

# Madison Children's Museum, Inc. and Affiliate

Consolidated Financial Report

June 30, 2025

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## **MADISON CHILDREN'S MUSEUM, INC., AND AFFILIATE**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Madison Children's Museum, Inc. and Affiliate  
Madison, WI

### Opinion

We have audited the accompanying financial statements of Madison Children's Museum, Inc. and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024 and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 Madison Children's Museum, Inc. and Affiliate as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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 Madison Children's Museum, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Madison Children's Museum, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Madison Children's Museum, Inc. and Affiliate'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 Madison Children's Museum, Inc. and Affiliate'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.

*SVA Certified Public Accountants, s.c.*

Madison, Wisconsin  
December 26, 2025

**MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**  
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 June 30, 2025 and 2024

	2025	2024
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,792,538	\$ 2,484,667
Pledges receivable, short-term	1,985,609	2,305,181
Grants receivable	114,611	192,234
Accrued interest receivable	4,676	7,130
Inventories	3,382	7,074
Prepaid expenses	<u>60,782</u>	<u>40,489</u>
Total current assets	6,961,598	5,036,775
<b>LONG-TERM ASSETS</b>		
Property and equipment, net	12,475,455	12,925,588
Construction in progress	41,195	0
Pledges receivable, long-term, net	1,462,735	2,446,013
Finance lease right-of-use assets	<u>11,897</u>	<u>15,976</u>
Total long-term assets	<u>13,991,282</u>	<u>15,387,577</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 20,952,880</u></u>	<u><u>\$ 20,424,352</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 52,935	\$ 111,598
Accrued expenses	232,262	166,307
Accrued interest payable	4,183	4,183
Current maturities of notes payable	47,445	46,650
Contract liabilities	390,577	394,467
Current portion of finance lease obligation	<u>4,101</u>	<u>3,952</u>
Total current liabilities	731,503	727,157
<b>LONG-TERM LIABILITIES</b>		
Notes payable, less current maturities	1,168,203	1,217,568
Finance lease obligations, less current portion	<u>8,224</u>	<u>12,323</u>
Total long-term liabilities	1,176,427	1,229,891
<b>TOTAL LIABILITIES</b>	1,907,930	1,957,048
<b>NET ASSETS</b>		
Without donor restrictions	12,275,458	13,716,109
With donor restrictions	<u>6,769,492</u>	<u>4,751,195</u>
Total net assets	<u>19,044,950</u>	<u>18,467,304</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 20,952,880</u></u>	<u><u>\$ 20,424,352</u></u>

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

**MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**  
 CONSOLIDATED STATEMENTS OF ACTIVITIES  
 Years ended June 30, 2025 and 2024

	2025	2024
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Public support, revenue, and gains:		
Donated inventory, services, and materials	\$ 68,597	\$ 111,992
Contributions and grants	1,874,259	1,586,374
Visitor services	806,355	759,121
Other income	152,740	37,224
Endowment distributions	245,221	238,191
Membership dues	531,915	505,829
Other events	0	221
Loss on disposal of property and equipment	0	(77,913)
Investment return	<u>179,241</u>	<u>157,200</u>
Total public support, revenue and gains without donor restrictions	3,858,328	3,318,239
Expenses:		
Program services:		
Exhibit programs	1,388,749	1,463,863
Education	794,519	572,829
Marketing and visitor services	<u>1,615,307</u>	<u>1,451,834</u>
Total program services	3,798,575	3,488,526
Supporting activities:		
Administration	1,114,208	1,084,685
Fundraising	369,711	320,188
Annual Benefit Sale	0	118,737
Capital expansion project	<u>642,655</u>	<u>305,786</u>
Total supporting expenses	<u>2,126,574</u>	<u>1,829,396</u>
Total expenses	5,925,149	5,317,922
Net assets released from restrictions	<u>626,170</u>	<u>466,454</u>
Change in net assets without donor restrictions	(1,440,651)	(1,533,229)
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions and grants	2,644,467	4,290,437
Net assets released from restrictions	<u>(626,170)</u>	<u>(466,454)</u>
Change in net assets with donor restrictions	<u>2,018,297</u>	<u>3,823,983</u>
Change in net assets	577,646	2,290,754
Net assets, beginning	<u>18,467,304</u>	<u>16,176,550</u>
Net assets, ending	<u>\$ 19,044,950</u>	<u>\$ 18,467,304</u>

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

**MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**  
 CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
 Years ended June 30, 2025 and 2024

