

THE CHILDREN'S MUSEUM
OF ATLANTA, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021 AND 2020

THE CHILDREN'S MUSEUM OF ATLANTA, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Museum of Atlanta, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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, 2021 and 2020, 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.

Atlanta, Georgia
October 22, 2021

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THE CHILDREN'S MUSEUM OF ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

| ASSETS | 2021 | 2020 |
|---|--------------|--------------|
| Cash and cash equivalents | \$ 856,927 | \$ 835,359 |
| Inventory | 14,191 | 36,386 |
| Prepaid expenses and other assets | 120,792 | 128,928 |
| Accounts receivable | 191,735 | 3,119 |
| Pledges receivable, net | 171,200 | 91,422 |
| Certificate of deposit | 158,218 | 156,791 |
| Investments | 148,862 | 114,564 |
| Property and equipment, net | 4,633,328 | 4,918,516 |
| Beneficial interest in assets held by Community Foundation for Greater Atlanta, Inc. | 500,000 | 500,000 |
| Total assets | \$ 6,795,253 | \$ 6,785,085 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 74,953 | \$ 136,891 |
| Unearned revenue | 153,020 | 224,080 |
| Paycheck Protection Program loan | 428,098 | 458,200 |
| Line of credit | - | 200,000 |
| Note payable | 584,806 | 604,287 |
| Total liabilities | 1,240,877 | 1,623,458 |
| Net assets: | | |
| Without donor restrictions | 5,255,520 | 4,921,270 |
| With donor restrictions | 298,856 | 240,357 |
| Total net assets | 5,554,376 | 5,161,627 |
| Total liabilities and net assets | \$ 6,795,253 | \$ 6,785,085 |

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

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | | | 2020 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public support and revenues: | | | | | | |
| Contributions | \$ 1,354,691 | \$ 353,000 | \$ 1,707,691 | \$ 160,212 | \$ 462,277 | \$ 622,489 |
| In-kind contributions | 136,181 | - | 136,181 | 115,878 | - | 115,878 |
| Grants | - | 11,000 | 11,000 | - | 131,214 | 131,214 |
| Gain on extinguishment of Paycheck Protection Program loan | 458,200 | - | 458,200 | - | - | - |
| Investment income | - | 34,298 | 34,298 | - | 9,564 | 9,564 |
| Investment income from beneficial interest in assets held by Community Foundation for Greater Atlanta, Inc. | 26,256 | - | 26,256 | 26,363 | - | 26,363 |
| Special events (net of direct costs of \$67,940 and \$106,551) | 159,260 | - | 159,260 | 262,255 | - | 262,255 |
| Admissions | 705,587 | - | 705,587 | 1,253,474 | - | 1,253,474 |
| Memberships | 256,025 | - | 256,025 | 556,084 | - | 556,084 |
| Program fees | 33,103 | - | 33,103 | 93,058 | - | 93,058 |
| Facility rental and vending | 4,736 | - | 4,736 | 11,572 | - | 11,572 |
| Retail store (net of costs of goods sold of \$48,909 and \$57,152) | 44,768 | - | 44,768 | 45,081 | - | 45,081 |
| Other income | 3,959 | - | 3,959 | 14,563 | - | 14,563 |
| Total public support and revenues | <u>3,182,766</u> | <u>398,298</u> | <u>3,581,064</u> | <u>2,538,540</u> | <u>603,055</u> | <u>3,141,595</u> |
| Net assets released from restrictions | 339,799 | (339,799) | - | 655,213 | (655,213) | - |
| Total public support, revenues and net assets released from restrictions | <u>3,522,565</u> | <u>58,499</u> | <u>3,581,064</u> | <u>3,193,753</u> | <u>(52,158)</u> | <u>3,141,595</u> |
| Expenses: | | | | | | |
| Program Services | | | | | | |
| Museum, education and program services | 2,712,706 | - | 2,712,706 | 3,652,480 | - | 3,652,480 |
| Supporting Services: | | | | | | |
| General and administrative | 190,698 | - | 190,698 | 222,246 | - | 222,246 |
| Development and fundraising | 284,911 | - | 284,911 | 312,703 | - | 312,703 |
| Total expenses | <u>3,188,315</u> | <u>-</u> | <u>3,188,315</u> | <u>4,187,429</u> | <u>-</u> | <u>4,187,429</u> |
| Increase (decrease) in net assets | 334,250 | 58,499 | 392,749 | (993,676) | (52,158) | (1,045,834) |
| Net assets, beginning of year | <u>4,921,270</u> | <u>240,357</u> | <u>5,161,627</u> | <u>5,914,946</u> | <u>292,515</u> | <u>6,207,461</u> |
| Net assets, end of year | <u>\$ 5,255,520</u> | <u>\$ 298,856</u> | <u>\$ 5,554,376</u> | <u>\$ 4,921,270</u> | <u>\$ 240,357</u> | <u>\$ 5,161,627</u> |

