

children's
museum
of phoenix



museo de
los niños
de phoenix

Children's Museum of Phoenix
Financial Statements
For the Year Ended June 30, 2024

**Children’s Museum of Phoenix
Year Ended June 30, 2024**

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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, 2024, 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, 2024, 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.

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
November 26, 2024

**Children's Museum of Phoenix
Statement of Financial Position
June 30, 2024**

Assets

Cash and cash equivalents	\$	3,056,849
Accounts receivable		126,209
Contributions receivable		161,250
Prepaid expenses		38,162
Other current assets		171,989
Total current assets		3,554,459
Restricted contributions receivable, net, less current portion		61,263
Investments, board-designated		7,204,373
Work in progress		12,000
Property and equipment, net		2,856,212
Operating lease right of use asset		2,564
Total assets	\$	13,690,871

Liabilities

Accounts payable	\$	77,751
Accrued payroll		173,437
Deferred revenue		686,158
Operating lease liability, current		1,997
Total current liabilities		939,343
Operating lease liability, noncurrent		567
Total liabilities		939,910

Net assets

Without donor restrictions:		
Undesignated		4,764,299
Board designated		7,204,373
Total without donor restrictions		11,968,672
With donor restrictions:		
Time restricted		222,514
Purpose restricted		554,775
Perpetual in nature		5,000
Total with donor restrictions		782,289
Total net assets		12,750,961
Total liabilities and net assets	\$	13,690,871

See accompanying notes to financial statements.

**Children's Museum of Phoenix
Statement of Activities
For the Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains:			
Admissions	\$ 3,043,240		\$ 3,043,240
Memberships	966,720		966,720
Other earned income	656,414		656,414
Store	505,998		505,998
Less: cost of goods sold	(244,567)		(244,567)
Café	553,032		553,032
Less: cost of goods sold	(260,234)		(260,234)
Contributions	1,471	1,894,839	1,896,310
Contributions - in kind	899,958		899,958
Fundraising event (net of direct donor benefits of \$116,468)	260,328		260,328
Interest revenue	462,484		462,484
Net assets released from restrictions	1,542,439	(1,542,439)	
Total revenue, support, and gains	8,387,283	352,400	8,739,683
 Expenses and losses:			
Program services			
Exhibits and programs	4,445,456		4,445,456
Membership development	255,134		255,134
Total program expenses	4,700,590		4,700,590
Supporting services			
General and administrative	1,302,476		1,302,476
Fundraising	439,346		439,346
Total supporting services	1,741,822		1,741,822
Total expenses and losses	6,442,412		6,442,412
Change in net assets	1,944,871	352,400	2,297,271
Net assets, beginning of year, as reclassified	10,023,801	429,889	10,453,690
Net assets, end of year	\$ 11,968,672	\$ 782,289	\$ 12,750,961

See accompanying notes to financial statements.

**Children's Museum of Phoenix
Statement of Functional Expenses
For the Year Ended June 30, 2024**

	Program Services			Supporting Services			Total
	Exhibits and Programs	Membership Development	Program Services Total	Fundraising	General and Administrative	Supporting Services Total	
Salaries & Related Expenses	\$ 2,345,610	98,704	2,444,314	235,008	791,586	1,026,594	3,470,908
Professional Fees	122,819	11,061	133,880	38,282	136,435	174,717	308,597
Other Fees	249,485	29,791	279,276	166,052	7,400	173,452	452,728
Promotion	17,431	67,505	84,936	4,198	271,919	276,117	361,053
Transportation	23,559	626	24,185	1,919	8,254	10,173	34,358
Supplies	668,849	1,627	670,476	3,931	9,490	13,421	683,897
Software	29,076	8,522	37,598	9,853	15,876	25,729	63,327
Occupancy	995,756	11,134	1,006,890	34,774	46,304	81,078	1,087,968
Insurance	39,295	427	39,722	1,281	1,708	2,989	42,711
Financial Fees/Interest	75,844	22,896	98,740	51,792	2,139	53,931	152,671
Depreciation	382,533	2,841	385,374	8,524	11,365	19,889	405,263
Bad Debt	-	-	-	200	-	200	200
Total expenses	<u>4,950,257</u>	<u>255,134</u>	<u>5,205,391</u>	<u>555,814</u>	<u>1,302,476</u>	<u>1,858,290</u>	<u>7,063,681</u>
Less: expenses netted against revenue on Statement of Activities:							
Direct donor benefit				(116,468)		(116,468)	(116,468)
Cost of goods sold	(504,801)		(504,801)				(504,801)
Total expenses	<u>\$ 4,445,456</u>	<u>255,134</u>	<u>4,700,590</u>	<u>439,346</u>	<u>1,302,476</u>	<u>1,741,822</u>	<u>6,442,412</u>

**Children's Museum of Phoenix
Statement of Cash Flows
For the Year Ended June 30, 2024**

Cash flows from operating activities:	
Change in net assets	\$ 2,297,271
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:	
Depreciation	405,263
Net (gain)/loss on investments	(308,262)
Changes in assets and liabilities:	
Contributions receivable	35,770
Accounts receivable	(23,222)
Prepaid expenses	(247)
Other assets	35,017
Accounts payable	362
Accrued payroll	43,598
Deferred revenue	73,391
	<hr/>
Net cash provided by/used for operating activities	2,558,941
	<hr/>
Cash flows from investing activities:	
Purchase of property and equipment	(170,037)
Disposal of property and equipment	3,378
Sale (purchases) of investments	(2,809,231)
	<hr/>
Net cash provided by/used for investing activities	(2,975,890)
	<hr/>
Net increase/decrease in cash and cash equivalents	(416,949)
	<hr/>
Cash and cash equivalents, beginning of year	3,473,798
	<hr/>
Cash and cash equivalents, end of year	\$ 3,056,849
	<hr/> <hr/>
Supplemental disclosure of cash flow information	
Operating cash outflows from operating lease	\$ 4,477

See accompanying notes to financial statements.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2024

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 4,673,000 visitors, including approximately 391,000 during the year ended June 30, 2024. As of June 30, 2024, the Museum had approximately 6,218 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. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2024

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.

