

children's
museum
of phoenix



museo de
los niños
de phoenix

Children's Museum of Phoenix
Single Audit Report
for the Year Ended June 30, 2022

**CHILDREN’S MUSEUM OF PHOENIX
YEAR ENDED JUNE 30, 2022**

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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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America (*Government Auditing Standards*). 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 and *Government 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 and *Government 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of Children's Museum of Phoenix's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 14, 2022

**CHILDREN'S MUSEUM OF PHOENIX
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

Assets

Cash and cash equivalents	\$	6,043,877
Accounts receivable		182,838
Contributions receivable		44,750
Prepaid expenses		28,846
Other current assets		120,056
Total current assets		6,420,367
Restricted contributions receivable, net, less current portion		3,276
Work in progress		28,154
Property and equipment, net		3,265,009
Total assets	\$	9,716,806

Current Liabilities

Accounts payable	\$	80,280
Accrued payroll		226,031
Deferred revenue		537,140
Total liabilities		843,451

Net assets

Without donor restrictions:		
Undesignated		8,564,119
With donor restrictions:		
Time restricted		48,025
Purpose restricted		256,211
Perpetual in nature		5,000
		8,873,355
Total net assets		8,873,355
Total liabilities and net assets	\$	9,716,806

See accompanying notes to financial statements.

**CHILDREN'S MUSEUM OF PHOENIX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains:			
Admissions	\$ 1,985,359		\$ 1,985,359
Memberships	638,638		638,638
Other earned income	315,976		315,976
Store	390,969		390,969
Less: cost of goods sold	(179,671)		(179,671)
Contributions	440,481	3,506,349	3,946,830
Gifts-in-kind	917,755		917,755
Fundraising event (net of direct donor benefits of \$75,429)	227,140		227,140
Interest revenue	6,618		6,618
Net assets released from restrictions	3,977,828	(3,977,828)	
Total revenue, support, and gains	<u>8,721,093</u>	<u>(471,479)</u>	<u>8,249,614</u>
 Expenses and losses:			
Program services			
Exhibits and programs	3,253,316		3,253,316
Membership development	161,197		161,197
Total program expenses	<u>3,414,513</u>		<u>3,414,513</u>
Supporting services			
General and administrative	996,434		996,434
Fundraising	402,267		402,267
Total supporting services	<u>1,398,701</u>		<u>1,398,701</u>
Total expenses and losses	4,813,214		4,813,214
Change in net assets	3,907,879	(471,479)	3,436,400
Net assets, beginning of year	<u>4,656,240</u>	<u>780,715</u>	<u>5,436,955</u>
Net assets, end of year	<u>\$ 8,564,119</u>	<u>\$ 309,236</u>	<u>\$ 8,873,355</u>

See accompanying notes to financial statements.

**CHILDREN'S MUSEUM OF PHOENIX
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services			Supporting Services			Total
	Exhibits and Programs	Membership Development	Program Services Total	Fundraising	General and Administrative	Supporting Services Total	
Salaries & Related Expenses	\$ 1,439,968	46,939	1,486,907	215,417	602,467	817,884	2,304,791
Professional Fees	80,097	2,834	82,931	43,528	97,626	141,154	224,085
Other Fees	146,679	9,466	156,145	115,543	703	116,246	272,391
Promotion	73,546	67,355	140,901	5,849	205,335	211,184	352,085
Transportation	10,742	-	10,742	3,550	12,462	16,012	26,754
Supplies	312,993	277	313,270	7,504	3,891	11,395	324,665
Software	25,859	5,889	31,748	11,336	9,666	21,002	52,750
Occupancy	936,906	10,355	947,261	30,955	40,772	71,727	1,018,988
Insurance	32,931	358	33,289	1,074	1,432	2,506	35,795
Financial Fees/Interest	44,097	13,248	57,345	29,485	6,391	35,876	93,221
Depreciation	328,896	4,476	333,372	9,202	16,674	25,876	359,248
Bad Debt	273	-	273	4,253	(985)	3,268	3,541
Total expenses	<u>3,432,987</u>	<u>161,197</u>	<u>3,594,184</u>	<u>477,696</u>	<u>996,434</u>	<u>1,474,130</u>	<u>5,068,314</u>
Less: expenses netted against revenue on Statement of Activities:							
Direct donor benefit				(75,429)		(75,429)	(75,429)
Cost of goods sold	(179,671)		(179,671)				(179,671)
Total expenses	<u>\$ 3,253,316</u>	<u>161,197</u>	<u>3,414,513</u>	<u>402,267</u>	<u>996,434</u>	<u>1,398,701</u>	<u>4,813,214</u>

See accompanying notes to financial statements.

