

THE CHILDREN'S MUSEUM, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2023 and 2022

THE CHILDREN'S MUSEUM, INC.
Houston, Texas

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of The Children's Museum, Inc. (a Texas nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Children's Museum, Inc. as of June 30, 2023 and 2022, and the changes in 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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 will always detect a material misstatement when it exists.

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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, 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statement of Financial Position and Consolidating Statement of Activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, 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 consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional 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.

Crowe LLP
Crowe LLP

Houston, Texas
December 1, 2023

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 6,593,596	\$ 11,119,705
Inventory	355,166	243,615
Accounts receivable	577,881	554,897
Pledges receivable, net	5,790,241	511,973
Pledges receivable for donated use of facilities, net	477,198	618,570
Employee retention credit receivable	259,278	1,256,470
Property and equipment, net	14,628,883	13,608,254
Investments	27,257,155	18,522,154
Prepaid expenses and other assets	<u>150,806</u>	<u>12,904</u>
 Total assets	 <u>\$ 56,090,204</u>	 <u>\$ 46,448,542</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 955,384	\$ 643,808
Deferred revenue	<u>993,104</u>	<u>751,417</u>
Total liabilities	1,948,488	1,395,225
 Net assets		
Without donor restrictions	23,670,146	24,988,004
With donor restrictions	<u>30,471,570</u>	<u>20,065,313</u>
Total net assets	<u>54,141,716</u>	<u>45,053,317</u>
 Total liabilities and net assets	 <u>\$ 56,090,204</u>	 <u>\$ 46,448,542</u>

See accompanying notes to consolidated financial statements.

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue			
Contributions	\$ 1,442,042	\$ 11,517,667	\$ 12,959,709
Membership fees	1,192,184	-	1,192,184
Special events	1,447,256	-	1,447,256
Direct donor benefit costs of special events	(400,921)	-	(400,921)
Admissions	4,508,882	-	4,508,882
Program fees	783,273	-	783,273
Museum gift shop and café sales	1,516,857	-	1,516,857
Cost of goods sold	(759,063)	-	(759,063)
Government grants	206,805	-	206,805
Parking fees	1,064,485	-	1,064,485
Donated use of facilities	38,628	-	38,628
Investment return, net	86,881	1,671,593	1,758,474
Other revenue	314,230	-	314,230
Total revenue	<u>11,441,539</u>	<u>13,189,260</u>	<u>24,630,799</u>
Net assets released from restrictions			
Program and capital campaign expenditures	<u>2,783,003</u>	<u>(2,783,003)</u>	<u>-</u>
Totals	<u>14,224,542</u>	<u>10,406,257</u>	<u>24,630,799</u>
Expenses			
Program services			
Exhibitions and education	10,538,556	-	10,538,556
Membership and public outreach	893,520	-	893,520
Gift shop and café	774,530	-	774,530
Visitor services	<u>735,967</u>	<u>-</u>	<u>735,967</u>
Total program services	<u>12,942,573</u>	<u>-</u>	<u>12,942,573</u>
Supporting services			
Management and general	1,752,687	-	1,752,687
Fundraising and membership development	<u>847,140</u>	<u>-</u>	<u>847,140</u>
Total expenses	<u>15,542,400</u>	<u>-</u>	<u>15,542,400</u>
Changes in net assets	(1,317,858)	10,406,257	9,088,399
Net assets, beginning of year	<u>24,988,004</u>	<u>20,065,313</u>	<u>45,053,317</u>
Net assets, end of year	<u><u>\$ 23,670,146</u></u>	<u><u>\$ 30,471,570</u></u>	<u><u>\$ 54,141,716</u></u>

(Continued)

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
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 year	<u>20,548,086</u>	<u>23,533,288</u>	<u>44,081,374</u>
Net assets, end of year	<u><u>\$ 24,988,004</u></u>	<u><u>\$ 20,065,313</u></u>	<u><u>\$ 45,053,317</u></u>

See accompanying notes to consolidated financial statements.

