



The Children's Museum of Atlanta, Inc.

FINANCIAL STATEMENTS

June 30, 2022



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REPORT





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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum 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.

Prior Period Financial Statements

As part of our audit of the 2022 financial statements, we also audited adjustments described in Note 3 that were applied to restate the beginning net assets as of June 30, 2021. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the Museum other than with respect to the adjustments and, accordingly, we do not express an opinion or any other of assurance on the 2021 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the 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 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 Museum'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum'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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia
December 13, 2022



FINANCIAL STATEMENTS



The Children’s Museum of Atlanta, Inc.
Statement of Financial Position

<i>June 30,</i>	<i>2022</i>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,449,040
Accounts receivable	30,561
Promises to give, net	176,971
Certificates of deposit	158,826
Inventory	16,206
Prepaid expenses and other assets	222,292
Total current assets	2,053,896
Non-current assets	
Investments in marketable securities	127,662
Investments held at Community Foundation	579,300
Property and equipment, net	4,474,104
Total non-current assets	5,181,066
Total assets	\$ 7,234,962
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 113,732
Current portion of note payable	21,572
Contract liabilities	230,345
Total current liabilities	365,649
Long-term liabilities	
Note payable, less current portion	542,734
Total long-term liabilities	542,734
Total liabilities	908,383
Net assets	
Without donor restrictions	5,896,713
With donor restrictions	429,866
Total net assets	6,326,579
Total liabilities and net assets	\$ 7,234,962

The accompanying notes are an integral part of these financial statements.

The Children's Museum of Atlanta, Inc.
Statement of Activities

<i>For the year ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions	\$ 268,735	\$ 1,252,326	\$ 1,521,061
In-kind contributions	192,962	-	192,962
Grants	-	46,750	46,750
Forgiveness of Paycheck Protection Program loan	428,098	-	428,098
Investment income (loss)	-	(21,200)	(21,200)
Loss on investments held at the Community Foundation	(29,097)	-	(29,097)
Special events	636,689	-	636,689
Admissions	1,331,177	-	1,331,177
Memberships	272,557	-	272,557
Program fees	30,608	-	30,608
Facility rental and vending	9,036	-	9,036
Retail store	155,767	-	155,767
Other income	5,974	-	5,974
Net assets released from restrictions	1,146,866	(1,146,866)	-
Total revenue and other support	4,449,372	131,010	4,580,382
Expenses			
<i>Program services</i>			
Museum, education, and other	3,223,194	-	3,223,194
Total program services	3,223,194	-	3,223,194
<i>Supporting services</i>			
General and administrative	234,080	-	234,080
Fundraising	513,797	-	513,797
Total supporting services	747,877	-	747,877
Total expenses	3,971,071	-	3,971,071
Change in net assets	478,301	131,010	609,311
Net assets at beginning of year as previously reported	5,255,522	298,856	5,554,378
Prior period adjustment (Note 3)	162,890	-	162,890
Net assets at beginning of year, as restated	5,418,412	298,856	5,717,268
Net assets at end of year	\$ 5,896,713	\$ 429,866	\$ 6,326,579

The accompanying notes are an integral part of these financial statements.

