



The Children's Museum of Atlanta, Inc.

FINANCIAL STATEMENTS

June 30, 2023 and 2022



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REPORT





Carr, Riggs & Ingram, LLC
4004 Summit Boulevard NE
Suite 800
Atlanta, GA 30319

770.394.8000
770.451.2873 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors 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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2023, the Museum adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

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
November 13, 2023



FINANCIAL STATEMENTS



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

<i>June 30,</i>	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 1,556,830	\$ 1,449,040
Accounts receivable, net	10,161	30,561
Promises to give, net	137,286	176,971
Certificates of deposit	161,109	158,826
Inventory	21,825	16,206
Prepaid expenses and other assets	227,792	222,292
Total current assets	2,115,003	2,053,896
Non-current assets		
Investments in marketable securities	129,217	127,662
Investments held at Community Foundation	590,139	579,300
Operating lease right-of-use assets, net	115,087	-
Property and equipment, net	4,281,661	4,474,104
Total non-current assets	5,116,104	5,181,066
Total assets	\$ 7,231,107	\$ 7,234,962
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 149,413	\$ 113,732
Current portion of note payable	542,734	21,572
Current portion of operating lease liabilities	20,961	-
Performance obligation liabilities	280,878	230,345
Total current liabilities	993,986	365,649
Long-term liabilities		
Note payable, less current portion	-	542,734
Operating lease liabilities, less current portion	94,126	-
Total long-term liabilities	94,126	542,734
Total liabilities	1,088,112	908,383
Net assets		
Without donor restrictions	5,736,597	5,896,713
With donor restrictions	406,398	429,866
Total net assets	6,142,995	6,326,579
Total liabilities and net assets	\$ 7,231,107	\$ 7,234,962

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

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

<i>For the year ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions	\$ 237,019	\$ 470,593	\$ 707,612
Contributions of non-financial assets	195,081	-	195,081
Grants	-	138,605	138,605
Investment income (loss), net	-	15,177	15,177
Gain on investments held at the Community Foundation	67,404	-	67,404
Special events	574,027	-	574,027
Admissions	1,854,794	-	1,854,794
Memberships	520,693	-	520,693
Program fees	105,366	-	105,366
Facility rental and vending	12,249	-	12,249
Retail store	217,632	-	217,632
Interest income	35,465	-	35,465
Other income	163,877	-	163,877
Net assets released from restrictions	647,843	(647,843)	-
Total revenue and other support	4,631,450	(23,468)	4,607,982
Expenses			
<i>Program services</i>			
Museum, education, and outreach	3,833,545	-	3,833,545
<i>Supporting services</i>			
General and administrative	240,910	-	240,910
Fundraising	717,111	-	717,111
Total supporting services	958,021	-	958,021
Total expenses	4,791,566	-	4,791,566
Change in net assets	(160,116)	(23,468)	(183,584)
Net assets at beginning of year	5,896,713	429,866	6,326,579
Net assets at end of year	\$ 5,736,597	\$ 406,398	\$ 6,142,995

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

The Children’s Museum of Atlanta, Inc.
Statements of Activities (Continued)

<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
Contributions of non-financial assets	192,962	-	192,962
Grants	-	46,750	46,750
Forgiveness of Paycheck Protection Program loan	428,098	-	428,098
Investment income (loss), net	-	(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 outreach	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	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.
Statements of Functional Expenses

For the year ended June 30, 2023

	Program Services		Supporting Services		Total
	Museum, Education, and Outreach Services		General and Administrative	Fundraising	
Salaries and wages	\$ 1,559,585		\$ 101,923	\$ 308,348	\$ 1,969,856
Benefits and payroll taxes	302,680		22,020	26,677	351,377
Total personnel	1,862,265		123,943	335,025	2,321,233
Advertising and marketing	386,930		29,764	8,504	425,198
Special event expenses	-		-	328,228	328,228
Repairs and maintenance	257,059		18,690	16,238	291,987
Depreciation	234,785		18,060	5,160	258,005
Exhibits and education	227,105		-	-	227,105
Professional fees	143,144		11,011	3,146	157,301
Cost of goods sold	116,834		-	-	116,834
Transaction processing and finance fees	97,040		7,464	2,133	106,637
Utilities	85,187		6,553	1,872	93,612
Supplies	63,662		2,844	1,693	68,199
Insurance and licenses	59,303		4,318	1,234	64,855
Postage and delivery	54,307		759	2,391	57,457
Common area maintenance	51,220		3,940	1,126	56,286
Contract services and temporary help	35,206		113	1,232	36,551
Telecommunications	28,492		2,192	626	31,310
Rent	28,372		2,182	624	31,178
Printing and copying	26,087		1,572	1,846	29,505
Interest	25,811		1,986	567	28,364
Travel and training	17,402		1,982	2,665	22,049
Dues and subscriptions	11,114		1,921	1,980	15,015
Bad debt	9,187		707	202	10,096
Recruiting and volunteer	8,395		612	534	9,541
Security	4,237		266	76	4,579
Miscellaneous	401		31	9	441
Total	\$ 3,833,545		\$ 240,910	\$ 717,111	\$ 4,791,566

