

children's  
museum  
*of* phoenix



museo de  
los niños  
*de* phoenix

Children's Museum of Phoenix  
Financial Statements  
for the Ten Months Ended June 30, 2021

**CHILDREN’S MUSEUM OF PHOENIX  
TEN MONTHS ENDED JUNE 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Children's Museum of Phoenix

### **Report on Audit of Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Children's Museum of Phoenix (Museum), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the ten months 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 Children's Museum of Phoenix as of June 30, 2021, and the changes in its net assets and its cash flows for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Children's Museum of Phoenix and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

### *Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 misstatement 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.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Scottsdale, Arizona  
October 25, 2021

**CHILDREN'S MUSEUM OF PHOENIX  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021**

**Assets**

Cash and cash equivalents	\$ 1,579,989
Accounts receivable	280,587
Contributions receivable	580,484
Prepaid expenses	126,227
Other current assets	59,154
Total current assets	<u>2,626,441</u>
Restricted contributions receivable, net, less current portion	22,291
Property and equipment, net	3,491,919
Total assets	<u><u>\$ 6,140,651</u></u>

**Current Liabilities**

Accounts payable	\$ 75,730
Accrued payroll	162,676
Deferred revenue	305,469
Other current liabilities	4,167
Lease payable, current	5,941
Loan payable, current	3,504
Total current liabilities	<u>557,487</u>
Loan payable, long term	<u>146,209</u>
Total liabilities	<u><u>703,696</u></u>

**Net assets**

Without donor restrictions:	
Undesignated	4,656,240
With donor restrictions:	
Time restricted	602,775
Purpose restricted	177,940
Total net assets	<u>5,436,955</u>
Total liabilities and net assets	<u><u>\$ 6,140,651</u></u>

**See accompanying notes to financial statements.**

**CHILDREN'S MUSEUM OF PHOENIX  
STATEMENT OF ACTIVITIES  
FOR THE TEN MONTHS ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains:</b>			
Admissions	\$ 448,815	\$	\$ 448,815
Memberships	413,551		413,551
Other earned income	191,046		191,046
Store	25,617		25,617
Less: cost of goods sold	(11,021)		(11,021)
Contributions	70,603	1,292,861	1,363,464
Gifts-in-kind	724,100		724,100
Fundraising event	20,874		20,874
PPP loan forgiveness	495,300		495,300
Interest revenue	1,738		1,738
Net assets released from restrictions	732,707	(732,707)	
Total revenue, support, and gains	<u>3,113,330</u>	<u>560,154</u>	<u>3,673,484</u>
 <b>Expenses and losses:</b>			
Program services			
Exhibits and programs	1,851,084		1,851,084
Membership development	146,438		146,438
Total program expenses	<u>1,997,522</u>		<u>1,997,522</u>
Supporting services			
General and administrative	523,370		523,370
Fundraising	243,578		243,578
Total supporting services	<u>766,948</u>		<u>766,948</u>
Total expenses and losses	2,764,470		2,764,470
<b>Change in net assets</b>	348,860	560,154	909,014
<b>Net assets, beginning of year</b>	<u>4,307,380</u>	<u>220,561</u>	<u>4,527,941</u>
<b>Net assets, end of year</b>	<u>\$ 4,656,240</u>	<u>\$ 780,715</u>	<u>\$ 5,436,955</u>

See accompanying notes to financial statements.

**CHILDREN'S MUSEUM OF PHOENIX  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE TEN MONTHS ENDED JUNE 30, 2021**

	Program Services			Supporting Services			Total
	Exhibits and Programs	Membership Development	Program Services Total	Fundraising	General and Administrative	Supporting Services Total	
Salaries & Related Expenses	\$ 592,300	55,617	647,917	134,623	379,496	514,119	1,162,036
Professional Fees	29,588	22,120	51,708	34,932	31,031	65,963	117,671
Other Fees	47,150	4,682	51,832	20,020	164	20,184	72,016
Promotion	24,109	40,909	65,018	1,539	43,454	44,993	110,011
Transportation	609	-	609	1,479	550	2,029	2,638
Supplies	98,154	923	99,077	1,523	4,538	6,061	105,138
Software	10,895	4,445	15,340	17,106	8,023	25,129	40,469
Occupancy	740,849	8,196	749,045	24,275	32,338	56,613	805,658
Insurance	32,201	350	32,551	1,050	1,400	2,450	35,001
Financial Fees/Interest	19,895	5,451	25,346	1,958	15,765	17,723	43,069
Depreciation	266,355	3,745	270,100	5,073	10,964	16,037	286,137
Bad Debt	-	-	-	-	(4,353)	(4,353)	(4,353)
Total expenses	<u>1,862,105</u>	<u>146,438</u>	<u>2,008,543</u>	<u>243,578</u>	<u>523,370</u>	<u>766,948</u>	<u>2,775,491</u>
Less: expenses netted against revenue on Statement of Activities:							
Cost of goods sold	(11,021)		(11,021)				(11,021)
Total expenses	<u>\$ 1,851,084</u>	<u>146,438</u>	<u>1,997,522</u>	<u>243,578</u>	<u>523,370</u>	<u>766,948</u>	<u>2,764,470</u>

