LLC"), to operate the Fort Bend Children's Discovery Center. The Museum is the sole member of the LLC.

Throughout fiscal year 2021, Museum educators continued to create virtual All-Time Access programming, iteratively developing offerings based on user feedback, including data from local school districts about achievement gaps associated with the "lost" school year. Museum educators created and posted new content online daily and distributed corresponding materials, books, and activity curricula through food distribution lines and clinics. The 1,800+ videos and live workshops created by Museum educators to serve families during COVID reached 8.4 million viewers, with 35,000 kits of supplies provided for low-income families in conjunction with food distributions and other assistance events. Forbes ranked All-Time Access among the "Top Online Experiences providing a virtual respite from Stay at Home orders in place around the world," noting "the warm personalities of [the Museum's] employees... jump right off the screen and make for engaging and informative experiences."

The Museum and Discovery Center were closed due to COVID-19 for nine months of fiscal year 2021 (September 2020 to May 2021). The closure substantially reduced key sources of earned revenue from paid admissions, memberships, rentals, retail sales, and parking fees. Previously, 70-75% of the Museum's operating budget (half of which was directed to low-income populations) was provided by earned income. The operating budget was reduced, with \$13.9 million in actual expenses for fiscal year 2020 decreasing to \$6.9 million in expenses for fiscal year 2021. Staffing was reduced from a team of 300 to 51 individuals, with the educators most central to the ongoing creation of educational services in English and Spanish retained. Staffing was increased to 87 members in preparation for the reopening of the Museum and Discovery Center on June 8, 2021, and soon after increased to 103 members following resumption of admissions and other sources of earned income. In fiscal year 2021, contributed income and earned income was greatly reduced as a result of the pandemic and related closure.

The Museum and Discovery Center reopened on June 8, 2021 and remained open through fiscal year 2022.

Basis of Consolidation: These consolidated financial statements include the assets, liabilities, net assets and activities of the Museum and the LLC (collectively, the "Organization"). All balances and transactions between the consolidated entities have been eliminated. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Federal Income Tax Status: The Organization is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (IRC) and is classified as public charities under §170(b)(1)(A)(vi). Contributions to the Organization are tax deductible within the limitations prescribed by the IRC. The Organization files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization records charges for uncertain tax positions when they are considered probable. Based on their evaluation, the Organization has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements.

Cash: Cash consists of demand deposit accounts which may exceed the federally insured limit per depositor, per institution.

Inventory: Inventories of merchandise purchased for resale through the Organization's gift shop and café are stated at lower of cost and net realizable value determined by the specific identification method.

Account Receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for doubtful accounts was considered necessary at June 30, 2022 and 2021.

Pledges Receivable: Pledges receivable that are expected to be collected within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions revenue.

An allowance for uncollectible pledges is estimated based on management's periodic evaluation of past loss experience, known adverse situations that may affect the donor's ability to pay, and current economic conditions. It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of pledges receivable.

Property and Equipment: Property and equipment are reported at cost if purchased or at fair value at the date of gift, if donated. Expenditures less than \$1,500 are expensed when incurred. Depreciation is calculated using the straight-line method over estimated useful lives of 10 to 30 years for parking garage and buildings and improvements, 10 years for permanent exhibits, and three to five years for furniture, fixtures, and equipment.

Impairment Loss of Long-Lived Assets: The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There was no impairment loss recorded during the fiscal years ended June 30, 2022 and 2021.

Investments: Investments are reported at fair value. The Organization's management determines the investment valuation policies utilizing information provided by investment advisors and custodians. Investment return is reported in the consolidated statements of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in net assets with donor restrictions until expended in accordance with donor-imposed restrictions.

Net Asset Classification: Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

(Continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions: Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Donor-restricted contributions whose restrictions are satisfied in the same year the contribution is received are recorded as net assets without donor restrictions. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Donated Materials, Donated Use of Facilities, and Services: Donated materials and use of facilities are recognized at fair value as contributions without donor restrictions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under U.S. GAAP.

During 2017, the LLC executed an agreement for the use of a building and land under an operating lease where the lease payments are below market rate. At the time the agreement was made, the contribution was calculated as the net present value of the fair rental value of space occupied under similar conditions and was recorded as a pledge receivable, discounted to its net present value and as an increase in net assets with donor restrictions. Annually, the value of using the space for the period is reported as other occupancy expense in net assets without donor restrictions along with a reclassification of net assets from net assets with donor restrictions (see Note 3).