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, 2021

| | Program Services | General and Administrative | Development and Fundraising | Total Expenses |
|---|---------------------|----------------------------------|-----------------------------------|-------------------|
| Salaries and wages | \$ 1,097,934 | \$ 83,327 | \$ 238,254 | \$ 1,419,515 |
| Benefits and payroll taxes | 188,729 | 14,339 | 19,330 | 222,398 |
| Total personnel | 1,286,663 | 97,666 | 257,584 | 1,641,913 |
| Marketing | 277,836 | 21,372 | 6,106 | 305,314 |
| Exhibits and education | 143,112 | 227 | 65 | 143,404 |
| Rent | 25,921 | 1,928 | 551 | 28,400 |
| Common area maintenance | 47,660 | 3,666 | 1,048 | 52,374 |
| Utilities | 73,946 | 5,688 | 1,625 | 81,259 |
| Security | 841 | 65 | 18 | 924 |
| Transaction processing and finance fees | 59,822 | 4,602 | 1,315 | 65,739 |
| Interest | 30,764 | 2,366 | 676 | 33,806 |
| Professional fees | 71,060 | 2,671 | 927 | 74,658 |
| Depreciation | 361,312 | 27,793 | 7,941 | 397,046 |
| Telecommunications | 20,769 | 1,598 | 456 | 22,823 |
| Travel and training | 6,976 | 463 | 139 | 7,578 |
| Repairs and maintenance | 193,057 | 14,612 | 4,175 | 211,844 |
| Insurance and licenses | 46,028 | 3,475 | 993 | 50,496 |
| Supplies | 20,051 | 805 | 280 | 21,136 |
| Postage and delivery | 19,386 | 450 | 304 | 20,140 |
| Printing and copying | 6,158 | 161 | 46 | 6,365 |
| Contract services and temporary help | 6,770 | - | - | 6,770 |
| Dues and subscriptions | 4,710 | 362 | 414 | 5,486 |
| Recruiting and volunteer appreciation | 1,663 | 97 | 67 | 1,827 |
| Bad debt | 6,231 | 480 | 137 | 6,848 |
| Sales tax and miscellaneous expenses | 1,970 | 151 | 44 | 2,165 |
| Total expenses | \$ 2,712,706 | \$ 190,698 | \$ 284,911 | \$ 3,188,315 |
| 2021 Percentage of total expenses | 85% | 6% | 9% | 100% |

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, 2020

| | Program Services | General and Administrative | Development and Fundraising | Total Expenses |
|---|---------------------|----------------------------------|-----------------------------------|-------------------|
| Salaries and wages | \$ 1,665,863 | \$ 93,217 | \$ 203,269 | \$ 1,962,349 |
| Benefits and payroll taxes | 272,000 | 17,967 | 17,217 | 307,184 |
| Total personnel | 1,937,863 | 111,184 | 220,486 | 2,269,533 |
| Marketing | 312,309 | 23,082 | 8,595 | 343,986 |
| Exhibits and education | 186,638 | 475 | 136 | 187,249 |
| Rent | 30,135 | 2,318 | 662 | 33,115 |
| Common area maintenance | 46,525 | 3,579 | 1,023 | 51,127 |
| Utilities | 80,102 | 6,162 | 1,760 | 88,024 |
| Security | 7,247 | 555 | 159 | 7,961 |
| Transaction processing and finance fees | 80,752 | 6,210 | 1,774 | 88,736 |
| Interest | 31,474 | 2,421 | 692 | 34,587 |
| Professional fees | 36,927 | 4,162 | 52,360 | 93,449 |
| Depreciation | 491,926 | 37,840 | 10,812 | 540,578 |
| Telecommunications | 20,139 | 1,549 | 443 | 22,131 |
| Travel and training | 16,486 | 1,059 | 4,370 | 21,915 |
| Repairs and maintenance | 180,133 | 13,851 | 4,070 | 198,054 |
| Insurance and licenses | 47,183 | 3,546 | 1,002 | 51,731 |
| Supplies | 76,107 | 1,749 | 1,799 | 79,655 |
| Postage and delivery | 28,933 | 526 | 800 | 30,259 |
| Printing and copying | 6,047 | 389 | 425 | 6,861 |
| Contract services and temporary help | 23,785 | - | - | 23,785 |
| Dues and subscriptions | 4,621 | 1,058 | 908 | 6,587 |
| Recruiting and volunteer appreciation | 3,547 | 246 | 345 | 4,138 |
| Bad debt | 2,762 | 212 | 61 | 3,035 |
| Sales tax and miscellaneous expenses | 839 | 73 | 21 | 933 |
| Total expenses | \$ 3,652,480 | \$ 222,246 | \$ 312,703 | \$ 4,187,429 |
| 2020 Percentage of total expenses | 87% | 5% | 7% | 100% |