The Children's Museum of Atlanta, Inc.
Statement of Functional Expenses

For the year ended June 30, 2022

	Program Services		Supporting Services		Total
	Museum, education, and other services	General and Administrative	Fundraising		
Salaries and wages	\$ 1,286,764	\$ 92,185	\$ 230,909	\$ 1,609,858	
Benefits and payroll taxes	261,627	19,447	20,145	301,219	
Total personnel	1,548,391	111,632	251,054	1,911,077	
Marketing	330,941	25,457	7,273	363,671	
Depreciation	228,470	17,575	5,021	251,066	
Repairs and maintenance	202,363	15,050	5,193	222,606	
Special event expenses	-	-	207,181	207,181	
Professional fees	144,546	31,174	26,670	202,390	
Exhibits and education	170,338	-	-	170,338	
Transaction processing and finance fees	84,744	6,519	1,863	93,126	
Cost of goods sold	78,340	-	-	78,340	
Utilities	76,986	5,922	1,692	84,600	
Insurance and licenses	72,577	5,495	1,570	79,642	
Common area maintenance	49,708	3,824	1,092	54,624	
Postage and delivery	48,440	495	465	49,400	
Supplies	45,475	1,394	499	47,368	
Contract services and temporary help	33,586	-	-	33,586	
Interest	26,763	2,059	588	29,410	
Rent	26,671	2,052	586	29,309	
Telecommunications	20,963	1,613	461	23,037	
Printing and copying	13,104	1,250	653	15,007	
Travel and training	5,127	1,379	1,386	7,892	
Dues and subscriptions	6,945	520	359	7,824	
Bad debt	2,977	229	65	3,271	
Recruiting and volunteer appreciation	2,944	226	65	3,235	
Security	1,972	152	43	2,167	
Miscellaneous	823	63	18	904	
Total	\$ 3,223,194	\$ 234,080	\$ 513,797	\$ 3,971,071	

The accompanying notes are an integral part of these financial statements.

The Children’s Museum of Atlanta, Inc.
Statement of Cash Flows

<i>For the year ended June 30,</i>	<i>2022</i>
Operating Activities	
Change in net assets	\$ 609,311
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	251,066
Net realized and unrealized (gain) loss on investments	21,200
Forgiveness of Paycheck Protection Program grant	(428,098)
Net change in value of investments held at the Community Foundation	83,590
Changes in operating assets and liabilities	
Accounts receivable	161,174
Promises to give	(5,771)
Inventory	(2,015)
Prepaid expenses and other assets	(101,500)
Accounts payable and accrued expenses	38,778
Contract liabilities	77,325
<hr/>	
Net cash provided by (used in) operating activities	705,060
Investing Activities	
Purchase of property and equipment	(91,840)
Reinvestment of interest on certificate of deposit	(608)
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Net cash provided by (used in) investing activities	(92,448)
Financing Activities	
Payments on note payable	(20,500)
<hr/>	
Net cash provided by (used in) financing activities	(20,500)
<hr/>	
Net change in cash and cash equivalents	592,112
Cash and cash equivalents at beginning of year	856,928
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Cash and cash equivalents at end of year	\$ 1,449,040
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Schedule of Certain Cash Flow Information	
Cash paid for interest	\$ 29,410
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The accompanying notes are an integral part of these financial statements.

The Children’s Museum of Atlanta, Inc. Notes to Financial Statements

Note 1: DESCRIPTION OF THE MUSEUM

The Children’s Museum of Atlanta, Inc. (the Museum) is a nonprofit corporation which was organized on February 17, 1988, under the laws of the State of Georgia. Its stated mission is to change the world by sparking every child’s imagination, sense of discovery and learning through the power of play. The Museum’s programs are:

Exhibits - The Museum’s exhibits and discovery zones are “hands-on” and promote a learning environment that addresses the many different ways that children learn.

Feature exhibits at CMA:

- Rube Goldberg: The World of Hilarious Invention (September 2021 – January 2022) showcases Pulitzer Prize-winning humorist and inventor Rube Goldberg™’s iconic contraptions, imaginative illustrations and humorous storytelling, celebrating his skills as both an artist and inventor. Inspired by Rube’s original illustrations and inventive storytelling, this exhibit contains a collection of new 3D, life-size machines and hands-on, interactive components that connect Rube’s iconic cartoon contraptions to the way things work in the physical world. These experiences provide insight into the legacy of Rube and how classic engineering principles can be re-imagined as entry points for deeper exploration of STEAM concepts for 21st-century learning.
- Storyland: A Trip Through Childhood Favorites (January – May 2022) The new exhibit provided imaginative, book-based experiences for children age birth years old, and modeled early literacy experiences to parents. Storyland transformed seven beloved and award-winning picture books – “The Tale of Peter Rabbit” by Beatrix Potter; “The Snowy Day” by Ezra Jack Keats; “Where’s Spot?” by Eric Hill; “If You Give a Mouse a Cookie” by Laura Numeroff; “Chicka Chicka Boom Boom” by Bill Martin Jr. and John Archambault; “Abuela” by Arthur Dorros; and “Tuesday” by David Wiesner.
- Wild Kratz: Creature Power (June – September 2022) This adventurous exhibit was based on the popular PBS Kids series – which focused on cultivating STEM skills in children ages 3 to 9. Kids and families were asked to explore animal habitats from around the globe, discover incredible creature powers and go on a mission to foil the villains’ nefarious plans. Kids and families got the chance to learn about and try out various Creature Powers® such as: sneaking through the forest using the stealth of a jaguar, swinging through the trees like a spider monkey, testing their hops against a kangaroo, and much more.

