

children's
museum
of phoenix



museo de
los niños
de phoenix

Children's Museum of Phoenix
Financial Statements
For the Year Ended June 30, 2023

**Children’s Museum of Phoenix
Year Ended June 30, 2023**

Table of Contents

	<u>Page</u>
Independent Auditor’s Report	1
<u>Financial Statements</u>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Museum of Phoenix as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *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.

Change in Accounting Principle

As described in Note 1, the Museum implemented the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-02, *Leases* (Topic 842), for the year ended June 30, 2023, which represents a change in accounting principle. 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 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 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 16, 2023

**Children's Museum of Phoenix
Statement of Financial Position
June 30, 2023**

Assets

Cash and cash equivalents	\$	3,473,798
Investments, short-term		1,005,192
Accounts receivable		102,987
Contributions receivable		175,000
Prepaid expenses		37,915
Other current assets		207,006
Total current assets		5,001,898
Restricted contributions receivable, net, less current portion		83,283
Investments, long-term		3,081,688
Work in progress		12,856
Property and equipment, net		3,093,959
Operating lease right of use asset		6,800
Total assets	\$	11,280,484

Liabilities

Accounts payable	\$	77,389
Accrued payroll		129,839
Deferred revenue		612,767
Operating lease liability, current		4,235
Total current liabilities		824,230
Operating lease liability, noncurrent		2,564
Total liabilities		826,794

Net assets

Without donor restrictions:		
Undesignated		6,021,136
Board designated		4,086,880
With donor restrictions:		
Time restricted		174,069
Purpose restricted		166,605
Perpetual in nature		5,000
Total net assets		10,453,690
Total liabilities and net assets	\$	11,280,484

See accompanying notes to financial statements.

**Children's Museum of Phoenix
Statement of Activities
For the Year Ended June 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains:			
Admissions	\$ 2,978,548		\$ 2,978,548
Memberships	906,573		906,573
Other earned income	647,070		647,070
Store	416,430		416,430
Less: cost of goods sold	(193,641)		(193,641)
Café	289,668		289,668
Less: cost of goods sold	(134,414)		(134,414)
Contributions	150,364	863,902	1,014,266
Contributions - in kind	950,320		950,320
Fundraising event (net of direct donor benefits of \$99,124)	220,995		220,995
Interest revenue	197,574		197,574
Net assets released from restrictions	827,464	(827,464)	
Total revenue, support, and gains	<u>7,256,951</u>	<u>36,438</u>	<u>7,293,389</u>
 Expenses and losses:			
Program services			
Exhibits and programs	3,887,973		3,887,973
Membership development	244,694		244,694
Total program expenses	<u>4,132,667</u>		<u>4,132,667</u>
Supporting services			
General and administrative	1,202,695		1,202,695
Fundraising	377,692		377,692
Total supporting services	<u>1,580,387</u>		<u>1,580,387</u>
 Total expenses and losses	<u>5,713,054</u>		<u>5,713,054</u>
 Change in net assets	1,543,897	36,438	1,580,335
 Net assets, beginning of year	<u>8,564,119</u>	<u>309,236</u>	<u>8,873,355</u>
 Net assets, end of year	<u>\$ 10,108,016</u>	<u>\$ 345,674</u>	<u>\$ 10,453,690</u>

See accompanying notes to financial statements.

**Children's Museum of Phoenix
Statement of Functional Expenses
For the Year Ended June 30, 2023**

	Program Services			Supporting Services			Total
	Exhibits and Programs	Membership Development	Program Services Total	Fundraising	General and Administrative	Supporting Services Total	
Salaries & Related Expenses	\$ 1,991,736	94,171	2,085,907	204,637	727,085	931,722	3,017,629
Professional Fees	42,200	13,304	55,504	42,541	106,035	148,576	204,080
Other Fees	199,627	7,811	207,438	115,985	1,151	117,136	324,574
Promotion	23,498	82,404	105,902	4,787	270,759	275,546	381,448
Transportation	18,496		18,496	888	10,195	11,083	29,579
Supplies	485,746	3,019	488,765	8,322	5,476	13,798	502,563
Software	28,436	9,756	38,192	8,641	18,762	27,403	65,595
Occupancy	973,836	10,430	984,266	31,453	41,388	72,841	1,057,107
Insurance	34,887	379	35,266	1,138	1,517	2,655	37,921
Financial Fees/Interest	65,697	19,774	85,471	41,942	5,916	47,858	133,329
Depreciation	351,869	3,646	355,515	9,734	14,411	24,145	379,660
Bad Debt				6,748		6,748	6,748
Total expenses	<u>4,216,028</u>	<u>244,694</u>	<u>4,460,722</u>	<u>476,816</u>	<u>1,202,695</u>	<u>1,679,511</u>	<u>6,140,233</u>
Less: expenses netted against revenue on Statement of Activities:							
Direct donor benefit				(99,124)		(99,124)	(99,124)
Cost of goods sold	(328,055)		(328,055)				(328,055)
Total expenses	<u>\$ 3,887,973</u>	<u>244,694</u>	<u>4,132,667</u>	<u>377,692</u>	<u>1,202,695</u>	<u>1,580,387</u>	<u>5,713,054</u>