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

The Children's Museum of Atlanta, Inc.
Statements of Functional Expenses (Continued)

For the year ended June 30, 2022

	Program Services		Supporting Services		Total
	Museum, Education, and Outreach 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	
Advertising and 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	
Utilities	76,986	5,922	1,692	84,600	
Insurance and licenses	72,577	5,495	1,570	79,642	
Cost of goods sold	78,340	-	-	78,340	
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	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.
Statements of Cash Flows

<i>For the years ended June 30,</i>	2023	2022
Operating Activities		
Change in net assets	\$ (183,584)	\$ 609,311
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	258,005	251,066
Net unrealized and realized loss (gain) on investments	(15,177)	21,200
Forgiveness of Paycheck Protection Program grant	-	(428,098)
Net change in value of investments held at the Community Foundation	(10,839)	83,590
Changes in operating assets and liabilities		
Accounts receivable	20,400	161,174
Promises to give	39,685	(5,771)
Certificates of deposit	(2,283)	(608)
Inventory	(5,619)	(2,015)
Prepaid expenses and other assets	(5,500)	(101,500)
Accounts payable and accrued expenses	35,681	38,778
Performance obligation liabilities	50,533	77,325
Net cash provided by (used in) operating activities	181,302	704,452
Investing Activities		
Purchase of property and equipment	(65,562)	(91,840)
Proceeds from sale of investments	13,622	-
Net cash provided by (used in) investing activities	(51,940)	(91,840)
Financing Activities		
Payments on note payable	(21,572)	(20,500)
Net cash provided by (used in) financing activities	(21,572)	(20,500)
Net change in cash and cash equivalents	107,790	592,112
Cash and cash equivalents, at beginning of year	1,449,040	856,928
Cash and cash equivalents, at end of year	\$ 1,556,830	\$ 1,449,040
Schedule of Noncash Transactions		
Lease liabilities arising from obtaining right-of-use assets		
Operating leases	\$ 115,087	\$ -
Schedule of Certain Cash Flow Information		
Cash paid for interest	\$ 28,364	\$ 29,410

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:

- 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.
- Paw Patrol: Adventure Play (September 2022 – January 2023) The main idea behind this special exhibit is how the puppy heroes of PAW Patrol inspire us to team up to overcome challenges, take heroic action, and help others. Children will learn about: helping others in big and small ways to strengthen friendships, communities, and our world; self-confidence and a can-do attitude to empower them to take positive action; and how they can combine their unique skills and resources to make a plan and overcome challenges. Children and their families will visit Adventure Bay with a group of eight rescue pups. Each pup is inspired by a real-world job, families work together to save the day, and kids learn about different jobs within a community and how those real-life professionals coordinate to keep people safe and happy. The hands-on, immersive PAW Patrol: Adventure Play exhibit is a fun way for the whole family to learn bravery and heroism, with exciting stories. Families will learn how to combine their skills to problem-solve together and save the day.
- Splash and Bubbles: Dive in, Lend a Fin! (January- April 2023) This exhibit is based on the popular PBS KIDS TV show, Splash and Bubbles, a hit animated series that encourages children to explore ocean science and marine biology through character-driven comedy. The series is co-produced by The Jim Henson Company and Herschend Entertainment Studios. The new exhibition builds on kids’ connections to the characters and their habitats, immersing them in a larger-than-life marine environment and introducing them to the incredible world of ocean exploration. While exploring the early childhood STEM based exhibit, children will be encouraged to build both scientific inquiry and social-emotional skills as they learn how to protect the ocean and its ecosystems. Ocean conservation is a key message within the exhibit, encouraging families to understand that they can create “a small ripple to help our big ocean.”
- Shaun the Sheep™: Flock This Way! (May– September 2023) In this hands-on exhibit, visitors explore the antics of Shaun the Sheep and his pals on Mossy Bottom Farm. Designed for children ages three to nine, Shaun the Sheep™: Flock This Way! builds on problem-solving themes in fun, engaging ways that aim to make the problem-solving process explicit. Children will engage in a variety of social-emotional problem-solving challenges from helping out farm friends to identifying different emotions. These interactive opportunities encourage visitors to continue to develop confidence (sureness/belief in oneself), self-control (keep self-initiated goals in mind), collaboration (accept differences and others’ thoughts and ideas), creative thinking (overlook restrictions or perceived limitations), and critical thinking (understand and assess strategies used for thinking).