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023

	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	\$ 4,672,028	\$ 452,131	\$ 441,172	\$ 248,907	\$ 5,814,238	\$ 829,211	\$ 472,551	\$ 7,116,000
Fringe benefits	630,921	48,313	36,984	10,507	726,725	90,455	50,137	867,317
Payroll taxes	381,056	35,252	37,901	13,830	468,039	60,113	35,831	563,983
Advertising	-	-	-	-	-	289,346	-	289,346
Bank and credit card fees	-	40,812	44,358	167,969	253,139	6,641	26,673	286,453
Contract labor	499,435	147,073	27,499	28,504	702,511	171,891	83,833	958,235
Depreciation	1,050,227	16,259	38,397	6,629	1,111,512	29,510	14,048	1,155,070
Dues and subscriptions	18,917	33,733	1,013	-	53,663	16,075	3,525	73,263
Electricity	173,519	3,027	7,149	1,234	184,929	5,494	2,616	193,039
Equipment rental	18,157	-	-	-	18,157	2,870	635	21,662
Exhibit maintenance	717,575	-	968	-	718,543	-	-	718,543
Insurance	209,789	3,820	9,022	8,158	230,789	6,934	3,301	241,024
Janitorial	348,374	6,332	14,954	2,582	372,242	11,493	5,471	389,206
Other occupancy	348,008	3,368	7,955	5,285	364,616	6,114	2,910	373,640
Other utilities	63,668	1,177	2,781	15,220	82,846	2,137	1,017	86,000
Postage and delivery	8,619	6,073	(330)	1,055	15,417	2,355	4,014	21,786
Printing	47,313	16,108	-	6,194	69,615	1,750	20,672	92,037
Professional fees	-	-	-	-	-	99,634	14,200	113,834
Rent and storage fees	154,319	-	-	-	154,319	21,177	-	175,496
Repair and maintenance	439,447	8,224	19,421	139,540	606,632	14,926	7,106	628,664
Supplies	645,404	68,746	80,262	76,255	870,667	69,656	49,180	989,503
Telephone	26,842	2,104	1,052	701	30,699	3,507	1,754	35,960
Travel	68,977	468	-	51	69,496	590	4,136	74,222
Other	15,961	500	3,972	3,346	23,779	10,808	43,530	78,117
Totals	<u>\$ 10,538,556</u>	<u>\$ 893,520</u>	<u>\$ 774,530</u>	<u>\$ 735,967</u>	<u>\$ 12,942,573</u>	<u>\$ 1,752,687</u>	<u>\$ 847,140</u>	<u>\$ 15,542,400</u>

(Continued)

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
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	<u>\$ 7,627,414</u>	<u>\$ 749,953</u>	<u>\$ 446,769</u>	<u>\$ 502,789</u>	<u>\$ 9,326,925</u>	<u>\$ 1,601,871</u>	<u>\$ 819,578</u>	<u>\$ 11,748,374</u>

See accompanying notes to consolidated financial statements.

THE CHILDREN'S MUSEUM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Changes in net assets	\$ 9,088,399	\$ 971,943
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Net realized and unrealized (gain) loss on investments	(1,221,852)	3,396,331
Fair value of stock contributed	(33,693)	(57,470)
Depreciation	1,155,070	1,291,011
Loss on disposal of property and equipment	-	102,611
Contributions restricted for endowment	(1,000,000)	(100,000)
Change in discount on pledges receivable	(6,896)	(65,719)
Pledges receivable for donated use of facilities	180,000	180,000
Changes in operating assets and liabilities:		
Inventory	(111,551)	14,851
Accounts receivable	(22,984)	(381,185)
Pledges receivable	(5,310,000)	(69,236)
Employee retention credit receivable	997,192	(515,084)
Prepaid expenses and other assets	(137,902)	51,488
Accounts payable and accrued expenses	311,576	278,737
Deferred revenue	241,687	262,768
Net cash from operating activities	<u>4,129,046</u>	<u>5,361,046</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,175,699)	(336,687)
Purchase of investments	(7,521,289)	(523,579)
Proceeds from sale of investments	41,833	32,555
Net cash from investing activities	<u>(9,655,155)</u>	<u>(827,711)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for endowment	1,000,000	100,000
Net cash from financing activities	<u>1,000,000</u>	<u>100,000</u>
Net change in cash	(4,526,109)	4,633,335
Cash, beginning of year	<u>11,119,705</u>	<u>6,486,370</u>
Cash, end of year	<u><u>\$ 6,593,596</u></u>	<u><u>\$ 11,119,705</u></u>

See accompanying notes to consolidated financial statements.