Education - The Museum continues to expand and deepen programs that introduce young children to science, technology, engineering, arts, math, social sciences, geography, and other important topics.

Outreach - Since opening, the Museum has welcomed over 3.4 million visitors and has expanded its outreach efforts to ensure that programs and exhibits are reaching all children in the Atlanta Metro area, no matter their circumstances. The outreach programs have been recognized nationally and are a testament to the vision that children’s museums inspire and reach families, schools, and children in ways that other Museums do not. Extensive community outreach programs have reached over 250,000 people over the past decade.

The Children's Museum of Atlanta, Inc. Notes to Financial Statements

Note 1: DESCRIPTION OF THE MUSEUM (Continued)

This fiscal year, the Museum's operations continued to be altered by the restrictions caused by the pandemic. The Museum continued to focus on implementing its strategic and business plans to deepen the reach and experience for families, schools, and centers with the goal of reaching all young children and eliminating any and all barriers to participation. The challenge of the continuation of the pandemic resulted in determining new ways to reach our community and fulfill the Museum's mission.

In the fiscal year 2022, the Museum completed the Bridge to the Future campaign whose vision was funding recovery, stabilization, and the development of new exhibits and programs. The campaign successfully raised \$2,309,960, enabling the Museum's mission amidst the pandemic. The Museum continued to present traveling exhibits, design, and fabricate a new STEM-based experience in our science gallery focused on cause and effect, engaging the community in meaningful learning through play for young children. At the end of the fiscal year, the Museum received the first draft of data related to research conducted in partnership with Georgia State University. The study focused on strategies to engage rural Georgia communities using virtual technology to create better academic outcomes for early learners. The data and research findings will be widely shared with other institutions allowing for replication of the successful practices.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for doubtful accounts, useful lives of property and equipment (depreciation expense), valuation of investments, valuation of in-kind donations, and allocations used in the Statement of Functional Expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

The Children's Museum of Atlanta, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Museum provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Museum's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

Investments

The Museum reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life.

The Children's Museum of Atlanta, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Museum reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Museum, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for a capital reserve and investments held at the Community Foundation.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Special events, admissions, memberships, program fees, facility rental and vending, and retail store income are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Income from membership dues received in advance are deferred and recognized over the periods to which the dues and fees relate. These amounts are included in contract liabilities within the statement of financial position.

A portion of the Museum's grants and contracts are from government agencies. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

The Children's Museum of Atlanta, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Museum. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to salaries and wages and benefits and payroll taxes are allocated based on actual percentages of time spent in each functional area. Expenses related to rent, common area maintenance, utilities, marketing, professional fees, security, depreciation, telecommunications, repairs and maintenance, insurance and licenses, certain supplies, and printing and copying are allocated across functional areas based on a fixed percentage.

Advertising

The Museum uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the year ended June 30, 2022, advertising costs totaled \$277,250.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Museum is exempt from taxes on income other than unrelated business income. Unrelated business income results from the sale of certain gift shop merchandise.

The Museum utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2022, the Museum has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 13, 2022, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

The Children’s Museum of Atlanta, Inc.
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU specifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services. The ASU is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Association adopted this ASU for the year ended June 30, 2022.

Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is now effective for fiscal years beginning after December 15, 2021, as a delay in adoption was recently approved. Early adoption is permitted. The Museum is currently evaluating the impact of the guidance on its financial statements.

Note 3: RESTATEMENT OF PRIOR PERIOD

Net assets with donor restrictions as of June 30 2021 has been restated by \$162,890 to record the fair market value of investments held at the Community Foundation for Greater Atlanta as it was not previously recorded in full.