See accompanying notes to financial statements.

**CHILDREN'S MUSEUM OF PHOENIX  
STATEMENT OF CASH FLOWS  
FOR THE TEN MONTHS ENDED JUNE 30, 2021**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 909,014
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:	
Depreciation	286,137
Changes in assets and liabilities:	
Contributions receivable	(483,214)
Accounts receivables	(262,624)
Prepaid expenses	(81,184)
Other assets	(46,361)
Accounts payable	11,747
Accrued payroll	67,346
Deferred revenue	(118,146)
Other current liabilities	357
	<hr/>
<b>Net cash provided by/used for operating activities</b>	<b>283,072</b>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	(65,032)
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<b>Net cash provided by/used for investing activities</b>	<b>(65,032)</b>
<b>Cash flows from financing activities:</b>	
Net borrowings (repayments) under line of credit	(300,000)
Payment on loan payable	(10,287)
Payment on lease payable	(10,277)
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<b>Net cash provided by/used for financing activities</b>	<b>(320,564)</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(102,524)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,682,513</b>
	<hr/>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,579,989</b>
	<hr/> <hr/>
<b>Supplemental disclosure of cash flow information</b>	
Interest paid on lease	\$ 676
Interest paid on line of credit	7,542

**See accompanying notes to financial statements.**



**CHILDREN’S MUSEUM OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Children’s Museum of Phoenix (the “Museum”) was incorporated under the laws of the state of Arizona in 1998 and operates in the Phoenix metropolitan area. In 2001, Phoenix voters approved \$10.5 million in bond funds to purchase and partially renovate the historic Monroe School as the Museum’s new home. Renovation on the Monroe School began in 2006, and the Museum opened its doors to the public on June 14, 2008.

The Museum is a 501(c)(3) nonprofit Museum whose mission is to engage the minds, muscles, and imaginations of children and the grown-ups who care about them. The Museum fulfills this mission by:

- Providing engaging projects, exhibits and programming for young children and their families;
- Educating parents and caregivers about child development and parenting techniques;
- Building cultural understanding, positive social interaction and celebrating diversity; and,
- Acting as a gateway to other cultural institutions and community programs.

Since opening, the Museum has hosted over 3,668,000 visitors, including approximately 54,000 during the year ended June 30, 2021. As of June 30, 2021, the Museum had approximately 4,468 member families.

**Basis of Accounting**

The financial statements of the Museum have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

The financial statements of the Museum have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Museum is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Museum and changes therein are classified as follows:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.

*Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Museum and/or the passage of time.

**CHILDREN'S MUSEUM OF PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets (that is, when a stipulated time restriction ends or purpose restriction is accomplished,) without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

**Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Museum considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Concentrations of Credit and Market Risk**

Financial instruments that potentially expose the Museum to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Museum maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. At year end, the carrying amount of the Museum's deposits was \$1,575,897 and the bank balance was \$1,586,541. At year end, \$581,424 of the Museum's deposits were uninsured and uncollateralized. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution.

**Revenue Recognition**

**Admissions and Memberships.** The Museum recognizes revenue from ticket sales at the time of admission. The Museum recognizes the membership dues over the membership period and amounts collected in advance but unearned are reflected in the statement of financial position as deferred revenue.

**Fundraising Event.** The Museum records special event (or fundraising) revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

**CHILDREN'S MUSEUM OF PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Contributions.** The Museum recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Museum did not have any conditional promises to give at June 30, 2021.

**Contributions Receivable**

Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at net present value of expected cash flows. The allowance for doubtful accounts is based on management's assessment of the collectability of specific contributions.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. All other accounts receivables are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

**Property and Equipment**

All acquisitions of property and equipment with a cost in excess of \$1,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from three to seven years. Depreciation expense for the current fiscal year was \$286,137.