Government Grants: Support funded by grants is recognized as the Museum performs the contracted services under grant agreements. Grant revenue is recognized as earned when the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency, and in the event of such an audit, adjustments may be required.

Membership Dues: Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided. The Museum generally determines standalone selling prices based on the prices charged to members. The Museum recognizes revenue from membership dues over the membership period, which is generally one year. Dues charged to members are for the general rights of membership which include unlimited access to the museum's exhibits and online interactive activities as well as invitations to members-only parties and events. Membership contracts with customers may include multiple performance obligations.

For such arrangements, the Museum allocates revenue to each performance obligation based on its relative standalone selling price. During the 2022 and 2021 fiscal year, management believes the remaining performance obligations are not material to the financial statements and as such, the amounts are included and recognized as membership dues over the period of the membership. Dues that are related to a subsequent year are deferred and recorded as revenue during the year in which the membership performance obligation is satisfied.

Special Events: The Museum records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fees for Service: Revenue from admissions and program fees, government grants, museum gift shop and café sales, and parking fees are recognized when the related services are provided or a sale occurs. Amounts received in advance of the services being provided are recognized as deferred revenue.

Deferred Revenue: Deferred revenue relates to membership fees and special events where cash has been received, but services have not yet been performed. These revenues are recognized in the period when the services are rendered and performance obligations are met. Deferred revenue was \$751,417 and \$488,649 at June 30, 2022 and 2021, respectively. During 2022 and 2021, revenue of \$434,731 and \$685,779, respectively, that was included in deferred revenue at the beginning of the respective fiscal year was recognized.

Advertising Costs: Advertising costs are expensed as incurred. The total advertising costs charged to expense were \$211,589 and \$54,260 for the fiscal years ended June 30, 2022 and 2021, respectively.

Use of Estimates: Management must make estimates and assumptions to prepare financial statements in accordance with U.S. GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used. Significant estimates include, but are not limited to, the allowance for uncollectible pledges receivable, discounted present value of future pledges, and the estimated useful life of property and equipment.

Risks and Uncertainties: Many countries around the world, including the United States of America, were impacted by the COVID-19 outbreak beginning in 2020. While the virus is continuing to evolve, its implications could involve interruptions to supply chains, unavailability of personnel, and reductions in revenues. In addition, the Organization may be impacted by the broader effects of COVID-19 as a result of the negative impact the virus has had on the global economy and major financial markets.

Functional Expenses: The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, these expenses require allocation on a reasonable basis that is consistently applied. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques as determined by management.

The expenses that are allocated include the following:

<u>Expense Type</u>	<u>Allocation Method</u>
Salaries and benefits	Time and effort
Exhibit maintenance	Time and effort
Other	Time and effort
Salaries and benefits – buildings and grounds	Square footage
Janitorial	Square footage
Utilities	Square footage
Other occupancy/facilities	Square footage
Depreciation	Square footage
Telephone	Full-time equivalent
Contract labor	Full-time equivalent or time and effort

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements: In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities and changes in net assets, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the consolidated statements of activities and changes in net assets disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. The Organization adopted the new standard effective July 1, 2021.

Upcoming Accounting Pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the consolidated statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these two standards. Under the deferral for leases rules, private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact this standard will have on the financial statements and related disclosures.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position dates, comprise the following at June 30:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash	\$ 11,119,705	\$ 6,486,370
Accounts receivable	554,897	173,712
Pledges receivable, net	1,130,543	1,175,588
Investments	<u>18,522,154</u>	<u>21,369,991</u>
Total financial assets	31,327,299	29,205,661
Financial assets not available for general expenditure:		
Less: net assets with donor restrictions	(20,065,313)	(23,533,288)
Less: Board-designations:		
Reserve fund	(2,253,705)	(1,586,702)
Future exhibit programs	(405,793)	(405,793)
Facility replacement	(235,923)	(235,923)
Add: net assets with purpose restrictions to be met in less than one year	2,035,491	2,265,100
Add: endowment appropriation approved for upcoming year	<u>600,000</u>	<u>500,000</u>
Total financial assets available for general expenditure within one year	<u>\$ 11,002,056</u>	<u>\$ 6,209,055</u>

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 2 – LIQUIDITY AND AVAILABILITY (Continued)