**Children's Museum of Phoenix
Statement of Cash Flows
For the Year Ended June 30, 2023**

Cash flows from operating activities:	
Change in net assets	\$ 1,580,262
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:	
Depreciation	379,660
Net (gain)/loss on investments	33,429
Changes in assets and liabilities:	
Contributions receivable	(210,257)
Accounts receivable	79,851
Prepaid expenses	(9,069)
Other assets	(86,950)
Accounts payable	(2,891)
Accrued payroll	(96,192)
Deferred revenue	75,627
Payment on lease payable	(2,133)
	<hr/>
Net cash provided by/used for operating activities	1,741,337
	<hr/>
Cash flows from investing activities:	
Purchase of property and equipment	(223,544)
Sale (purchases) of investments	(4,087,872)
	<hr/>
Net cash provided by/used for investing activities	(4,311,416)
	<hr/>
Net increase/decrease in cash and cash equivalents	(2,570,079)
	<hr/>
Cash and cash equivalents, beginning of year	6,043,877
	<hr/>
Cash and cash equivalents, end of year	\$ 3,473,798
	<hr/> <hr/>
Supplemental disclosure of cash flow information	
Operating cash outflows from operating lease	\$ 2,235

See accompanying notes to financial statements.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2023

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 4,282,000 visitors, including approximately 366,000 during the year ended June 30, 2023. As of June 30, 2023, the Museum had approximately 6,413 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. The Board has designated, from net assets without donor restrictions, net assets for an operating reserve.

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, 2023

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 \$3,465,891, and the bank balance was \$3,499,848. At year end, \$414,534 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, 2023

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, 2023.

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.

Inventories

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

Property and Equipment

All acquisitions of property and equipment with a useful life of one year or longer and a cost in excess of \$1,000 as well as 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 \$379,660.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2023

Note 1 – Summary of Significant Accounting Policies

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.

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.

Leases

The Museum determines if an arrangement is or contains a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months. Lease assets and obligations are recognized based on future lease payments, discounted by the risk-free interest rate for the Museum’s operating leases and the rate implicit in the lease for finance leases.

Operating lease right-of-use assets (ROU) include adjustments related to lease payments made and lease incentives received at or before the commencement date. The assets resulting from operating leases are included in right-of-use assets and the related liabilities are included in operating leases payable on the Statement of Financial Position. Finance lease assets are included in property and equipment, net, and the related liabilities are included in finance leases payable on the Statement of Financial Position.

Operating lease expense is recognized on a straight-line basis over the lease term. The Museum has elected to not separate lease and non-lease components for real estate and office equipment leases. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Museum will exercise that option.

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.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2023

Note 1 – Summary of Significant Accounting Policies

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 4,120 volunteers provided over 787 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 \$350,182.

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.

Management has evaluated the tax positions taken or expected to be taken, if any, on its exempt organization filings, and the likelihood that upon examination those positions would be sustained. Based on the results of this evaluation, management believes there are no uncertain tax positions.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2023

Note 1 – Summary of Significant Accounting Policies

New Accounting Pronouncement

During the fiscal year, the Museum adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). This update requires entities to recognize assets and liabilities for both capital and operating leases on the statement of financial position, and disclose key information about leasing arrangements. In adopting Topic 842, the Museum elects the practical expedient transition package to not reassess (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. It also elects not to report assets or liabilities for leases with terms of one year or less.

Upon adoption, there was no recognition of any lease liabilities or related right-of-use assets at July 1, 2022, nor did the adoption result in a significant effect on amounts reported in the statement of activities.

Date of Management’s Review

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through October 16, 2023, 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	\$ 3,473,798
Contributions receivable	258,283
Accounts receivable	<u>102,987</u>
Total financial assets	<u>3,835,068</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(158,283)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,676,785</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 to sustain a minimum operating reserve that is no less than a rolling average of three months of the annual operating budget, or approximately 90 days cash on hand. Funds in excess of the operating reserve may be considered for investment by the Board in accordance with the Board’s investment policy. The investment strategy includes a mix of long-term and short-term investments.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2023

Note 2 – Liquidity and Availability

The Museum had an unsecured \$400,000 line of credit from a bank. This line of credit expired April 1, 2023, and the Museum decided not to renew the line of credit for another year. The Museum did not utilize the line of credit before it expired during fiscal year 2023.