The Museum reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

**CHILDREN’S MUSEUM OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Compensated Absences**

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Museum’s policy to recognize the cost of compensated absence when leave is earned by employees.

**Donated Services and In-Kind Contributions**

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to 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 increases in net assets 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. The Museum reclassifies net assets with donor restrictions to net assets without restrictions at that time.

Volunteers contribute significant amounts of time to the Museum’s program services, administration, and fundraising activities; however the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed in generally accepted accounting principles. During the current fiscal year, approximately 149 volunteers provided over 413 hours of service to the Museum.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Professional fees	Full time equivalent
Promotion	Time and effort
Occupancy	Square footage
Depreciation	Square footage

**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 current fiscal year, advertising costs totaled \$66,315.

**CHILDREN'S MUSEUM OF PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Income Tax Status**

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Museum's Form 990, *Return of Organization Exempt from Income Taxes* is generally subject to examination by the Internal Revenue Service for three years after the date filed.

**Date of Management's Review**

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through October 25, 2021, which is the date the financial statements were available to be issued.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

The following represents the Museum's financial assets at fiscal year end:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,579,989
Contributions receivable	602,775
Accounts receivable	280,587
Total financial assets	<u>2,463,351</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(97,291)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,366,060</u>

The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize its available funds. The Museum's goal is generally to maintain financial assets to meet future operating expenses. The Museum has an unsecured \$400,000 line of credit from a bank. Borrowings under this line of credit bear interest at the greater of 5.00% or the bank's prime rate (5.0% at June 30, 2021) plus 1.0 percent. This line of credit is scheduled to expire May 1, 2022, at which time the Museum expects to renew the line of credit for another year under similar terms. The Museum borrowed \$300,000 in March 2020 and repaid the entire balance as of year-end.

**CHILDREN'S MUSEUM OF PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following.

Leasehold improvements	\$ 6,079,717
Exhibits	3,358,341
Equipment	299,806
Furniture	246,950
Software	61,039
Vehicle and trailer	<u>33,193</u>
Total property and equipment	10,079,046
Less: Accumulated depreciation and amortization	<u>(6,587,127)</u>
Net property and equipment	<u>\$ 3,491,919</u>

**NOTE 4 – NET ASSETS**

Net assets with donor restrictions were as follows:

	Balance Beginning of Year	Contributions	Releases	Balance End of Year
Programs				
Innovation Fund – Gila River Indian Community	\$ 75,000	\$	\$	\$ 75,000
Garden & KIDchen – Thunderbirds Charities & Other		40,000		40,000
Gila River Indian Community Free First Friday Nights		75,000	(62,500)	12,500
Adventure Play – Steele Foundation & Other		70,000	(70,000)	
Other	26,000	78,440	(54,000)	50,440
Time restrictions – pledges	<u>119,561</u>	<u>1,029,421</u>	<u>(546,207)</u>	<u>602,775</u>
Total	<u>\$ 220,561</u>	<u>\$ 1,292,861</u>	<u>\$(732,707)</u>	<u>\$ 780,715</u>

**NOTE 5 – GIFTS-IN-KIND**

During the current fiscal year, the Museum received the following gifts-in-kind which are included in the statements of activities and functional expenses as follows:

	Use of Facilities	Catering, Food and Supplies	Media and Advertising	Services (Other Fees)	Total
Exhibits and program	\$ 610,626	\$ 8,656	\$	\$ 2,553	\$ 621,835
Fundraising	19,912				19,912
Membership development	6,637		7,497		14,134
General and administrative	26,549		8,122		34,671
Total in-kind expense	<u>\$ 663,724</u>	<u>\$ 8,656</u>	<u>\$ 15,619</u>	<u>\$ 2,553</u>	<u>\$ 690,552</u>

**CHILDREN'S MUSEUM OF PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 – OPERATING LEASE COMMITMENTS**

The Museum leases the Monroe School Building from the City of Phoenix for \$1 per year through 2033. The Museum recognizes a gift-in-kind and occupancy expense for the estimated fair value of the donated use of facilities, as determined annually by the City of Phoenix. The lease agreement contains certain terms and conditions, including the requirement for the Museum to maintain its status as a 501(c)(3), conduct only permitted activities, obtain specific insurance coverage, and provide ongoing repairs and maintenance to the facility. In addition, the lease also requires the Museum to provide a minimum of 25,000 free admission passes to economically disadvantaged populations each year.