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

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|------------|----------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ 392,749 | \$ (1,045,834) |
| Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 397,046 | 540,578 |
| Investment income | (34,298) | (9,564) |
| Cash proceeds collected on capital campaign | (188,400) | (62,000) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Inventory | 22,195 | (8,042) |
| Prepaid expenses and other assets | 8,136 | 5,000 |
| Accounts receivable | (188,616) | 7,511 |
| Pledges receivable | (79,778) | 136,863 |
| Decrease in: | | |
| Accounts payable and accrued expenses | (61,938) | (10,282) |
| Unearned revenue | (71,060) | (114,176) |
| Net cash provided by (used in) operating activities | 196,036 | (559,946) |
| Cash flows from investing activities: | | |
| Purchase of investments | - | (105,000) |
| Reinvestment of interest in certificate of deposit | (1,427) | (2,074) |
| Purchase of property and equipment | (111,858) | (68,466) |
| Net cash used in investing activities | (113,285) | (175,540) |
| Cash flows from financing activities: | | |
| Proceeds on Paycheck Protection Program loan | 428,098 | 458,200 |
| Forgiveness of Paycheck Protection Program loan | (458,200) | - |
| Borrowings (repayments) on line of credit | (200,000) | 200,000 |
| Principal payments on note payable | (19,481) | (18,430) |
| Cash proceeds collected on capital campaign | 188,400 | 62,000 |
| Net cash provided by (used in) financing activities | (61,183) | 701,770 |
| Net increase (decrease) in cash and cash equivalents | 21,568 | (33,716) |
| Cash and cash equivalents, beginning of year | 835,359 | 869,075 |
| Cash and cash equivalents, end of year | \$ 856,927 | \$ 835,359 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | \$ 33,806 | \$ 34,587 |

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

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies

Organization

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. To that end the Museum presents exhibits, programs, cultural activities, and educational workshops for young children and their parents and teachers. The Museum's exhibits and discovery zones are "hands-on" and promote a learning environment that addresses the many different ways that children learn.

Since opening, the Museum has welcomed over 3 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 organizations do not.

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. Extensive community outreach programs have reached over 250,000 people over the past decade. 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.

This past year, the Museum successfully raised important funding from the community for the "Bridge to the Future" campaign, whose vision is recovery, stabilization, and development of new exhibits and programs. As a result, the Museum has been able to continue to present traveling exhibits, design and fabricate a new STEM-based experience in our science gallery focused on "cause and effect" and engage the community in the important learning that occurs through play for young children. Additionally, these funds will enable the Museum to begin important outreach in partnership with Georgia State University to engage rural Georgia communities using virtual technology. This is an exciting new initiative which will not only benefit Atlanta and Georgia, but will also be shared with Children's Museums nationally.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies – Continued

Organization – Continued

Traveling Exhibits at CMA:

- Mo Willems: The Pigeon Comes to Atlanta (January-May 2021). This exhibit brought the whimsical world of beloved children's book author, Mo Willems, and his cast of lovable characters to the Museum. Children engaged in activities that encouraged literacy and social-emotional growth. The Museum also re-introduced the Family Free Day, welcoming families for whom the cost of admission is a barrier to attendance. Supported by grants, the Museum was especially happy to make this opportunity available to the outreach communities that the Museum serves.