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

Note 1: DESCRIPTION OF THE MUSEUM (Continued)

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 3.5 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 275,000 people over the past decade.

This fiscal year, the Museum's operations focused on bringing back programs that were shelved during the pandemic and continuing to normalize operations. 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.

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.

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), determination of discount rate for lease liability, valuation of contributed non-financial assets, 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, with the cost determined by using the first-in, first-out (FIFO) basis. 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 lives of the assets.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Museum leases office space and equipment. The Museum determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities the statements of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Museum uses [its incremental borrowing rate or a risk-free rate] based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Museum will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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. Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets with donor restrictions and as a satisfaction of program restrictions.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue from special events, admissions, memberships, program fees, facility rental and vending, and retail store income is recognized as 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 dates and fees relate. These amounts are included in performance obligation 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 removed the conditions. 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.

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, advertising and 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 years ended June 30, 2023 and 2022, advertising costs totaled \$310,777 and \$277,250, respectively.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022, the Museum has no uncertain tax positions 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, November 13, 2023, 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.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Museum adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

As a result of the adoption of the new lease accounting guidance, the Museum recognized on July 1, 2022, a lease liability of \$133,779, which represents the present value of the remaining operating lease payments of \$146,000, discounted using our incremental borrowing rate of 2.88%, and a right-of-use asset of \$133,779.

The standard had a material impact on the Museum's statement of financial position, but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

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

Note 3: 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.

<i>June 30,</i>	2023	2022
Total assets at year end	\$ 7,231,107	\$ 7,234,962
Less non-financial assets		
Inventory	(21,825)	(16,206)
Prepaid expenses and other assets	(227,792)	(222,292)
Operating lease right-of-use assets, net	(115,087)	-
Property and equipment, net	(4,281,661)	(4,474,104)
Financial assets at year-end	2,584,742	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	(406,398)	(429,866)
Board designations	(1,081,577)	(1,221,258)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,096,767	\$ 871,236

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 \$700,000, as further discussed in Note 9.

Note 4: PROMISES TO GIVE

Promises to give consist of the following:

<i>June 30,</i>	2023	2022
Receivable within one year	\$ 143,491	\$ 183,176
Allowance for uncollectible promises to give	(6,205)	(6,205)
Promises to give, net	\$ 137,286	\$ 176,971

At June 30, 2023 and 2022, contributions totaling \$411,701 and \$200,000, respectively, have not been recognized in the accompanying Statements 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 5: INVESTMENTS

Investments in marketable securities consist of the following:

<i>June 30, 2023</i>	Cost	Market Value
Money market	\$ 2,262	\$ 2,262
Fixed income mutual funds	103,970	126,955
Total investments in marketable securities	\$ 106,232	\$ 129,217

<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

The total investments in marketable securities above represents the total endowment fund as further discussed in Note 13.

Note 6: PROPERTY AND EQUIPMENT

The components of property and equipment consist of the following at June 30, 2023 and 2022:

	Estimated Useful Lives (in years)	2023	2022
Building and related improvements	39	\$ 8,017,191	\$ 8,017,191
Furniture, fixtures and equipment	5-7	342,003	288,244
Museum exhibits	5	2,921,543	2,914,167
Office equipment	5	185,769	185,769
Computer hardware	3	73,993	69,567
Computer software	3	73,046	73,046
Vehicles	5	26,187	26,187
Total depreciable property and equipment		11,639,732	11,574,171
Less accumulated depreciation		(7,358,071)	(7,100,067)
Total property and equipment, net		\$ 4,281,661	\$ 4,474,104

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$258,005 and \$251,066, respectively.

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

Note 7: LEASES

The Museum has an operating lease for parking. The lease has a remaining lease term of 5 years.