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 \$3,026,674, and the bank balance was \$3,098,264. At year end, \$2,161,120 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, which is generally one year. 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.

Store and Cafe Sales. The Museum recognizes revenues from store and cafe sales at the time of sale when the goods are delivered to the buyer.

Other Earned Income. The Museum derives these revenues from various camps, parties, and other rentals of Museum space. Revenue is recognized when the event takes place.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2024

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, 2024.

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 \$405,263.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2024

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, 2024**

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 863 volunteers provided over 5,110 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 \$254,635.

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, 2024

Note 1 – Summary of Significant Accounting Policies

Date of Management’s Review

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through November 26, 2024, 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	\$ 3,056,849
Investments	7,204,373
Contributions receivable	222,513
Accounts receivable	<u>126,209</u>
Total financial assets	<u>10,609,944</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(136,263)
Less long-term investments	<u>(2,787,803)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,685,878</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 and are reported as Board designated in the statement of financial position. The investment strategy includes a mix of long-term and short-term investments. Generally, it is the Museum’s policy to hold investments until maturity. Long-term investments represent amounts that do not mature within the next twelve months. Although the Museum does not intend to spend from Board designated investments, amounts could be made available if necessary.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2024

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.

Fair Values Measured on Recurring Basis

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

	Hierarchy Level	Fair Value
Cash and cash equivalents		
Cash and Sweep	Level 1	\$ 188,339
Money Market	Level 1	290,918
Investments		
Fixed income investments	Level 1	3,489,310
Equities	Level 1	1,593,838
Equity funds	Level 1	327,877
Exchange Traded Funds	Level 1	1,296,691
Other	Level 1	17,400
Total investments		\$ 7,204,373

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

**Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2024**

Note 4 – Revenue from Contracts with Customers

Changes in accounts receivable and deferred revenues for the fiscal year are as follows:

	Accounts Receivable	Deferred Revenues
Beginning of year	\$ 102,987	\$ 612,767
End of year	126,209	686,158

Note 5 – Property and Equipment

Property and equipment consist of the following.

Work in progress	\$ 12,000
Leasehold improvements	6,148,975
Exhibits	3,456,034
Equipment	394,848
Furniture	323,648
Software	19,521
Vehicle and trailer	41,811
Total property and equipment	10,396,837
Less: Accumulated depreciation and amortization	(7,528,625)
Net property and equipment	\$ 2,868,212

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2024

Note 6 – Net Assets

Net assets with donor restrictions were as follows:

	Balance Beginning of Year	Contributions	Releases	Balance End of Year
Programs				
Innovation Fund	\$ 75,000	\$	\$	\$ 75,000
KIDchen and Garden		7,500	(6,678)	822
Capital Campaign		215,000	(9,000)	206,000
Post Fellowship	7,390		(7,390)	
Free First Friday Nights	18,750	75,000	(75,000)	18,750
SNOP	1,500		(1,500)	
Gala Sponsorship & Table	6,500		(6,500)	
Arts Intern		8,900	(8,900)	
Tree Planting	5,000		(2,157)	2,843
Pre-Development Costs		50,000	(46,527)	3,473
Character and Development		100,000	(80,599)	19,401
Field Trip Admissions		602,500	(541,804)	60,696
Technology		150,000	(35,502)	114,498
Adult Changing Table		10,000		10,000
Back to School		15,000		15,000
Literacy	7,500	24,282	(7,500)	24,282
Camp Scholarships		10,000	(5,990)	4,010
Mo Willems Exhibit	26,000	5,000	(31,000)	
Other	18,965	94,870	(113,835)	
Time restrictions - pledges	258,284	526,787	(562,557)	222,514
Eunice Feinberg Endowment Fund	5,000			5,000
Total	<u>\$ 429,889</u>	<u>\$ 1,894,839</u>	<u>\$ (1,542,439)</u>	<u>\$ 782,289</u>

Note 7 – 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	\$ 796,464	\$ 6,945	\$	\$ 9,896	\$ 2,750	\$ 816,055
Fundraising		11,720	350			12,070
General and administrative		8,139	63,694			71,833
Total in-kind expense	<u>\$ 796,464</u>	<u>\$ 26,804</u>	<u>\$ 64,044</u>	<u>\$ 9,896</u>	<u>\$ 2,750</u>	<u>\$ 899,958</u>

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2024

Note 7 – Contributed Nonfinancial Assets

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. 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.

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 8 – 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 3.53 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.

Children’s Museum of Phoenix
Notes to Financial Statements
June 30, 2024

Note 8 – Leases

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

Year End:		
	2025	\$ 2,043
	2026	575
Total minimum lease payments		<u>2,618</u>
Less: Discount to present value		<u>(54)</u>
Present value of lease liabilities		<u><u>2,564</u></u>
Weighted average remaining lease term	12.69 months	
Weighted average discount rate	3.53%	

Note 9 – Concentrations

During the current fiscal year, the Museum received contributions from one donor which represented approximately 20 percent of total contributions for the year. In addition, at June 30, 2024, contributions receivable from two donors represented approximately 83 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 made contributions of \$23,612 to the 403(b) plan during the current fiscal year.

Note 11 – Reclassifications

The July 1, 2023 beginning net assets do not agree to the prior year financial statements due to the reclassification of \$84,215 from net assets without donor restrictions to net assets with donor restriction to correct an error. This reclassification had no effect on total beginning net assets.