2025	Program services				Supporting services					Total supporting services	Total expenses
	Exhibit programs	Education	Marketing and visitor services	Total program services	Administration	Fundraising	Annual benefit sale	Capital expansion project			
<b>Expenses:</b>											
Cost of sales	\$ 0	\$ 293	\$ 134,952	\$ 135,245	\$ 16	\$ 0	\$ 0	\$ 147	\$ 163	\$ 135,408	
Depreciation	330,182	11,777	11,777	353,736	165,092	0	0	0	0	165,092	518,828
Dues and subscriptions	495	1,344	533	2,372	9,482	30	0	0	0	9,512	11,884
Events, meetings, travel and training	5,257	8,778	5,561	19,596	22,265	9,995	0	23,776	56,036	56,036	75,632
Insurance	0	135	0	135	50,097	0	0	0	0	0	50,232
Interest and bank charges	41,065	1,465	4,049	46,579	69,466	50	0	0	0	69,516	116,095
Maintenance and repairs	63,117	1,849	1,849	66,815	25,913	0	0	0	0	25,913	92,728
Occupancy	68,782	2,452	3,101	74,335	33,914	0	0	0	0	33,914	108,249
Office supplies	7,917	2,788	3,027	13,732	9,844	199	0	13,953	23,996	23,996	37,728
Personnel	620,908	688,718	1,300,571	2,610,197	543,073	276,778	0	0	0	819,851	3,430,048
Printing, postage and copying	370	0	15,089	15,459	9,067	16,306	0	128	25,501	25,501	40,960
Professional services	152,073	36,181	16,599	204,853	142,892	7,097	0	571,030	721,019	721,019	925,872
Program supplies	75,068	37,931	8,080	121,079	19,733	41,971	0	24,775	86,479	86,479	207,558
Publicity	0	0	77,995	77,995	0	1,035	0	0	0	1,035	79,030
Technology	23,515	808	32,124	56,447	13,354	16,250	0	8,846	38,450	38,450	94,897
<b>Total expenses</b>	<b>\$ 1,388,749</b>	<b>\$ 794,519</b>	<b>\$ 1,615,307</b>	<b>\$ 3,798,575</b>	<b>\$ 1,114,208</b>	<b>\$ 369,711</b>	<b>\$ 0</b>	<b>\$ 642,655</b>	<b>\$ 2,126,574</b>	<b>\$ 5,925,149</b>	

2024	Program services				Supporting services					Total supporting services	Total expenses
	Exhibit programs	Education	Marketing and visitor services	Total program services	Administration	Fundraising	Annual benefit sale	Capital expansion project			
<b>Expenses:</b>											
Cost of sales	\$ 0	\$ 0	\$ 87,660	\$ 87,660	\$ 0	\$ 0	\$ 16,204	\$ 0	\$ 16,204	\$ 16,204	\$ 103,864
Depreciation	337,357	12,033	12,033	361,423	168,678	0	0	0	0	168,678	530,101
Dues and subscriptions	1,855	849	1,223	3,927	8,760	0	0	620	0	9,380	13,307
Events, meetings, travel and training	1,805	3,090	3,156	8,051	18,609	28,357	3,477	20,316	70,759	70,759	78,810
Insurance	0	0	0	0	42,016	0	0	0	0	42,016	42,016
Interest and bank charges	42,505	1,516	8,937	52,958	77,281	0	14,957	24	92,262	92,262	145,220
Maintenance and repairs	45,023	1,526	1,526	48,075	21,393	0	0	2,225	23,618	23,618	71,693
Occupancy	77,179	3,303	4,980	85,462	38,033	0	42,845	697	81,575	81,575	167,037
Office supplies	7,161	3,052	1,970	12,183	10,781	6	0	73,547	84,334	84,334	96,517
Personnel	606,094	467,369	1,221,232	2,294,695	421,461	245,906	33,552	0	700,919	700,919	2,995,614
Printing, postage and copying	373	45	7,093	7,511	10,374	14,437	369	725	25,905	25,905	33,416
Professional services	228,493	39,429	18,576	286,498	223,181	5,365	6,991	149,921	385,458	385,458	671,956
Program supplies	91,700	39,871	7,355	138,926	31,078	5,175	184	57,102	93,539	93,539	232,465
Publicity	0	0	42,868	42,868	0	0	0	0	0	0	42,868
Technology	24,318	746	33,225	58,289	13,040	20,942	158	609	34,749	34,749	93,038
<b>Total expenses</b>	<b>\$ 1,463,863</b>	<b>\$ 572,829</b>	<b>\$ 1,451,834</b>	<b>\$ 3,488,526</b>	<b>\$ 1,084,685</b>	<b>\$ 320,188</b>	<b>\$ 118,737</b>	<b>\$ 305,786</b>	<b>\$ 1,829,396</b>	<b>\$ 1,829,396</b>	<b>\$ 5,317,922</b>