The components of lease expense consist of the following:

<i>For the years ended June 30,</i>	2023	2022
<u>Operating lease cost</u>	<u>\$ 31,178</u>	<u>\$ 29,309</u>

Weighted average remaining lease term and discount rates consist of the following:

<i>For the year ended June 30,</i>	2023
Weighted average remaining lease term	
Operating leases	5.18 years
Weighted average discount rate	
Operating leases	2.88%

Future minimum lease payments under non-cancellable leases as of June 30, 2023, were as follows:

<i>For the years ending June 30,</i>	
2024	\$ 24,000
2025	24,000
2026	24,000
2027	24,000
2028	24,000
Thereafter	4,000
Total future minimum lease payments	124,000
Less imputed interest	(8,913)
<u>Present value of lease liabilities</u>	<u>\$ 115,087</u>
Reported as of June 30, 2023	
Current portion of operating lease liabilities	\$ 20,961
Operating lease liabilities, less current portion	94,126
<u>Total</u>	<u>\$ 115,087</u>

As of June 30, 2023, the Museum has additional operating leases that have not yet commenced of \$19,742. These operating leases will commence in fiscal year 2024 with lease terms of 4 to 5 years.

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

Note 7: LEASES (Continued)

Minimum lease payments under the operating leases as of June 30, 2022 for future years are as follows:

For the years ending June 30,

2023	\$	27,180
2024		24,000
2025		24,000
2026		24,000
2027		24,000
Thereafter		28,000
Total	\$	151,180

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, 2023 and 2022 was \$542,734 and \$564,306, respectively.

Maturities of long-term debt subsequent to June 30, 2023, are as follows:

For the year ending June 30,

2024	\$	542,734
Total	\$	542,734

Interest expense related to the loan agreement was \$28,364 and \$29,410 for the years ended June 30, 2023 and 2022, respectively.

The loan agreement contains certain financial covenants to include, but not limited to, not incurring any additional debt and keeping a certain balance of cash in the bank at the financial institution. Management believes the Museum was compliant with these requirements as of June 30, 2023 and 2022, except that management failed to deliver audited financial statements by the required deadline for the years ended June 30, 2023 and 2022. Subsequent to the years ended June 30, 2023 and 2022, the bank waived this specific requirement but not the remainder of the requirements for the years then ended.

Subsequent to the year ended June 30, 2023, management began discussions regarding the refinancing of the long-term debt.

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

Note 9: LINE OF CREDIT

The Museum maintains a line of credit agreement with a financial institution. Available borrowings related to the agreement are \$700,000, with a variable interest rate based on the Wall Street Journal published Prime Rate of 8.25%. The maturity date of the line of credit is April 1, 2026. There was no outstanding balance at June 30, 2023 and 2022. The line of credit contains certain financial covenants to include, but not limited to, a debt covenant ratio.

Note 10: NET ASSETS

A summary of net assets without donor restrictions consist of the following:

<i>June 30,</i>	2023	2022
Undesignated	\$ 4,655,020	\$ 4,675,455
Board designated		
Investments held at the Community Foundation	590,139	579,300
Capital reserve	491,438	641,958
Total net assets without donor restrictions	\$ 5,736,597	\$ 5,896,713

A summary of net assets with donor restrictions consists of the following:

<i>June 30,</i>	2023	2022
Purpose restricted		
Education and other programs	\$ 70,930	\$ 87,715
Museum exhibits	50,000	23,341
Staff professional development	29,218	27,661
Capital improvements	156,250	191,149
Restricted in perpetuity		
Endowment for staff professional development	100,000	100,000
Total net assets with donor restrictions	\$ 406,398	\$ 429,866

A summary of the release of donor restrictions consists of the following:

<i>For the year ended June 30,</i>	2023	2022
Time releases	\$ 79,900	\$ 812,612
Purpose releases		
Education and other programs	500,321	184,347
Museum exhibits	54,000	149,907
Staff professional development	13,622	-
Total net assets released from donor restrictions	\$ 647,843	\$ 1,146,866

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

Note 11: REVENUE

The Museum recognizes revenue over time for its membership fees and at a point in time for admissions and program fees. As of June 30, 2023 and 2022, there are performance obligations to be satisfied of \$280,878 and \$230,345, respectively. At June 30, 2023, management expects to recognize \$280,878 in 2024. All performance obligations at June 30, 2022 were recognized in 2023. These performance obligations are based upon the completion of membership terms.