**CHILDREN'S MUSEUM OF PHOENIX
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

Cash flows from operating activities:	
Change in net assets	\$ 3,436,400
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:	
Depreciation	359,248
Changes in assets and liabilities:	
Contributions receivable	554,749
Accounts receivable	97,749
Prepaid expenses	97,381
Other assets	(60,902)
Accounts payable	4,550
Accrued payroll	63,355
Deferred revenue	231,671
Other current liabilities	<u>(4,167)</u>
Net cash provided by/used for operating activities	<u>4,780,034</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(160,492)</u>
Net cash provided by/used for investing activities	<u>(160,492)</u>
Cash flows from financing activities:	
Payment on loan payable	(149,713)
Payment on lease payable	<u>(5,941)</u>
Net cash provided by/used for financing activities	<u>(155,654)</u>
Net increase/decrease in cash and cash equivalents	4,463,888
Cash and cash equivalents, beginning of year	<u>1,579,989</u>
Cash and cash equivalents, end of year	<u>\$ 6,043,877</u>
Supplemental disclosure of cash flow information	
Interest paid on lease	\$ 138

See accompanying notes to financial statements.

**CHILDREN’S MUSEUM OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 3,917,000 visitors, including approximately 249,000 during the year ended June 30, 2022. As of June 30, 2022, the Museum had approximately 5,461 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, 2022

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 \$6,040,727 and the bank balance was \$6,127,182. At year end, \$324,406 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, 2022

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, 2022.

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 \$359,248.

CHILDREN'S MUSEUM OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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.

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 433 volunteers provided over 2,258 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.

**CHILDREN'S MUSEUM OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 \$233,164.

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.

Date of Management's Review

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through December 14, 2022, which is the date the financial statements were available to be issued.

CHILDREN'S MUSEUM OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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	\$ 6,043,877
Contributions receivable	43,026
Accounts receivable	<u>187,838</u>
Total financial assets	<u>6,274,741</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(71,724)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,203,017</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 or 5.00 percent or the bank's prime rate (5.0 percent at June 30, 2022) plus 1.0 percent. This line of credit is scheduled to expire April 1, 2023, at which time the Museum expects to renew the line of credit for another year under similar terms. The Museum did not utilize the line of credit during fiscal year 2022.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following.

Work in progress	\$ 28,154
Leasehold improvements	6,089,843
Exhibits	3,394,119
Equipment	338,762
Furniture	291,016
Software	62,235
Vehicle and trailer	<u>35,406</u>
Total property and equipment	10,239,535
Less: Accumulated depreciation and amortization	<u>(6,946,372)</u>
Net property and equipment	<u>\$ 3,293,163</u>

CHILDREN'S MUSEUM OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – 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
Thunderbirds Charities & Other - Garden & KIDchen	40,000	5,000	(35,288)	9,712
Gila River Indian Community Free First Friday Nights	12,500	75,000	(68,750)	18,750
Hearst Foundation		150,000	(75,000)	75,000
Marley Foundation		100,000	(100,000)	
Virginia G. Piper		50,000	(42,610)	7,390
Other	50,440	108,261	(88,342)	70,359
Time restrictions – pledges	602,775	3,013,088	(3,567,838)	48,025
Eunice Feinberg Endowment Fund		5,000		5,000
Total	<u>\$ 780,715</u>	<u>\$ 3,506,349</u>	<u>\$ (3,977,828)</u>	<u>\$ 309,236</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)	Equipment	Total
Exhibits and program	\$ 734,145	\$ 4,367	\$	\$ 4,309	\$ 32,972	\$ 775,793
Fundraising	21,997	403		1,531		23,931
Membership development	9,165		18,606	2		27,773
General and administrative	31,162		58,919	177		90,258
Total in-kind expense	<u>\$ 796,469</u>	<u>\$ 4,770</u>	<u>\$ 77,525</u>	<u>\$ 6,019</u>	<u>\$ 32,972</u>	<u>\$ 917,755</u>

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.