- Thomas Edison's Secret Lab (May – September 2021). This exhibit invites visitors to step into the lab of Thomas Edison to engage in STEM learning. There are many hands-on experiences to engage children in the scientific process, highlighting some of the greatest scientists and innovators who have inspired us with groundbreaking discoveries and changed our world.

The Museum successfully reopened under significant attendance and operational restrictions (July 1, 2020), and continued to expand a menu of virtual field trips, workshops, and an artist-in-residency program which reached thousands of children. Following the CDC guidance, the Museum has continually expanded the number of visitors who can be in the Museum, and the response from the community has been overwhelmingly positive.

Financial Statement Presentation and Basis of Accounting

The Museum maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Museum is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions based on stipulations made by the donor, as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions including the carrying value of all property and equipment. Items that affect (i.e., increase or decrease) this net assets category include program revenue and related expenses associated with the core activities of the Museum. In addition to these program revenues, changes to this category of net assets include investment income and contributions without donor restrictions.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies – Continued

Financial Statement Presentation and Basis of Accounting – Continued

- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that are satisfied by actions of the Museum or the passage of time. Items that affect this net assets category are contributions with donor restrictions including pledges for which restrictions have not been met. These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired. Net assets with donor restrictions also include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and that only the income be made available for program operations. At June 30, 2021 and June 30, 2020, the Museum had \$100,000 of net assets with donor restrictions to be held in perpetuity.

Contributions and Promises to Give

GAAP requires the recognition of pledges as revenue when received and the use of discounting for recording long-term pledges. Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction terms are met or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Museum uses the allowance method to determine uncollectible, unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Services, Materials and Facilities

All non-cash gifts (other than personal services) are recorded at their estimated fair value at the date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain amounts have been recognized in the financial statements for donated services, as described in Note 10.

Long-Lived Assets

The Museum evaluates its long-lived assets held for use in operations, including real estate, for indicators of impairment and if impaired, records such assets at the lower of cost or fair value. There were no impairment losses recognized during the years ended June 30, 2021 or 2020.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies – Continued

Inventory

The Museum records its gift shop inventory at lower of cost or net realizable value under the first-in, first-out (FIFO) method. The FIFO method assumes that items flow through inventory in the order they were purchased. The FIFO method produces an inventory amount that more closely approximates replacement cost since inventory consists of the items that were purchased most recently.

Property and Equipment

The Museum follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Donated property and equipment are stated at cost or estimated fair value at time of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives as stated below. For the years ended June 30, 2021 and 2020, the estimated useful lives of property and equipment were as follows:

| | |
|-----------------------------------|----------|
| Building and improvements | 39 years |
| Museum exhibits | 5 years |
| Furniture, fixtures and equipment | 5 years |
| Computer software | 3 years |

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributed revenue with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Museum reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Museum is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), as amended, and classified by the Internal Revenue Service as other than a private foundation. The Museum is subject to tax on unrelated business income, net of expenses, resulting from the sale of certain gift shop merchandise.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies – Continued

Income Taxes - Continued

There was no unrelated business income tax for the years ended June 30, 2021 and 2020. For the years ended June 30, 2021 and 2020, the Museum had federal and state income tax net operating loss (NOL) carryforwards of \$79,757 and \$76,476, respectively. Management believes that it has appropriate support for any tax positions taken by the Museum, and as such, does not have any uncertain tax positions that are material to the financial statements. The Museum's income tax returns are subject to examination by the appropriate regulatory authorities for all open years, which include the last three years filed.

Advertising Expense

Advertising costs are expensed as incurred. For the years ended June 30, 2021 and 2020, advertising expense totaled \$198,205 and \$261,397, respectively. Donated advertising expense for the year ended June 30, 2021 and 2020 was \$104,671 and \$59,033, respectively, and is included in advertising expense.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated on a square foot basis include rent, common area maintenance, utilities, marketing, professional fees, security, depreciation, telecommunications, repairs and maintenance, insurance and licenses, certain supplies, and printing and copying. Salaries and wages and benefits and payroll taxes are allocated based on estimates of time and effort.