The adjustment resulted in an increase in net assets as of June 30, 2022, as reflected below:

	Without donor restrictions	With donor restrictions	Total
Net assets, as of June 30, 2021 as previously reported	\$ 5,255,522	\$ 298,856	\$ 5,554,378
To adjust the investments held at the Community Foundation to fair market value	162,890	-	162,890
Net assets, as of June 30, 2021 as restated	\$ 5,418,412	\$ 298,856	\$ 5,717,268

The Children’s Museum of Atlanta, Inc.
Notes to Financial Statements

Note 4: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Museum maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Museum’s expenditures come due. The following reflects the Museum’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<u>June 30,</u>	<u>2022</u>
Total assets at year end	\$ 7,234,962
Less non-financial assets	
Inventory	(16,206)
Prepaid expenses and other assets	(222,292)
Property and equipment, net	(4,474,104)
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Financial assets at year-end	2,522,360
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions	
Restricted by donor with time or purpose restrictions	(429,866)
Board designations	(641,958)
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Financial assets available to meet cash needs for general expenditures within one year	\$ 1,450,536

The Museum is principally supported by contributions, admissions, memberships, program fees, and special events. In addition to financial assets available to meet general expenditures over the next twelve months, the Museum monitors its budget monthly and anticipates collecting sufficient revenue to cover its expenditures. In the event of unanticipated liquidity needs, the Museum has a line of credit with available borrowings of \$200,000, as further discussed in Note 9.

Note 5: ACCOUNTS RECEIVABLE AND PROMISES TO GIVE

Accounts receivable at June 30 2022 of \$30,561 consisted of funds due as a result of the Employer Tax Retention Credit. The Museum believes the full balance is collectible and therefore no allowance for doubtful accounts is recorded at June 30, 2022.

Promises to give consist of the following:

<u>June 30,</u>	<u>2022</u>
Receivable within one year	\$ 183,176
Allowance for uncollectible promises to give	(6,205)
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Promises to give, net	\$ 176,971

At June 30, 2022, contributions totaling \$200,000 have not been recognized in the accompanying Statement of Activities because the condition on which they depend has not yet been met.

The Children’s Museum of Atlanta, Inc.
Notes to Financial Statements

Note 6: INVESTMENTS

Investments in marketable securities consist of the following:

<i>June 30, 2022</i>	Cost	Market Value
Money market	\$ 6,091	\$ 6,091
Fixed income mutual funds	109,648	121,571
Total investments in marketable securities	\$ 115,739	\$ 127,662

Note 7: PROPERTY AND EQUIPMENT

The components of property and equipment at June 30, 2022, are as follows:

	Estimated Useful Lives (in years)	
Building and related improvements	39	\$ 8,017,191
Furniture, fixtures and equipment	5-7	288,244
Museum exhibits	5	2,914,167
Office equipment	5	185,769
Computer hardware	3	69,567
Computer software	3	73,046
Vehicles	5	26,187
		11,574,171
Less accumulated depreciation		(7,100,067)
Property and equipment, net		\$ 4,474,104

Depreciation expense for the year ended June 30, 2022 amounted to \$251,066.

Note 8: LONG-TERM DEBT

The Museum has a term loan with a financial institution with a maturity date of May 14, 2024 and an interest rate of 5.04%. The term loan requires monthly installments of both principal and interest and is collateralized by substantially all real property owned by the Museum. The balance of the note payable as of June 30, 2022 is \$564,306.

Maturities of long-term debt subsequent to June 30, 2022, are as follows:

<i>For the years ending June 30,</i>	
2023	\$ 21,572
2024	542,734
Total	\$ 564,306

The Children’s Museum of Atlanta, Inc.
Notes to Financial Statements

Note 8: LONG-TERM DEBT (Continued)

Interest expense related to the loan agreement was \$29,410 for the year ended June 30, 2022.

The loan agreement contains certain financial covenants to include not incurring any additional debt and keeping a certain balance of cash in the bank at the financial institution.