Assets unavailable for general expenditures include receivable balances with donor-imposed restrictions, designated reserve to be used upon Board approval for general operations (see Note 9), as well as pledges receivable to be received after one year, and pledges receivable for donated building space (see Note 3).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Museum considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of available funds. The Museum's Board of Directors has designated a portion of its resources without donor restrictions as Board-designated. Although the Museum does not intend to spend from the Board-designated funds, amounts from the Board-designated funds could be made available if necessary.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable include operating pledges, pledges receivable for donated use of facilities and other pledges and are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Pledges receivable in less than one year	\$ 524,266	\$ 550,030
Pledges receivable in one to five years	<u>710,000</u>	<u>795,000</u>
Total pledges receivable	1,234,266	1,345,030
Less: allowance for uncollectible pledges	(1,105)	(1,105)
Discount to present value ranging from 0.19% to 8.0%	<u>(102,618)</u>	<u>(168,337)</u>
Total pledges receivable, net	<u>\$ 1,130,543</u>	<u>\$ 1,175,588</u>

The Fort Bend Children's Discovery Center: The Fort Bend Children's Discovery Center opened to the public on May 28, 2016 and occupies a 12,000 square-foot first floor space of a restored historical building and houses four exhibits. It gives the Organization the opportunity to enrich the educational lives of Fort Bend's children by expanding cultural and educational family-focused opportunities. Beginning in 2013, the Organization held a capital campaign to fund the new facility, with a goal of raising \$3,650,000. The Organization raised approximately \$4,000,000, of which \$8,895 is included in operating pledges receivable in the consolidated statements of financial position as of June 30, 2022 and 2021.

During 2017, the Organization received a promise for the use of the Fort Bend Children's Discovery Center's building and land through an operating lease agreement significantly below market value (see Note 1). The agreement is for a term of 99 years, which expires on May 20, 2115. The lease is cancelable by either party with a one-year written notice. Management has determined the estimated economic useful life of the assets to be equal to the useful life of the leasehold improvements, which is 10 years. The lease was recognized as a pledge receivable for \$1,800,000, discounted to net present value, and annual rent expense of \$180,000 is recorded over 10 years and is included in other occupancy expense.

At June 30, 2022 and 2021, the pledge receivable and net assets with donor restrictions related to the donated use of the facilities was \$618,570 and \$732,006, respectively. Additionally, the unamortized discount at June 30, 2022 and 2021 related to this pledge receivable was \$101,430 and \$167,994, respectively. Management performed a risk-based analysis and determined the appropriate discount rate for this pledge was 8%.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,977,070	\$ 2,977,070
Buildings and improvements	18,699,560	18,646,579
Permanent exhibits	11,774,611	11,741,747
Education annex building	2,863,408	2,850,951
Parking garage	2,107,078	2,105,701
Equipment	581,642	512,207
Furniture and fixtures	<u>244,370</u>	<u>241,064</u>
	39,247,739	39,075,319
Less: accumulated depreciation	<u>(25,639,485)</u>	<u>(24,410,130)</u>
Total property and equipment, net	<u>\$ 13,608,254</u>	<u>\$ 14,665,189</u>

Depreciation expense was \$1,291,011 and \$1,386,916 for the fiscal years ended June 30, 2022 and 2021, respectively.

Approximately \$1,200,000 of the total cost of the parking garage was paid through a federal grant passed through to the Organization from the Greater Southeast Management District (the "District") and from the Federal Transportation Agency (FTA). Upon completion of the parking garage in December 2007, the Organization entered into a 26½-year lease with the District at a cost of \$1 per year that allows for public parking for individuals not using public transit. Under the terms of the lease agreement and the grant award, the FTA will maintain an 80% ownership interest in the parking garage throughout the term of the lease, at which time all ownership interests transfer to the Organization. The lease may be canceled by the Organization upon return of a pro-rata share of the federal funding amortized over the life of the lease.

NOTE 5 – INVESTMENTS

Investments are comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 18,019,822	\$ 20,868,188
Certificates of deposit	<u>502,332</u>	<u>501,803</u>
Total investments	<u>\$ 18,522,154</u>	<u>\$ 21,369,991</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 5 – INVESTMENTS (Continued)

Investment return includes earnings on cash and consists of the following for the fiscal years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 480,806	\$ 440,874
Net realized and unrealized gain (loss) on investments	(3,396,331)	3,699,768
Investment management fees	<u>(32,558)</u>	<u>(42,210)</u>
Investment return, net	<u>\$ (2,948,083)</u>	<u>\$ 4,098,432</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

U.S. GAAP requires that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability. As of June 30, 2022 and 2021, there are no Level 3 assets or liabilities.