Cash and Cash Equivalents and Concentration of Credit Risk

Cash and cash equivalents are comprised of demand deposit accounts. For purposes of the statements of cash flows, the Museum considers all short-term, interest-bearing deposits with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of deposits with one financial institution as of June 30, 2021 and 2020. The balances in the Museum's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2021 and 2020, the Museum's cash balances exceeded the FDIC's insured limits by \$612,522 and \$606,305, respectively. Management does not believe the credit risk associated with these uninsured balances is significant.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Nature of Organization and Significant Accounting Policies – Continued

Unearned Revenue

For the years ended June 30, 2021 and 2020, unearned revenue consists of the unearned portion of membership revenue, as well as prepayments of museum admissions and program fees totaling \$123,419 and \$179,280, respectively. The revenues from Museum memberships are recognized pro-rata over the one-year membership period. In addition, unearned revenue as of June 30, 2021 and 2020 includes \$29,600 and \$44,800, respectively, related to special event ticket sales for the golf tournament.

New Accounting Policy

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers. Subsequent to issuance of ASU 2014-09, FASB issued additional related ASU's to provide additional clarification of ASU 2014-09. ASU 2014-09 amends the FASB Codification (ASC) by creating *Topic 606, Revenue from Contracts with Customers, and Subtopic 340-40, Other Assets and Deferred Costs – Contracts with Customers*. The new revenue recognition standard eliminates the transaction- and industry specific revenue recognition guidance under current GAAP and replaces it with a principle based approach for determining revenue recognition. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Museum adopted this guidance for the year ended June 30, 2021. Adopting this new ASU did not affect net assets.

2. Liquidity and Availability of Financial Assets

The Museum is substantially supported by special event revenues, admission and membership revenue, program fees, and contributions without donor restrictions. However, a material amount of contributions with donor restrictions are received each year for various programs. As a donor's restrictions require funds to be used in a particular manner or in a future period, the Museum maintains those restricted funds so that they are available to meet those responsibilities as they are required to be met. Accordingly, related financial assets are not available to the Museum for its general expenditures. General expenditures may be incurred for program, fundraising, or administrative purposes.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. Liquidity and Availability of Financial Assets - Continued

The Museum's financial assets at June 30, 2021 and 2020 (reduced by amounts that are not available for general use because of contractual, donor-imposed, or internal restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 856,927 | \$ 835,359 |
| Accounts receivable | 191,735 | 3,119 |
| Pledges receivable, net | 171,200 | 91,422 |
| Certificate of deposit | 158,218 | 156,791 |
| Investments | 148,862 | 114,564 |
| Beneficial interest in assets held by the Community Foundation of Atlanta, Inc. | <u>500,000</u> | <u>500,000</u> |
| Total financial assets | <u>2,026,942</u> | <u>1,701,255</u> |
| Less: | | |
| Internal designation of cash and certificate of deposit for capital reserve | (753,704) | (654,388) |
| Internal designation for long-term investment | (500,000) | (500,000) |
| Perpetual restriction on investments | <u>(100,000)</u> | <u>(100,000)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 673,238</u> | <u>\$ 446,867</u> |

The Museum structures its financial assets to be available as its general expenditure, liabilities, and other obligations become due. In addition to financial assets available to meet general expenditures over the next twelve months, the Museum operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Museum has designated a portion of its resources without donor restrictions for a capital reserve. These amounts are identified as internal designations in the above table. These funds remain available and may be spent at the discretion of the Board and if the Board elected to make them available, the financial assets available for general expenditures would be \$1,426,942 and \$1,101,255 at June 30, 2021 and 2020, respectively.

In July 2020, the Museum launched a \$2,200,000 "Bridge to the Future" fundraising campaign to bridge the operating funding gap resulting from the impact of the pandemic, rebuild programs, and update the Step-Up-to-Science mezzanine.

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3. Accounts Receivable

Accounts receivable at June 30 2021 of \$191,735 consisted of funds due for the Employer Tax Retention Credit. Accounts receivable at June 30, 2020 of \$3,119 consisted of miscellaneous funds due to the Museum. The Museum believes the full balances are collectible and therefore no allowance for doubtful accounts were recorded at June 30, 2021 and 2020.

4. Pledges Receivable, Net

In fiscal 2021, the Museum began a fundraising campaign for renovation of the Museum and operating expenses during the pandemic. Additionally, each year the Museum receives pledges for its programs and operating purposes. Pledges receivable are recorded at net realizable value upon receipt. Contributions to be received after one year are discounted at 3.7%, commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and utilized in accordance with donor imposed restrictions on the contribution.