The Museum’s method of recognizing revenue is the input method for performance obligations to be utilized over time.

Contract liabilities related to revenue from contracts with customers consists of the following:

<i>June 30,</i>	2023	2022
Contract liabilities		
Performance obligation liabilities, beginning of year	\$ 230,345	\$ 153,020
Performance obligation liabilities, end of year	\$ 280,878	\$ 230,345

Note 12: CONTRIBUTIONS OF NON-FINANCIAL ASSETS

All donated services and goods were utilized by the Museum’s program and supporting services. There were no donor-imposed restrictions associated with the contributed services or goods.

The components of donated services and goods contributed to the Museum consists of the following for the year ended June 30, 2023:

<i>For the year ended June 30, 2023</i>	Donated Services	Donated Goods	Total
Program services			
Museum, education, and other services	\$ 158,567	\$ 18,957	\$ 177,524
Supporting services			
General and administrative	12,197	1,458	13,655
Fundraising	3,485	417	3,902
Total contributed services and goods	\$ 174,249	\$ 20,832	\$ 195,081

<i>For the year ended June 30, 2022</i>	Donated Services	Donated Goods	Total
Program services			
Museum, education, and other services	\$ 167,637	\$ 7,958	\$ 175,595
Supporting services			
General and administrative	12,895	612	13,507
Fundraising	3,685	175	3,860
Total contributed services and goods	\$ 184,217	\$ 8,745	\$ 192,962

Donated services are valued using the contractors’ fair market value rate. Donated goods are valued at the wholesale prices that would be received for selling similar products.

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

Note 13: 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, 2023 and 2022, there were no underwater endowments.

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

Note 13: ENDOWMENTS (Continued)

Endowment net asset composition by type of fund consists of the following:

<i>June 30,</i>	2023	2022
Endowment funds with donor restrictions	\$ 129,217	\$ 127,662
Total endowment funds	\$ 129,217	\$ 127,662

Changes in endowment net assets consists of the following for the years ended June 30, 2023 and 2022:

<i>June 30, 2023</i>	With Donor Restrictions for Purpose	With Donor Restrictions in Perpetuity	Total
Endowment net assets - July 1, 2022	\$ 27,662	\$ 100,000	\$ 127,662
Investment income (loss)	15,177	-	15,177
Amounts appropriated for expenditure	(13,622)	-	(13,622)
Endowment net assets - June 30, 2023	\$ 29,217	\$ 100,000	\$ 129,217

<i>June 30, 2022</i>	With Donor Restrictions for Purpose	With Donor Restrictions in Perpetuity	Total
Endowment net assets - July 1, 2021	\$ 48,863	\$ 100,000	\$ 148,863
Investment income (loss)	(21,201)	-	(21,201)
Endowment net assets - June 30, 2022	\$ 27,662	\$ 100,000	\$ 127,662

Note 14: 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.

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

Note 14: FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2023 and 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.

Certificates of deposit: The Museum's investments in certificates of deposit are not included in the hierarchy as they are not considered investment securities.

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.

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

Note 14: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis consists of the following at June 30, 2023 and 2022:

June 30, 2023	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,262	\$ -	\$ -	\$ 2,262
Fixed income mutual funds	126,955	-	-	126,955
	129,217	-	-	129,217
Investments held at the Community Foundation ^(A)				590,139
Certificates of deposit				161,109
Total investments at fair value	\$ 129,217	\$ -	\$ -	\$ 880,465

June 30, 2022	Level 1	Level 2	Level 3	Total
Money market	\$ 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 years ended June 30, 2023 and 2022, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 15: CONCENTRATIONS

The Museum maintains cash deposits with financial institutions at June 30, 2023 and 2022 in excess of federally insured limits of \$1,071,590 and 1,253,071, respectively.

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

Note 16: COMMITMENTS

The Museum has entered into various contracts related to exhibits. The total of these contracts is \$522,500, with \$147,000 outstanding at June 30, 2023. The Museum also signed various maintenance contracts for fiscal years 2023 through 2025. The total remaining balances on these contracts is \$89,603 at June 30, 2023. 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 \$47,264 at June 30, 2023.

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 \$27,209 and \$61,728 for the years ended June 30, 2023 and 2022, respectively. One member of the Board of Directors is employed by a company that has donated advertising services to the Museum totaling \$89,908 for the year ended June 30, 2023. The value of these services are recorded as contributions of non-financial assets 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 19. 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.