**CHILDREN'S MUSEUM OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – OPERATING LEASE COMMITMENTS

In addition, during the year ended June 30, 2022, the Museum billed the City of Phoenix approximately \$74,628 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 and copy machines under agreements classified as capital leases. The gross amount of assets held under these leases totaled \$43,769. Amortization of assets under the capital leases is included in depreciation expense. Accumulated amortization totaled \$43,769 at year end. All leases were paid off as of June 30, 2022.

NOTE 8 – LOAN PAYABLE

During a prior year, 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. The Museum is required to make monthly payments of \$641. The loan was paid off in May 2022.

NOTE 9 – CONCENTRATIONS

During the current fiscal year, the Museum received contributions from the Shuttered Venue Operators Grant and one other donor which represented approximately 33 percent and 35 percent, respectively, of total contributions for the year. In addition, at June 30, 2022, contributions receivable from five donors represented approximately 90 percent of outstanding contributions receivable.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the Museum expects such amounts, if any, to be immaterial.

CHILDREN'S MUSEUM OF PHOENIX
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – 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 \$10,881 to the 403(b) plan during the current fiscal year.

NOTE 12 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

The Museum applied for a second round of PPP loan and received \$485,300 on January 26, 2021. The PPP loan was forgiven by the lender on September 20, 2022 for the full amount of the loan.

SINGLE AUDIT SECTION

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Children's Museum of Phoenix

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children's Museum of Phoenix, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Children's Museum of Phoenix's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children's Museum of Phoenix's internal control. Accordingly, we do not express an opinion on the effectiveness of Children's Museum of Phoenix's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Children’s Museum of Phoenix’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 14, 2022

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

Board of Directors
Children's Museum of Phoenix

Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program

We have audited Children's Museum of Phoenix's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Children's Museum of Phoenix's major federal programs for the year ended June 30, 2022. Children's Museum of Phoenix's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Children's Museum of Phoenix complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Children's Museum of Phoenix's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Children’s Museum of Phoenix’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Children’s Museum of Phoenix’s compliance based on our audit.

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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about Children’s Museum of Phoenix’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Children’s Museum of Phoenix’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Children’s Museum of Phoenix’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Children’s Museum of Phoenix’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on

a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Children's Museum of Phoenix as of and for the year ended June 30, 2022, and have issued our report thereon dated December 14, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 14, 2022

**CHILDREN'S MUSEUM OF PHOENIX
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2021 - 6/30/2022**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Total Amount Provided to Sub-Recipients</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF TREASURY									
<i>COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS</i>	21.027	COVID-19	<i>CITY OF PHOENIX - PHOENIX OFFICE OF ARTS & CULTURE</i>	2021-2082		\$55,000	\$55,000	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						<u>\$55,000</u>			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES									
<i>PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS</i>	45.025		<i>STATE OF ARIZONA - AZ COMMISSION ON THE ARTS</i>	1863367-61-20		\$25,000	\$25,000	N/A	\$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES						<u>\$25,000</u>			
SMALL BUSINESS ADMINISTRATION									
COVID-19 SHUTTERED VENUE OPERATORS GRANT PROGRAM	59.075	COVID-19				\$1,412,902	\$1,412,902	N/A	\$0
TOTAL SMALL BUSINESS ADMINISTRATION						<u>\$1,412,902</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS						<u>\$1,492,902</u>			

Please Note:
Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

CHILDREN'S MUSEUM OF PHOENIX
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2021 - 6/30/2022

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Childrens Museum of Phoenix under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Museum, it is not intended to and does not present the financial position, changes in net position or cash flows of the Museum. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two-digit number in the Assistance Listing extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

**CHILDREN'S MUSEUM OF PHOENIX
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

Assistance Listing Number
59.075

Name of Federal Program or Cluster
Shuttered Venue Operators Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: No

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: No