Capital and operating pledges receivable consisted of the following at June 30:

| | 2021 | 2020 |
|-------------------------------------|------------|-----------|
| Amounts due in: | | |
| Less than one year | \$ 157,380 | \$ 67,999 |
| One to five years | 21,602 | 25,000 |
| Less: | | |
| Allowance for uncollectible pledges | (7,782) | (1,577) |
| Pledges receivable, net | \$ 171,200 | \$ 91,422 |

5. Investments

The Museum classifies its investment assets using a hierarchy of inputs to fair value measurements as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access.

Level 2 – Inputs to the valuation methodology that are derived principally from or corroborated by observable market data:

- 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 for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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5. Investments – Continued

Level 3 – Inputs that are unobservable and significant to the overall fair value measurement.

The asset's 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 used maximize the use of observable inputs and minimize the use of unobservable inputs.

The Museum's investments consist exclusively of money market and mutual funds. Money market funds are carried at cost value, which approximates fair value. Accordingly, the Museum's direct investments in money market funds and mutual funds are Level 1 investments.

There were no investments at June 30, 2020. The fair market value of investments is summarized below at June 30, 2021:

| | Fair Value Hierarchy Level | | | 2021 |
|---------------------------------|----------------------------------|----|---------|------|
| Money market and cash funds | 1 | \$ | 5,975 | |
| Total fixed income mutual funds | 1 | | 142,887 | |
| Total investments | | \$ | 148,862 | |

Spending Policy

The spending policy for a given year will equal 5% of the prior year's ending fiscal year corpus value.

Investment Policy and Strategy

The Finance Committee manages the fund and oversees the administration and distribution of the endowment fund. With a spending policy of 5% and assumed inflation of 2%, the overall return target is equivalent to at least 7% in total return. The investment target will be comprised of 80% weighting to the S&P 500 Index and a 20% weighting to the Bloomberg Barclays US Aggregate Fixed Income Index.

6. Endowed Net Assets

In 2020, the Museum received a gift from a private grantor for the purpose of establishing an Endowment Fund to generate investment return to be used to fund continuing professional education to at least one staff member per year. Accordingly, the Museum follows the requirements of Georgia's Uniform Prudent Management of Institutional Funds Act (the Act).

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
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6. Endowed Net Assets – Continued

From time to time, the fair value of invested assets associated with individual endowment funds may fall below the level that the Finance Committee requires to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2021.

In compliance with the Act, the Museum has adopted investment and spending policies for endowment assets as described in Note 5. The objective of these policies is to provide a predictable and sustainable stream of funding for professional development awards supported by its endowment while seeking to maintain the purchasing power of the endowment.

Endowment assets by net asset category and related changes consisted of the following as of June 30, 2021:

| | <u>With Donor Restrictions for Purpose</u> | <u>With Donor Restrictions in Perpetuity</u> | <u>Total</u> |
|-------------------------------------|--|--|-------------------|
| Endowment net assets, June 30, 2020 | \$ 14,564 | \$ 100,000 | \$ 114,564 |
| Investment return | 34,298 | - | 34,298 |
| Endowment net assets, June 30, 2021 | <u>\$ 48,862</u> | <u>\$ 100,000</u> | <u>\$ 148,862</u> |

Endowment assets by net asset category and related changes consisted of the following as of June 30, 2020:

| | <u>With Donor Restrictions for Purpose</u> | <u>With Donor Restrictions in Perpetuity</u> | <u>Total</u> |
|-------------------------------------|--|--|-------------------|
| Endowment net assets, June 30, 2019 | \$ - | \$ - | \$ - |
| Contributions | 5,000 | 100,000 | 105,000 |
| Investment return | 9,564 | - | 9,564 |
| Endowment net assets, June 30, 2020 | <u>\$ 14,564</u> | <u>\$ 100,000</u> | <u>\$ 114,564</u> |

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
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7. Property and Equipment, Net

Property and equipment are summarized as follows at June 30:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|---------------------|---------------------|
| Furniture, fixtures and other | \$ 283,415 | \$ 283,415 |
| Museum exhibits | 3,087,327 | 2,979,714 |
| Office equipment | 274,092 | 274,092 |
| Computer hardware | 77,348 | 73,103 |
| Computer software | 32,237 | 32,237 |
| Vehicles | 26,187 | 26,187 |
| Building and improvements | <u>7,998,421</u> | <u>7,998,421</u> |
| | 11,779,027 | 11,667,169 |
| Less accumulated depreciation | <u>(7,145,699)</u> | <u>(6,748,653)</u> |
| Total property and equipment, net | <u>\$ 4,633,328</u> | <u>\$ 4,918,516</u> |

Depreciation expense for the years ended June 30, 2021 and 2020 was \$397,046 and \$540,578, respectively.