Assets measured at fair value are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2022				
Investments:				
Mutual funds:				
Investment grade				
bonds	\$ 7,562,061	\$ -	\$ -	\$ 7,562,061
International equity	5,013,532	-	-	5,013,532
U.S. small-cap equity	5,444,229	-	-	5,444,229
Certificates of deposit	<u>-</u>	<u>502,332</u>	<u>-</u>	<u>502,332</u>
Total assets measured at fair value	<u>\$ 18,019,822</u>	<u>\$ 502,332</u>	<u>\$ -</u>	<u>\$ 18,522,154</u>

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2021				
Investments:				
Mutual funds:				
Investment grade				
bonds	\$ 8,295,716	\$ -	\$ -	\$ 8,295,716
International equity	6,203,628	-	-	6,203,628
U.S. small-cap equity	6,368,844	-	-	6,368,844
Certificates of deposit	-	501,803	-	501,803
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets measured at fair value	<u>\$ 20,868,188</u>	<u>\$ 501,803</u>	<u>\$ -</u>	<u>\$ 21,369,991</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual Funds* – Mutual funds are valued at the reported net asset value (NAV) of shares held.
- *Certificates of Deposit, U.S. Treasury Securities, Corporate Bonds, and Mortgage-Backed Securities* – Certificates of deposit, U.S. Treasury securities, corporate bonds and mortgage-backed securities are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas, which may include market-corroborated inputs for credit risk factors, interest rate and yield curves, and broker quotes to calculate fair values.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 7 – COVID-19 RELATED PROGRAMS

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Paycheck Protection Program (PPP) provided small businesses and certain tax-exempt organizations with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury.

The PPP provided funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Organization applied for and was accepted to participate in this program.

On April 28, 2020, the Organization received funding of approximately \$1,124,590. The loan was a two-year loan with a maturity date of April 28, 2022 and incurred annual interest of 1.0%. On January 26, 2021, the Organization applied for and was accepted to receive funding for a second PPP loan in the amount of \$1,470,832. The loan was a five-year loan with a maturity date of January 26, 2026 and incurred annual interest of 1.0%. The loan was payable monthly with the first six monthly payments deferred.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 7 – COVID-19 RELATED PROGRAMS (Continued)

The Organization accounted for the PPP loan under ASU No. 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. In accordance with the ASU, the Organization recorded the PPP loan proceeds as a refundable advance in the consolidated statements of financial position until such time all conditions of the program are substantially met. Once the conditions were substantially met, the refundable advance of \$119,546 was de-recognized and the related amount was recorded as a government grant. For the fiscal year ended June 30, 2021, \$1,590,378 was included in government grants in the consolidated statements of activities as an increase in net assets without donor restrictions.

The Organization applied for and received loan forgiveness for both loans under the provisions of Section 1106 of the CARES Act during the 2022 fiscal year.

Employee Retention Credit: The CARES Act also provided for an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee throughout the year. During the fiscal years ended June 30, 2022 and 2021, the Organization submitted an application for reimbursement of qualified wages, which had not been reimbursed by the PPP loan. The Organization has elected to account for the ERC as a conditional grant under Topic 958. Under the guidance, the Organization recognized a credit of \$515,084 and \$741,386, which is included within government grants in the consolidated statements of activities for the fiscal years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, \$1,256,470 and \$741,386, respectively, is included as employee retention credit receivable in the consolidated statements of financial position. Subsequent to the fiscal year ended June 30, 2022, approximately \$887,000 of the receivable was collected.

Shuttered Venue Operators Grant (SVOG): During the 2022 fiscal year, the Museum applied for and received federal relief funds from a SVOG, which is administered by the SBA. During fiscal year 2022, the full amount of this grant, which totaled \$4,488,238 was expended on certain payroll and utility expenses provided for under the grant, and is included as government grants on the consolidated statement of activities.

American Rescue Plan Act (ARPA): During the 2022 fiscal year, the Discovery Center applied for and received funding under ARPA through Fort Bend County in order to fund certain special projects relating to COVID-19. The Organization was awarded a total of \$350,000 to be funded and used in projects over two-years. \$175,000 was received in fiscal year 2022 and is included in government grants on the consolidated statement of financial position.