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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.

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.

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, 2023 and 2022.

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.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

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, 2023 and 2022.

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.
- *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.

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THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

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 2023 and 2022 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.

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 \$993,104 and \$751,417 at June 30, 2023 and 2022, respectively. During 2023 and 2022, revenue of \$686,762 and \$434,731, 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 \$289,346 and \$211,589 for the fiscal years ended June 30, 2023 and 2022, 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.

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.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

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

Recently Adopted Accounting Pronouncements: Effective July 1, 2022, the Organization adopted Accounting Standards Updated (ASU) No. 2016-02, *Leases (Topic 842)* and several other ASUs that were issued as amendments to ASU No. 2016-02, which require lessees to record most leases on the statement of financial position as a lease liability with a corresponding right-of-use (ROU) asset but continue to recognize the related rent expense within net income. The Organization elected to apply the optional transition method under which an entity initially applied the new lease standard to existing leases at the beginning of the period of adoption. The Organization also elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things allowed companies to carry forward their historical lease classification. In addition, the Organization elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Organization did not recognize ROU assets or lease liabilities. Adoption of this standard did not have a significant impact on the Organization's financial statements.

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>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash	\$ 6,593,596	\$ 11,119,705
Accounts receivable	577,881	554,897
Pledges receivable, net	6,267,439	1,130,543
Investments	<u>27,257,155</u>	<u>18,522,154</u>
Total financial assets	40,696,071	31,327,299

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 2 – LIQUIDITY AND AVAILABILITY (Continued)

	<u>2023</u>	<u>2022</u>
Financial assets not available for general expenditure		
Less: net assets with donor restrictions	(30,471,570)	(20,065,313)
Less: Board-designations:		
Reserve fund	(6,010,625)	(2,253,705)
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	5,770,155	2,035,491
Add: endowment appropriation approved for upcoming year	<u>620,000</u>	<u>600,000</u>
 Total financial assets available for general expenditure within one year	 <u>\$ 9,962,315</u>	 <u>\$ 11,002,056</u>

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 8), 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, endowment pledges, and pledges receivable for donated use of facilities and are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Pledges receivable in less than one year	\$ 2,311,765	\$ 524,266
Pledges receivable in one to five years	<u>4,052,501</u>	<u>710,000</u>
Total pledges receivable	6,364,266	1,234,266
Less: allowance for uncollectible pledges	(1,105)	(1,105)
Discount to present value ranging from 0.19% to 8.0%	<u>(95,722)</u>	<u>(102,618)</u>
 Total pledges receivable, net	 <u>\$ 6,267,439</u>	 <u>\$ 1,130,543</u>

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3 – PLEDGES RECEIVABLE (Continued)

The Fort Bend Children's Discovery Center: During 2017, the Organization entered into a lease agreement for the use of Fort Bend Children's Discovery Center's building and land. 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, 2023 and 2022, the pledge receivable and net assets with donor restrictions related to the donated use of the facilities was \$477,198 and \$618,570, respectively. Additionally, the unamortized discount at June 30, 2023 and 2022 related to this pledge receivable was \$62,802 and \$101,430, respectively. Management performed a risk-based analysis and determined the appropriate discount rate for this pledge was 8%.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 2,977,070	\$ 2,977,070
Buildings and improvements	18,896,553	18,699,560
Permanent exhibits	13,414,513	11,774,611
Education annex building	2,938,002	2,863,408
Parking garage	2,259,320	2,107,078
Equipment	672,732	581,642
Furniture and fixtures	<u>265,248</u>	<u>244,370</u>
	41,423,438	39,247,739
Less: accumulated depreciation	<u>(26,794,555)</u>	<u>(25,639,485)</u>
Total property and equipment, net	<u>\$ 14,628,883</u>	<u>\$ 13,608,254</u>

Depreciation expense was \$1,155,070 and \$1,291,011 for the fiscal years ended June 30, 2023 and 2022, 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.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 5 – INVESTMENTS

Investments are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 20,691,415	\$ 18,019,822
Certificates of deposit	<u>6,565,740</u>	<u>502,332</u>
Total investments	<u>\$ 27,257,155</u>	<u>\$ 18,522,154</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.