Note 3 – Investments and Fair Value Measurements

Fair value is defined as the price that the Museum would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the Museum’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1: Quoted prices in active markets for identical investments.
- Level 2: 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 asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

The level of fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2023**

Note 3 – Investments and Fair Value Measurements

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at year end are as follows:

	Hierarchy <u>Level</u>	<u>Fair Value</u>
Cash and cash equivalents		
Cash and Sweep	Level 1	\$ 231,218
Money Market	Level 1	216,262
Investments		
Fixed income investments	Level 1	1,968,266
Equities	Level 1	843,428
Bond funds	Level 1	51,075
Equity funds	Level 1	604,382
Exchange Traded Funds	Level 1	152,359
Other	Level 1	19,890
Total assets		<u>\$ 4,086,880</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 4 – Property and Equipment

Property and equipment consist of the following.

Work in progress	\$ 12,856
Leasehold improvements	6,138,149
Exhibits	3,396,478
Equipment	334,367
Furniture	294,547
Software	19,521
Vehicle and trailer	35,407
Total property and equipment	10,231,325
Less: Accumulated depreciation and amortization	<u>(7,125,510)</u>
Net property and equipment	<u>\$ 3,105,815</u>

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2023

Note 5 – Net Assets

Net assets with donor restrictions were as follows:

	Balance Beginning of Year	Contributions	Releases	Balance End of Year
Programs				
Gila River Indian Community – Innovation Fund	\$ 75,000	\$	\$	\$ 75,000
Kroger & Sprouts - Garden & KIDchen	9,712	5,000	(14,712)	
Gila River Indian Community Free First Friday Nights	18,750	75,000	(75,000)	18,750
Hearst Foundation	75,000		(75,000)	
Virginia G. Piper	7,390			7,390
Other	70,359	142,365	(147,259)	65,465
Time restrictions – pledges	48,025	641,537	(515,493)	174,069
Eunice Feinberg Endowment Fund	5,000			5,000
Total	\$ 309,236	\$ 863,902	\$ (827,464)	\$ 345,674

Note 6 – Contributed Nonfinancial Assets

The Museum received the following contributions of nonfinancial assets during the fiscal year:

	Use of Facilities	Catering, Food and Supplies	Media and Advertising	Services (Other Fees)	Equipment	Total
Exhibits and program	\$	\$ 12,194	\$	\$ 3,500	\$	\$ 15,694
Fundraising		750				750
General and administrative	796,469	612	136,750	6,195	500	940,526
Total in-kind expense	\$ 796,469	\$ 13,556	\$ 136,750	\$ 9,695	\$ 500	\$ 956,970

Contributed nonfinancial assets received by the Museum are recorded as in-kind contribution revenue with a corresponding increase to expense. The Museum recognizes an in-kind contribution and occupancy expense for the estimated fair value of the donated use of facilities as determined annually by the City of Phoenix for the use of the City’s Monroe School Building where the Museum operates. The agreement with the City of Phoenix 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 Museum is required to provide a minimum of 25,000 free admission passes to economically disadvantaged populations each year.

The Museum received donated food and supplies for its Café as well as events, mainly Playdate. The Museum also received exhibits and materials for exhibits to display in the Museum. Donated items were valued at the selling price or fair value. In addition, the Museum received donated art which was valued at 80 percent of its selling price in 2015.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2023

Note 6 – Contributed Nonfinancial Assets

Contributed media and advertising represents the value of advertising costs that the Museum received from Google and Fasturtle to promote the Museum. The Museum also received contributed legal fees and contributed services to clean up and remove sand from a Museum exhibit which were valued at the fair value. Lastly, contributed equipment represents donated computer equipment and monitors, which the Museum valued at fair market value.

Note 7 – Leases

The Museum leases certain equipment at various terms under long-term noncancelable operating leases. The leases expire at various dates through 2026 and do not provide for renewal options.

The Museum has determined that there were no non-lease components to be allocated to the leases. In determining the value of the right-of-use asset and lease liabilities, future lease payments were discounted applying the discount rate of 3.41 percent. The Museum considers the discount rate to be an appropriate measure of the interest cost to obtain financing for the purchase of the leased property.

The following table provides a schedule of future lease payments and other supplemental information for the Museum’s operating and finance leases as of year end:

Year End:		
	2024	\$ 4,403
	2025	2,043
	2026	<u>575</u>
Total minimum lease payments		7,021
Less: Discount to present value		<u>(222)</u>
Present value of lease liabilities		<u>\$ 6,799</u>
Weighted average remaining lease term		21.15 months
Weighted average discount rate		3.41%

Note 8 – Concentrations

During the current fiscal year, the Museum received contributions from one donor which represented approximately 27 percent of total contributions for the year. In addition, at June 30, 2023, contributions receivable from two donors represented approximately 83 percent of outstanding contributions receivable.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2023

Note 9 – 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 made contributions of \$25,644 to the 403(b) plan during the current fiscal year.