FEMA Public Assistance Grant: During the 2022 fiscal year, the Organization applied for and received \$73,464 of federal funds through the FEMA Public Assistance program, awarded by the Texas Division of Emergency Management. The funds were awarded in response the Organization's public safety measures as a result of the COVID-19 pandemic. The award is included in government grants on the consolidated statement of financial position.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 8 – OPERATING LEASES

The Organization leases storage space and office equipment under noncancelable operating leases with total monthly payments ranging from approximately \$300 to \$5,700. Agreements having an original term of more than one year expire on various dates through June 2027. The Organization records rent expenses on a straight-line basis over the term of the leases. Rent expense under these leases totaled \$125,900 and \$121,175 at June 30, 2022 and 2021, respectively.

Future minimum lease payments for noncancelable operating leases consist of the following:

2023	\$ 116,357
2024	111,970
2025	11,984
2026	10,217
2027	<u>4,750</u>
Total	<u>\$ 255,278</u>

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 7,246,181	\$ 2,490,218
Board-designated:		
Property	12,695,981	13,521,532
Reserve fund	2,253,705	1,586,702
Future exhibit programs	405,793	405,793
Facility replacement	235,923	235,923
Fort Bend Children's Discovery Center – property	912,273	1,143,661
Fort Bend Children's Discovery Center	<u>1,238,148</u>	<u>1,164,257</u>
Total net assets without donor restrictions	<u>\$ 24,988,004</u>	<u>\$ 20,548,086</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2022</u>	<u>2021</u>
Accumulated endowment earnings for general operations	\$ 6,475,948	\$ 9,424,314
Fort Bend Children's Discovery Center	10,000	10,000
Fort Bend Children's Discovery Center donated use of facilities	618,570	732,006
Exhibition, curatorial, and program support	1,153,133	1,771,094
Future operations	263,788	152,000
To be held in perpetuity	<u>11,543,874</u>	<u>11,443,874</u>
Net assets with donor restrictions	<u>\$ 20,065,313</u>	<u>\$ 23,533,288</u>

(Continued)

NOTE 11 – ENDOWMENT

The Organization's endowment consists of two donor-restricted funds. One was established to support general operations and one was established to support the Organization's Inclusion of Children with Disabilities and Their Families Program. The Board of Directors of the Organization has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies the original value of gifts donated to the permanent endowment as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate the donor-restricted endowment fund:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

From time-to-time, the fair value of assets associated with the endowment fund may fall below the level that the donor or TUPMIFA requires the Organization to retain as a fund of perpetual duration as a result of temporary unfavorable market fluctuations. At June 30, 2022 and 2021, there were no deficiencies of this nature that required to be reported as net assets without donor restrictions.

Investment Policy: The overriding investment objective is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the endowment's investment horizon.

To meet the stated investment objective, the investment strategy shall be to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income.

The primary objective of the investment policy is the management of investments in such a manner as to emphasize long-term growth of principal while managing risk. The long-term goal is 4% return, net of investment management fees and expenses plus inflation.

These objectives have been established after a comprehensive review of current and projected financial requirements. The Board of Directors recognizes and acknowledges that some risk must be assumed to achieve the long-term objectives of the investment policy and in establishing risk tolerances for this investment policy; the Organization's ability to withstand short and intermediate-term variability were considered.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 11 – ENDOWMENT (Continued)

The investment horizon is defined as 10 years. However, due to capital market volatility, the return may vary significantly over shorter periods of time.

Spending Policy: Spending in any fiscal year will be no more than 4% of the endowment's average portfolio value (calculated on the basis of market values determined quarterly) for the five-year period ending the last day of the immediately preceding fiscal year. Distributions from the endowment will be at the direction of the Board of Directors and budget approval process, to allow flexibility with regard to distributions for endowment growth or preservation in times of great market distress. This discretion does not supersede any restricted gifts that mandate annual support for a particular program or facility.