Note 9: LINE OF CREDIT

The Museum maintains a line of credit agreement with a financial institution. Available borrowings related to the agreement are \$200,000, with a variable interest rate based on the Wall Street Journal published Prime Rate of 3.25%. The maturity date of the line of credit is October 9, 2022. There was no outstanding balance at June 30, 2022.

The line of credit contain certain financial covenants to include a debt covenant ratio.

Note 10: NET ASSETS

A summary of net assets without donor restrictions follows:

<u>June 30,</u>	<u>2022</u>
Undesignated	\$ 4,675,455
Board designated	
Investments held at the Community Foundation	579,300
Capital reserve	641,958

A summary of net assets with donor restrictions follows:

<u>June 30,</u>	<u>2022</u>
Purpose restricted	
Education and other programs	\$ 87,715
Museum exhibits	23,341
Staff professional development	27,661
Capital improvements	191,149
Restricted in perpetuity	
Endowment for staff professional development	100,000
Total net assets with donor restrictions	\$ 429,866

The Children’s Museum of Atlanta, Inc.
Notes to Financial Statements

Note 10: NET ASSETS (Continued)

A summary of the release of donor restrictions follows:

<i>For the year ended June 30,</i>	<i>2022</i>
Time releases	\$ 812,612
Purpose releases	
Education and other programs	184,347
Museum exhibits	149,907
Total net assets released from donor restrictions	\$ 1,146,866

Note 11: REVENUE

The Museum is recognizing revenue over time for its membership fees. As of June 30, 2022, there is \$211,725 of performance obligations to be satisfied, all of which is expected to be recognized in revenue in 2023. These performance obligations are based upon the month to which the membership period relates.

Disaggregated Revenue

A summary of disaggregated revenue information follows:

<i>For the year ended June 30,</i>	<i>2022</i>
Contracts with customers (ASC 606)	
Recognized over time	\$ 272,557
Recognized at a point of time	2,163,277
Grants and contributions (non-exchange)	1,760,773
Change in value of investments held at the Community	
Foundation (non-exchange)	-
Other revenue (non-exchange)	383,775
Total revenue	\$ 4,580,382

The Museum’s customers are primarily residents and tourists located in the Atlanta Georgia portion of the United States.

Contract Balances

<i>June 30,</i>	<i>2022</i>
Contract liabilities, beginning of year	\$ 153,020
Contract liabilities, end of year	\$ 230,345

The Children's Museum of Atlanta, Inc. Notes to Financial Statements

Note 12: ENDOWMENTS

The Museum's endowment consists of one fund established for continuing professional education to at least one staff member per year. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Museum has interpreted the State of Georgia's Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Museum retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Museum, and (7) the Museum's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Museum has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested with a target of 80% weighting to the S&P 500 Index and a 20% weighting to the Bloomberg Barclays U.S. Aggregate Fixed Income Index. The Museum expects its endowment assets, over time, to produce an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy. The Museum has a policy of appropriating for distribution each year 5% of its endowment fund's prior year's ending fiscal year corpus value. In establishing this policy, the Museum considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Museum expects the current spending policy to allow its endowment funds to grow at an average rate of 2% annually. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Museum has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, there were no underwater endowments.

The Children’s Museum of Atlanta, Inc.
Notes to Financial Statements

Note 12: ENDOWMENTS (Continued)

Endowment net asset composition by type of fund follows:

<u>June 30,</u>	<u>2022</u>
Endowment funds with donor restrictions	\$ 127,661
Total endowment funds	\$ 127,661

Changes in endowment net assets follow:

	With Donor Restrictions for Purpose	With Donor Restrictions in Perpetuity	Total
Endowment net assets - July 1, 2021	\$ 48,862	\$ 100,000	\$ 148,862
Investment income (loss)	(21,201)	-	(21,201)
Endowment net assets - June 30, 2022	\$ 27,661	\$ 100,000	\$ 127,661

Note 13: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Children’s Museum of Atlanta, Inc.
Notes to Financial Statements

Note 13: FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

Money market funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed Income Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Museum are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Museum are deemed to be actively traded.