8. Deferred Revenue

Deferred revenue represents membership dues received prior to the period in which the membership activities occur, as well as payments for special event ticket sales prior to the date of the event. Membership contracts are for one year and the balance of deferred revenues at June 30 will be recognized over the year that the membership activities occur. The transaction prices used to allocate the remaining performance obligations are based on membership fees received. The following table depicts activities for deferred membership revenue:

| | <u>Unearned memberships</u> | <u>Deferred special events</u> |
|---|---------------------------------|------------------------------------|
| Deferred revenue, beginning of the year | \$ 179,280 | \$ 44,800 |
| Deferred revenue recognized during the year | (179,280) | (44,800) |
| Cash received in advance of performance | <u>123,419</u> | <u>29,600</u> |
| Deferred revenue, end of year | <u>\$ 123,419</u> | <u>\$ 29,600</u> |

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
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9. Notes Payable

The Museum has a term loan with a financial institution in the amount of \$624,167. This loan has 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, 2021 and 2020 is \$584,806 and \$604,287, respectively. The Museum incurred interest expense of \$33,806 and \$34,587 for the years ended June 30, 2021 and 2020, respectively.

Principal maturities of the note payable subsequent to June 30, 2021 are as follows:

| | |
|------------------------------------|-------------------|
| <u>For the year ended June 30:</u> | |
| 2022 | \$ 20,500 |
| 2023 | 21,572 |
| 2024 | <u>542,734</u> |
| | <u>\$ 584,806</u> |

During fiscal 2020, the Museum had a line of credit in the amount of \$200,000 with the same financial institution. The line of credit was increased to \$700,000 during fiscal 2021. The interest rate at June 30, 2021 and 2020 is a variable rate based on the Wall Street Journal published Prime Rate of 3.25% for both years. There was no outstanding balance on this line of credit for the year ended June 30, 2021. The balance on this line of credit at June 30, 2020 was \$200,000. The maturity date of the line of credit is October 9, 2022. The line of credit requires the Museum to maintain a debt service ratio of at least 1.25:1. The Museum was in compliance with this covenant for the year ended June 30, 2021. The Museum obtained a waiver for this covenant for the year ended June 30, 2020.

To assist with operational cash flow during the pandemic, the Museum has been granted a forgivable loan from the United States Small Business Administration's Paycheck Protection Program (PPP). The total received in February 2021 was \$428,098 and has been recorded as a loan in the Statements of Financial Position. Management spent the loan proceeds on eligible amounts and the loan was formally forgiven in October 2021. The related grant revenue will be recorded in fiscal 2022. The PPP loan in the Statement of Financial Position at June 30, 2020 of \$458,200 was forgiven in December 2020 and is included in gain on extinguishment of Paycheck Protection Program loan in the Statements of Activities for the year ended June 30, 2021.

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10. Donated Services, Materials and Facilities

Donated services, materials, and facilities are included in contributions revenue and special event revenue in the accompanying statements of activities, and are summarized as follows for the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Advertising and marketing | \$ 104,671 | \$ 59,033 |
| Legal services | 13,120 | 14,400 |
| Parking | 12,000 | 25,976 |
| Other | 6,390 | 16,469 |
| Total donated services, materials, and facilities | <u>\$ 136,181</u> | <u>\$ 115,878</u> |

11. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Purpose and time restrictions: | | |
| Education and other programs | \$ 55,582 | \$ 95,793 |
| Museum exhibits | 25,000 | 30,000 |
| Staff professional development | 48,862 | 14,564 |
| Capital improvements | 69,412 | - |
| Total net assets with purpose and time restrictions | <u>198,856</u> | <u>140,357</u> |
| Perpetual restrictions for staff professional development | <u>100,000</u> | <u>100,000</u> |
| Total net assets with donor restrictions | <u>\$ 298,856</u> | <u>\$ 240,357</u> |

12. Net Assets Released from Restrictions

Net assets with donor restrictions were released from restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Museum exhibits | \$ 30,000 | \$ 246,000 |
| Education and other programs and activities | 190,811 | 409,213 |
| Capital improvements | 118,988 | - |
| Total net assets released from restrictions | <u>\$ 339,799</u> | <u>\$ 655,213</u> |

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
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13. Retirement Plan

The Museum maintains a defined contribution 401(k) plan for all employees meeting minimum service and age requirements. 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.