Changes in net assets of the donor-restricted endowment fund are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ -	\$ 17,173,549	\$ 17,173,549
Contributions	-	48,436	48,436
Investment return, net	-	4,086,703	4,086,703
Appropriations for expenditure	-	(440,500)	(440,500)
	<hr/>	<hr/>	<hr/>
Endowment net assets, June 30, 2021	-	20,868,188	20,868,188
Contributions	-	100,000	100,000
Investment loss, net	-	(2,948,366)	(2,948,366)
	<hr/>	<hr/>	<hr/>
Endowment net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 18,019,822</u>	<u>\$ 18,019,822</u>

Endowment net assets composition is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds:			
General operations fund	\$ -	\$ 19,868,188	\$ 19,868,188
Inclusion of Children with Disabilities and Their Families fund	-	1,000,000	1,000,000
	<hr/>	<hr/>	<hr/>
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 20,868,188</u>	<u>\$ 20,868,188</u>
Donor-restricted endowment funds:			
General operations fund	\$ -	\$ 17,019,822	\$ 17,019,822
Inclusion of Children with Disabilities and Their Families fund	-	1,000,000	1,000,000
	<hr/>	<hr/>	<hr/>
Endowment net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 18,019,822</u>	<u>\$ 18,019,822</u>

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash in financial institution accounts which, at times, exceeds federally insured limits. The Organization has not experienced any losses related to such accounts. Cash is placed with highly-accredited, quality financial institutions and management believes it is not exposed to any significant credit risk.

NOTE 13 – RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 2022 and 2021, approximately 35% and 36%, respectively, of the Organization's contribution revenue were from Board members and affiliates. At June 30, 2022 and 2021, the pledges receivable from these Board members and affiliates, approximated 13% and 9%, respectively, of total pledges receivable, net of discount.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2022, which is the date that the financial statements were available for issuance. Other than as disclosed in Note 7, management has determined there are no other subsequent events that require disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

THE CHILDREN'S MUSEUM, INC.
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2022

	The Children's Museum, Inc.	Fort Bend Children's Discovery Center	Eliminations	Consolidated Total
ASSETS				
Cash	\$ 10,078,479	\$ 1,041,226	\$ -	\$ 11,119,705
Inventory	236,902	6,713	-	243,615
Accounts receivable	553,397	1,500	-	554,897
Intercompany receivable	-	37,512	(37,512)	-
Operating pledges receivable, net	503,078	8,895	-	511,973
Pledges receivable for donated use of facilities, net	-	618,570	-	618,570
Employee retention credit receivable	1,256,470	-	-	1,256,470
Property and equipment, net	12,695,981	912,273	-	13,608,254
Investments	18,269,822	252,332	-	18,522,154
Prepaid expenses and other assets	12,904	-	-	12,904
	<u>\$ 43,607,033</u>	<u>\$ 2,879,021</u>	<u>\$ (37,512)</u>	<u>\$ 46,448,542</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 618,461	\$ 25,347	\$ -	\$ 643,808
Intercompany payable	37,512	-	(37,512)	-
Deferred revenue	673,114	78,303	-	751,417
Total liabilities	<u>1,329,087</u>	<u>103,650</u>	<u>(37,512)</u>	<u>1,395,225</u>
Net assets				
Without donor restrictions	22,841,203	2,146,801	-	24,988,004
With donor restrictions	19,436,743	628,570	-	20,065,313
Total net assets	<u>42,277,946</u>	<u>2,775,371</u>	<u>-</u>	<u>45,053,317</u>
	<u>\$ 43,607,033</u>	<u>\$ 2,879,021</u>	<u>\$ (37,512)</u>	<u>\$ 46,448,542</u>

THE CHILDREN'S MUSEUM, INC.
SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2022

	The Children's Museum, Inc.	Fort Bend Children's Discovery Center	Eliminations	Consolidated Total
Revenue				
Contributions	\$ 3,358,507	\$ 165,000	\$ -	\$ 3,523,507
Membership contributions	502,355	89,486	-	591,841
Special events	1,297,833	88,110	-	1,385,943
Direct donor benefit costs of special events	(281,248)	(12,390)	-	(293,638)
Admissions	2,588,763	270,787	-	2,859,550
Program fees	983,475	22,335	-	1,005,810
Museum gift shop and café sales	983,164	-	-	983,164
Cost of goods sold	(496,876)	-	-	(496,876)
Government grants	5,076,786	175,000	-	5,251,786
Parking fees	748,115	-	-	748,115
Donated use of facilities	-	66,564	-	66,564
Investment loss, net	(2,948,083)	-	-	(2,948,083)
Other revenue	40,631	2,003	-	42,634
Total revenue	<u>11,853,422</u>	<u>866,895</u>	-	<u>12,720,317</u>
Expenses				
Program services:				
Exhibitions and education	6,757,560	869,854	-	7,627,414
Membership and public outreach	734,236	15,717	-	749,953
Gift shop and café	446,769	-	-	446,769
Visitor services	460,395	42,394	-	502,789
Total program services	<u>8,398,960</u>	<u>927,965</u>	-	<u>9,326,925</u>
Supporting services:				
Management and general	1,571,456	30,415	-	1,601,871
Fundraising and membership development	636,510	183,068	-	819,578
Total expenses	<u>10,606,926</u>	<u>1,141,448</u>	-	<u>11,748,374</u>
Changes in net assets	1,246,496	(274,553)	-	971,943
Net assets, beginning of fiscal year	<u>41,031,450</u>	<u>3,049,924</u>	-	<u>44,081,374</u>
Net assets, end of fiscal year	<u>\$ 42,277,946</u>	<u>\$ 2,775,371</u>	<u>\$ -</u>	<u>\$ 45,053,317</u>