Pooled Investments: Valued based on NAV per share or unit as a practical expedient as reported by the fund manager, multiplied by the number of shares or units held as of the measurement date. Accordingly, the NAV based investments have been excluded from the fair value hierarchy leveling.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets and liabilities measured at fair value on a recurring basis, are summarized for the year ended June 30, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 6,091	\$ -	\$ -	\$ 6,091
Fixed income mutual funds	121,571	-	-	121,571
	127,662	-	-	127,662
Investments held at the Community Foundation ^(A)				579,300
Certificates of deposit				158,826
Total investments at fair value	\$ 127,662	\$ -	\$ -	\$ 865,788

(^A) Investments that are measured at fair value using the net asset value per share have been excluded from the fair value hierarchy leveling.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended June 30, 2022, there were no significant transfers in or out of Levels 1, 2 or 3.

The Children’s Museum of Atlanta, Inc.
Notes to Financial Statements

Note 14: GIFTS IN KIND

Donated services, materials, and facilities are included in the accompanying statement of activities are summarized as follows:

<i>June 30,</i>	<i>2022</i>
Advertising and marketing	\$ 120,401
Legal services	61,728
Parking	2,088
Other	8,745
Total donated services, materials, and facilities	\$ 192,962

The Museum’s policy related to gifts-in-kind is to utilize the assets to carry out the mission of the Museum. If an asset is provided that does not allow the Museum to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

All gifts-in-kind received by the Museum for the year ended June 30, 2022, were considered without donor restrictions and able to be used by the Museum as determined by the board of directors and management.

Note 15: CONCENTRATIONS OF CREDIT RISK

The Museum maintains cash deposits with financial institutions at June 30, 2022 in excess of federally insured limits of \$1,253,071.

Note 16: COMMITMENTS

The Museum leases parking spaces accounted for as an operating lease. The leases expires in fiscal 2029.

Minimum lease payments under noncancellable operating leases are as follows:

<i>For the years ending June 30,</i>	
2023	\$ 27,180
2024	24,000
2025	24,000
2026	24,000
2027	24,000
Thereafter	28,000
Total future minimum lease payments	\$ 151,180

Rent expense for the year ended June 30, 2022 was \$24,000.

The Children's Museum of Atlanta, Inc. Notes to Financial Statements

Note 16: COMMITMENTS (Continued)

The Museum has entered into various contracts related to exhibits. The total of these contracts is \$645,000 with \$256,000 outstanding at June 30, 2022. The Museum also signed various maintenance contracts for fiscal years 2019 through 2022. The total remaining balances on these contracts is \$12,515 at June 30, 2022. In addition, the Museum previously entered into a contract to obtain accounting and other software. The contract ends in fiscal 2026. The remaining balance on this contract is approximately \$71,000 at June 30, 2022.

Note 17: DEFINED CONTRIBUTION PLAN

The Museum maintains a defined contribution 401(k) plan for all employees who have served for at least six months and are 21 of age. Generally, employees can defer up to 15% of their compensation into the plan, not to exceed regulatory limits. Employee contributions to the plan are deducted from gross salaries before they are taxed. Benefit payments are available in the form of an annuity, specified payment option (SPO), or a single lump sum. The Museum does not make any contributions to the plan.

Note 18: RELATED PARTIES

Various members of the Board of Directors donated legal services to the Museum totaling \$61,728 and for the year ended June 30, 2022. The value of these services are recorded as in-kind donations in the statement of activities. During fiscal 2022, a member of the Board of Directors was employed by the bank in which the Museum held its cash and loan accounts. The bank also funded the Museum's Paycheck Protection Program loan as further discussed in Note 20. Various members of the Board of Directors work for broadcasting companies who the Museum paid a total of \$77,820, for advertising during the year ended June 30, 2022.

Note 19: PAYCHECK PROTECTION PROGRAM

In February 2021, in response to the global pandemic, the Museum applied for and received a \$428,098 loan through the Paycheck Protection Program under the CARES Act. The Museum applied for forgiveness of the full amount of the debt and recorded the amount as forgiveness of Paycheck Protection Program loan during fiscal 2022. In October 2021, the Museum received notice that the \$428,098 and related interest had been forgiven.

Note 20: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Museum. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.