In addition, during the year ended June 30, 2021, the Museum billed the City of Phoenix approximately \$55,287 for reimbursement of other related lease costs under the terms of the lease agreement, which have been included in other earned income in the accompanying statement of activities.

**NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES**

The Museum leases a digital sign, a safe, and copy machines under agreements classified as capital leases. The gross amount of assets held under these leases totaled \$49,631. Amortization of assets under the capital leases is included in depreciation expense. Accumulated amortization totaled \$44,170 at year end.

Future minimum payments required under these leases were as follows at year end:

Year Ending June 30:		
2022		\$ 6,079
Total minimum lease payments		<u>6,079</u>
Less: amount representing interest		<u>138</u>
Present value of minimum lease payments		<u>5,941</u>
Due within one year		<u>5,941</u>
Capital lease obligations, net of current portion		<u><u>0</u></u>

**CHILDREN'S MUSEUM OF PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 8 – LOAN PAYABLE**

During the year ended August 31, 2020, the Museum received a Secured Disaster Loan through the U.S. Small Business Administration for \$150,000. The loan is for a 30 year period and carries an interest rate of 2.75 percent. Commencing June 2021, the Museum is required to make monthly payments of \$641. The loan matures on June 2, 2050. The loan is collateralized by the tangible and intangible property owned by the Museum.

The future minimum payments on the loan payable at year end were as follows:

Year Ending June 30:		
	2022	\$ 3,504
	2023	3,512
	2024	3,520
	2025	3,528
	2026	3,536
	Thereafter	<u>132,113</u>
Total minimum payments required		<u>\$ 149,713</u>

**NOTE 9 – CONCENTRATIONS**

During the current fiscal year, the Museum received contributions from three donors which represented approximately 51 percent of total contributions for the year. In addition, at June 30, 2021, contributions receivable from two donors represented approximately 92 percent of outstanding contributions receivable.

**NOTE 10 – RETIREMENT PLAN**

The Museum offers a 403(b) plan which covers substantially all employees after specified periods of service and eligibility requirements have been met. The Museum's contributions to the 403(b) plan are discretionary and are determined by the Board on an annual basis. The Museum did not make any contributions to the 403(b) plan during the current fiscal year.



**CHILDREN'S MUSEUM OF PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 11 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN**

In the prior fiscal year, the Museum received approval for a Payroll Protection Program (PPP) loan under the CARES Act on April 15, 2020. According to the CARES Act, the loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities within 24 weeks of loan approval (at least 60% of the forgiven amount must be used for payroll). Recipients must also comply with certain Small Business Administration (SBA) requirements and make certain certifications. The PPP loan was forgiven by the lender on March 31, 2021 for the full amount of the loan.

The Museum applied for a second round of PPP loan and received \$485,300 on January 26, 2021. Because the Museum used the loan for allowable expenses, the Museum intends to seek forgiveness when the lender opens the application for forgiveness. The Museum considers the loan a cost-reimbursement grant from the Federal government for which revenue is recognized when qualifying expenses are incurred. The Museum recognized \$495,300 during the ten months ended June 30, 2021, which includes the second round of the PPP loan plus \$10,000 that was forgiven under the first round of PPP but not previously recognized.

The Museum must complete and submit a loan forgiveness application to the lender in order to receive loan forgiveness. Upon receipt of the loan forgiveness application the lender will determine if the Museum is entitled to forgiveness of some or all of the loan amount. The lender has 60 days from the receipt of the application to issue a decision to the SBA.

The Museum must retain all records relating the PPP loan, including documentation necessary to support the loan forgiveness application and documentation supporting material compliance with program requirements. The Museum must retain all documentation for six years after the loan is forgiven. The loan forgiveness is subject to audit and adjustment by the SBA. Any ineligible loan amounts may result in the SBA requiring the Museum repay the loan forgiven in part, or in whole.

**NOTE 12 – COVID-19**

Keeping the health and safety of its community top of mind, the Museum closed its doors to the public from March 2020 through May 2021 due to the COVID-19 pandemic. However, the Museum opened an outdoor-only Adventure Play exhibit October 2020 and reopened the inside of the Museum with limited capacity end of May 2021. The Museum has been able to cover its expenses with earned revenue and contributions since reopening inside. Additionally, robust donor support and government grants have helped the Museum close the fiscal year in a strong financial position.