THE CHILDREN'S MUSEUM, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2022

<u>Federal Grantor/Pass Thru Grantor/Program or Cluster Title</u>	<u>Federal ALN</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Small Business Administration			
Shuttered Venue Operators Grant (SVOG)	59.075		\$ 4,488,238
Total U.S. Small Business Administration			4,488,238
U.S. Department of Treasury			
Coronavirus State and Local Fiscal Recovery Funds			
Passed through the State of Texas			
Commissioners Court – COVID-19 Pandemic	21.027	MJG8N8EPN2L3	175,000
Total U.S. Department of Commerce			175,000
U.S. Department of Homeland Security			
Disaster Grants – Public Assistance			
(Presidentially Declared Disasters)			
Passed through the Texas Department of Emergency			
Management – Texas COVID-19 Pandemic	97.036	PA-06-TX-4485-PW-00591	73,464
Total U.S. Department of Homeland Security			73,464
Total expenditures of federal awards			\$ 4,736,702

See accompanying notes to schedule of expenditures of federal awards.

THE CHILDREN'S MUSEUM, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2022

NOTE 1 – THE ORGANIZATION

The Children's Museum, Inc. (the "Organization"), receives federal grants to carry out its programs and services to transform communities through innovative, child-centered learning.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (Schedule) includes the activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *OMB Compliance Supplement*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

NOTE 3 – NONCASH AND LOANS

There were no federal awards expended in the form of noncash assistance or insurance and there were no federal program loans or loan guarantees outstanding at year-end.

NOTE 4 – RELATIONSHIP OF THE SCHEDULE TO FINANCIAL REPORTS SUBMITTED TO GRANT AWARDING AGENCIES

Expenditures included in the Schedule may differ from amounts reflected in the financial reports submitted to grant awarding agencies for the following reasons:

- Expenses accrued at the end of the Organization's fiscal year may not be included in the financial reports submitted to grant awarding agencies until after the fiscal year-end;
- Program matching costs that are reported in the financial reports submitted to awarding agencies are not included in the amounts reported in the Schedule; and
- Differences may exist between grant periods and the Organization's accounting period.

NOTE 5 – CONTINGENCIES

Grants require the fulfillment of certain conditions set forth in grant agreements and are regularly monitored and reviewed by the grantors. Failure to satisfy the requirement of contract agreements could result in disallowed costs and return of funds to grantors. Management believes that the Organization is in substantial compliance with grant provisions and requirements and that disallowed costs, if any, will not be significant to affect the amounts and disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
The Children's Museum, Inc.
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Children's Museum, Inc. (a Texas nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Children Museum, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Children Museum, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Children Museum, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Children's Museum, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Houston, Texas
November 14, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
The Children's Museum, Inc.
Houston, Texas

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited The Children's Museum, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on The Children's Museum, Inc.'s major federal program for the fiscal year ended June 30, 2022. The Children's Museum, Inc.'s major federal program is identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Children's Museum, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the fiscal year ended June 30, 2022.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Children's Museum, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of The Children's Museum, Inc. compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Children's Museum, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Children's Museum, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Children's Museum, Inc.'s compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Children's Museum, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Children's Museum, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Children's Museum, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Houston, Texas
November 14, 2022

THE CHILDREN'S MUSEUM, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the fiscal year ended June 30, 2022

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)?	No

Major program:

<u>Award Type</u>	<u>Federal ALN</u>	<u>Name of Federal Grantor/Pass Thru Grantor/ Program or Cluster Title</u>
Federal	59.075	Shuttered Venue Operators Grant (SVOG)

Dollar threshold used to distinguish between type A and type B programs:

Federal awards	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported