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 578,455	\$ 480,806
Net realized and unrealized gain (loss) on investments	1,221,852	(3,396,331)
Investment management fees	<u>(41,833)</u>	<u>(32,558)</u>
Investment return, net	<u>\$ 1,758,474</u>	<u>\$ (2,948,083)</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, 2023 and 2022, there are no Level 3 assets or liabilities.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

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, 2023				
Investments				
Mutual funds				
Investment grade				
bonds	\$ 7,935,709	\$ -	\$ -	\$ 7,935,709
International equity	6,137,602	-	-	6,137,602
U.S. small-cap equity	6,618,104	-	-	6,618,104
Certificates of deposit	-	6,565,740	-	6,565,740
Total assets measured at fair value	<u>\$ 20,691,415</u>	<u>\$ 6,565,740</u>	<u>\$ -</u>	<u>\$ 27,257,155</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	-	502,332	-	502,332
Total assets measured at fair value	<u>\$ 18,019,822</u>	<u>\$ 502,332</u>	<u>\$ -</u>	<u>\$ 18,522,154</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.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 7 – COVID-19 RELATED PROGRAMS

Paycheck Protection Program: In 2020 and 2021, the Organization received loan funds under the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program (PPP) amounting to \$2,595,422. The Organization accounted for the loan as a refundable advance until such time all conditions of the program were substantially met, at which time the refundable advance was recognized as a government grant revenue. 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 (ERC): The CARES Act also provided for an 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 year ended June 30, 2022, 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 ASU No. 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*.

Under the guidance, the Organization recognized a credit of \$515,084, which is included within government grants in the consolidated statements of activities for the fiscal year ended June 30, 2022. As of June 30, 2023 and 2022, \$259,278 and \$1,256,470, respectively, is included as employee retention credit receivable in the consolidated statements of financial position. Subsequent to the fiscal year ended June 30, 2023, the Organization was notified by the Internal Revenue Service that they were subject to an audit of the credit calculation and eligibility determination. As of the date of the financial statements, the audit was concluded, without any request for repayment.

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 years 2022 and 2023, and as of June 30, 2023, the grant was received in full.

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, 2023 and 2022

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 1,138,465	\$ 7,246,181
Board-designated		
Property	13,955,872	12,695,981
Reserve fund	6,010,625	2,253,705
Future exhibit programs	405,793	405,793
Facility replacement	235,923	235,923
Fort Bend Children's Discovery Center – property	685,835	912,273
Fort Bend Children's Discovery Center	<u>1,237,633</u>	<u>1,238,148</u>
Total net assets without donor restrictions	<u>\$ 23,670,146</u>	<u>\$ 24,988,004</u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Accumulated endowment earnings for general operations	\$ 8,147,541	\$ 6,475,948
Fort Bend Children's Discovery Center	10,000	10,000
Fort Bend Children's Discovery Center donated use of facilities	477,198	618,570
Exhibition, curatorial, and program support	4,809,169	1,153,133
Future operations	483,788	263,788
To be held in perpetuity (including pledges receivable of \$4,000,000 in 2023).	<u>16,543,874</u>	<u>11,543,874</u>
Net assets with donor restrictions	<u>\$ 30,471,570</u>	<u>\$ 20,065,313</u>

NOTE 10 – 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.

(Continued)

NOTE 10 – ENDOWMENT (Continued)

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, 2023 and 2022, 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.

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.

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 10 – ENDOWMENT (Continued)

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

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Total</u>
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)
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, June 30, 2022	-	18,019,822	18,019,822
Contributions	-	1,000,000	1,000,000
Investment gain, net	-	1,671,593	1,671,593
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, June 30, 2023	<u>\$ -</u>	<u>\$ 20,691,415</u>	<u>\$ 20,691,415</u>

Endowment net assets composition is as follows:

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Total</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
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 18,019,822</u>	<u>\$ 18,019,822</u>
Donor-restricted endowment funds			
General operations fund	\$ -	\$ 18,691,415	\$ 18,691,415
Inclusion of Children with Disabilities and Their Families fund	-	1,000,000	1,000,000
Kathrine G. McGovern Building of Children's Museum of Houston	-	1,000,000	1,000,000
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, June 30, 2023	<u>\$ -</u>	<u>\$ 20,691,415</u>	<u>\$ 20,691,415</u>

(Continued)

THE CHILDREN'S MUSEUM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 11 – CONCENTRATIONS

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.

Donor Concentration: Revenue from two donors represented approximately 60% of contributions for fiscal year ended June 30, 2023. Amounts due from these two donors represented 69% of total pledges receivable, net at June 30, 2023.

NOTE 12 – RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 2023 and 2022, approximately 10% and 35%, respectively, of the Organization's contribution revenue were from Board members and affiliates. At June 30, 2023 and 2022, the pledges receivable from these Board members and affiliates, approximated 5% and 13%, respectively, of total pledges receivable, net of discount.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 1, 2023, 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, 2023

	The Children's Museum, Inc.	Fort Bend Children's Discovery Center	Eliminations	Consolidated Total
ASSETS				
Cash	\$ 5,237,080	\$ 1,356,516	\$ -	\$ 6,593,596
Inventory	345,964	9,202	-	355,166
Accounts receivable	577,681	200	-	577,881
Intercompany receivable	2,581	-	(2,581)	-
Operating pledges receivable, net	5,781,346	8,895	-	5,790,241
Pledges receivable for donated use of facilities, net	-	477,198	-	477,198
Employee retention credit receivable	259,278	-	-	259,278
Property and equipment, net	13,955,872	673,011	-	14,628,883
Investments	27,257,155	-	-	27,257,155
Prepaid expenses and other assets	150,806	-	-	150,806
Total assets	<u>\$ 53,567,763</u>	<u>\$ 2,525,022</u>	<u>\$ (2,581)</u>	<u>\$ 56,090,204</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 938,630	\$ 16,754	\$ -	\$ 955,384
Intercompany payable	-	2,581	(2,581)	-
Deferred revenue	898,085	95,019	-	993,104
Total liabilities	<u>1,836,715</u>	<u>114,354</u>	<u>(2,581)</u>	<u>1,948,488</u>
Net assets				
Without donor restrictions	21,746,676	1,923,470	-	23,670,146
With donor restrictions	29,984,372	487,198	-	30,471,570
Total net assets	<u>51,731,048</u>	<u>2,410,668</u>	<u>-</u>	<u>54,141,716</u>
Total liabilities and net assets	<u>\$ 53,567,763</u>	<u>\$ 2,525,022</u>	<u>\$ (2,581)</u>	<u>\$ 56,090,204</u>

See independent auditor's report.

THE CHILDREN'S MUSEUM, INC.
SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended June 30, 2023

	The Children's Museum, Inc.	Fort Bend Children's Discovery Center	Eliminations	Consolidated Total
Revenue				
Contributions	\$ 12,795,964	\$ 163,745	\$ -	\$ 12,959,709
Membership fees	1,002,754	189,430	-	1,192,184
Special events	1,341,128	106,128	-	1,447,256
Direct donor benefit costs of special events	(383,006)	(17,915)	-	(400,921)
Admissions	4,119,104	389,778	-	4,508,882
Program fees	768,286	14,987	-	783,273
Museum gift shop and café sales	1,516,857	-	-	1,516,857
Cost of goods sold	(759,063)	-	-	(759,063)
Government grants	31,805	175,000	-	206,805
Parking fees	1,064,485	-	-	1,064,485
Donated use of facilities	-	38,628	-	38,628
Investment return, net	1,754,418	4,056	-	1,758,474
Other revenue	314,230	-	-	314,230
Total revenue	23,566,962	1,063,837	-	24,630,799
Expenses				
Program services				
Exhibitions and education	9,318,403	1,220,153	-	10,538,556
Membership and public outreach	875,113	18,407	-	893,520
Gift shop and café	774,530	-	-	774,530
Visitor services	695,920	40,047	-	735,967
Total program services	11,663,966	1,278,607	-	12,942,573
Supporting services				
Management and general	1,729,474	23,213	-	1,752,687
Fundraising and membership development	720,420	126,720	-	847,140
Total expenses	14,113,860	1,428,540	-	15,542,400
Changes in net assets	9,453,102	(364,703)	-	9,088,399
Net assets, beginning of year	42,277,946	2,775,371	-	45,053,317
Net assets, end of year	<u>\$ 51,731,048</u>	<u>\$ 2,410,668</u>	<u>\$ -</u>	<u>\$ 54,141,716</u>

See independent auditor's report.