14. Lease Commitments

The Museum leases office equipment and parking spaces under non-cancelable operating leases. The future minimum payments required under these operating leases are as follows:

| <u>For the year ended June 30:</u> | |
|------------------------------------|-------------------|
| 2022 | \$ 27,180 |
| 2023 | 27,180 |
| 2024 | 24,000 |
| 2025 | 24,000 |
| 2026 | 24,000 |
| Thereafter | <u>52,000</u> |
| | <u>\$ 178,360</u> |

Rent expense for the years ended June 30, 2021 and 2020 was \$27,538 and \$28,193, respectively .

15. Commitments and Contingencies

The Museum has entered into various contracts related to exhibits. The total of these contracts is \$474,500 with \$218,00 outstanding at June 30, 2021. The Museum also signed various maintenance contracts for fiscal years 2017 through 2022. The total remaining balances on these contracts is \$52,150 at June 30, 2021. 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 \$96,075 at June 30, 2021.

THE CHILDREN'S MUSEUM OF ATLANTA, INC.
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16. Accounts at Community Foundation for Greater Atlanta and Board-Designated Funds

Board-designated net assets are funds that have been designated by the Museum for use in specific areas. Board-designated net assets at both June 30, 2021 and 2020 consist of \$500,000 for an endowment, as further discussed below. Additionally, board-designated net assets at June 30, 2021 and 2020 consist of \$753,704 and \$654,388, respectively, for capital reserve. During the year ended June 30, 2004, a private foundation placed \$500,000 with The Community Foundation for Greater Atlanta, Inc. ("Community Foundation") as a permanent endowment for the benefit of the Museum. Provided that the Museum meets certain conditions, it is entitled to a perpetual income stream from this endowment in accordance with the Community Foundation's spending policy (currently 5% of the three-year rolling average value of the assets). However, the Community Foundation has variance power over the income stream, and thus, this beneficial interest is not recorded in these financial statements. The income distributions related to this investment that are recorded as contributions in the statements of activities, are \$26,256 and \$26,363 for the years ended June 30, 2021 and 2020, respectively.

As a condition of the donation by the private foundation, the Museum was required to raise and hold an additional \$500,000 for long-term purposes. The Museum has raised \$500,000 as of June 30, 2014 and has invested this amount with the Community Foundation. The Museum has named itself as the beneficiary of this investment and is entitled to a perpetual income stream in accordance with the Community Foundation's spending policy. The Museum's beneficial interest in this perpetual income stream was recorded in the amount of \$500,000, in accordance with GAAP, as the fair value of the invested assets approximates the net present value of the perpetual income stream. This amount is evaluated annually and adjusted if facts and circumstances are deemed to warrant an impairment or enhancement of the expected perpetual income stream. The beneficial interest is included in designated net assets on the Statements of Financial Position. The income distributions related to this investment are recorded as "investment income from beneficial interest in assets held by the Community Foundation for Greater Atlanta, Inc." in the Statements of Activities. Investment income from beneficial interest in assets held by the Community Foundation totaled \$26,256 and \$26,363, respectively, for the years ended June 30, 2021 and 2020.

17. Related Party Transactions

Various members of the Board of Directors donated legal services to the Museum totaling \$7,020 and \$14,400 for the years ended June 30, 2021 and 2020, respectively. The value of these services are recorded as in-kind donations in the statement of activities. During fiscal 2021 and 2020, 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 9. Various members of the Board of Directors work for broadcasting companies who the Museum paid a total of \$70,555 and \$77,488, respectively, for advertising during the years ended June 30, 2021 and 2020.

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18. Subsequent Events

Management has evaluated events and transactions which occurred through October 22, 2021, which was the date the financial statements were available to be issued. Except for the forgiveness of the PPP loan as further discussed in Note 9, there are no significant subsequent events requiring recognition or disclosure in the financial statements.