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

**MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 Years ended June 30, 2025 and 2024

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 577,646	\$ 2,290,754
Adjustments to reconcile net loss to net cash		
net cash provided by (used in) operating activities:		
Amortization of right-of-use assets	4,079	37,520
Depreciation and amortization	518,828	530,101
Net realized and unrealized gain on investments	(44,661)	0
Loss on disposal of asset	0	77,913
Change in contributed inventory	0	31,875
Donated investments	(502,142)	(101,628)
Proceeds from sale of donated investments	546,803	101,628
Donated equipment	0	(40,000)
Increase (decrease) in cash due to changes in:		
Pledges receivable	1,302,850	(3,966,245)
Grants receivable	77,623	(97,495)
Accrued interest receivable	2,454	4,930
Inventories	3,692	0
Prepaid expenses	(20,293)	(2,432)
Accounts payable	(58,663)	(18,797)
Due to American Girl's Fund For Children	0	(303,779)
Accrued expenses	65,955	(4,557)
Accrued interest	0	(330)
Contract liabilities	(3,890)	49,151
Operating lease obligations	0	(34,064)
Net cash provided by (used in) operating activities	2,470,281	(1,445,455)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(68,695)	(498,227)
Development of property and equipment	(41,195)	0
Net cash used in investing activities	(109,890)	(498,227)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	(48,570)	(43,467)
Principal payments on finance lease liabilities	(3,950)	(3,809)
Net cash used in financing activities	(52,520)	(47,276)
Change in cash and cash equivalents	2,307,871	(1,990,958)
Cash and cash equivalents:		
Beginning	<u>2,484,667</u>	<u>4,475,625</u>
Ending	<u>\$ 4,792,538</u>	<u>\$ 2,484,667</u>
<b>SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 60,675</u>	<u>\$ 65,405</u>
<b>SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Donated investments	<u>\$ 502,142</u>	<u>\$ 101,628</u>
Donated equipment	<u>\$ 0</u>	<u>\$ 40,000</u>

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

# **MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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### **NOTE A -- Nature of business and significant accounting policies**

#### **Nature of business**

Madison Children's Museum, Inc. (the Museum), located in Madison, Wisconsin is a non-profit organization dedicated to discovery learning for children and families. Hands-on exhibits and special events allow children to explore culture, science, technology, and art. The Museum stimulates creativity and curiosity through its exhibits and programs, encourages the potential found within all children, and enhances family activities and classroom study. The Museum's affiliate, Madison Children's Museum Foundation, Inc. (Foundation) was organized in 2002 for the benefit of the Museum. The Foundation receives, manages, and disburses funds intended to benefit the Museum in accordance with the terms of the agreement between the two organizations. The Museum and its affiliate are collectively referred to herein as "the organization".

A summary of significant accounting policies follows:

#### **Basis of accounting**

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

#### **Basis of consolidation**

The financial statements include the accounts of the Museum and Foundation. The Foundation is consolidated since the Museum has both an economic interest in the Foundation and control of the Foundation through a majority voting interest in its governing body. All material intra-entity transactions have been eliminated.

#### **Basis of presentation**

Under accounting principles generally accepted in the United States of America (U.S. GAAP), the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Designations are voluntary board-approved segregations of net assets without donor restrictions for specific purposes, projects, or investments.

Net assets with donor restrictions have been limited by donor-imposed time restrictions, purpose restrictions or are maintained by the Foundation in perpetuity. Unless restricted by the donor, income earned on these funds are considered without restriction and may be used at the Foundation's discretion.

#### **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# **MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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### **NOTE A -- Nature of business and significant accounting policies (Continued)**

#### **Exempt status**

The Museum and Foundation are exempt from income taxes under Internal Revenue Code Section 501(c)(3) as public charities and not private foundations. The Foundation is a supporting organization of the Museum. Both entities are also exempt from Wisconsin income tax.

#### **Cash and cash equivalents**

For purposes of reporting cash flows, the organization considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the organization due to restrictions placed on it, and all CDs that are not subject to significant early withdrawal penalties to be cash equivalents.

The organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### **Investments**

Purchased investments are recorded at fair value, and donated investments are recorded as contributions at fair value on the date of receipt. Realized gains and losses on sales of investments are determined on the basis of specific identification of the cost of the security sold. Investment return is reported in the consolidated statement of activities and consists of interest income and realized and unrealized gains and losses. There are no material investment expenses.

#### **Pledges receivable**

Unconditional pledges are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges are those that contain a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend on have been met.

#### **Inventories**

Inventories consist of items sold at the gift counter of the Museum. The gift counter inventory is stated at lower of cost or net realizable value, with cost determined by the average cost method.

#### **Property and equipment**

Property and equipment are stated at cost if purchased or fair value on date of receipt if received as a gift or bequest, less accumulated depreciation. Depreciation of property and equipment is computed by the straight-line method based on the following estimated useful lives.

	<u>Years</u>
Building, improvements, and exhibits	3 - 40
Leasehold improvements	7 - 10
Equipment	3 - 7

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

# **MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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### **NOTE A -- Nature of business and significant accounting policies (Continued)**

Depreciation expense amounted to \$518,828 and \$530,101 for the years ended June 30, 2025 and 2024, respectively.

#### **Capitalization policy**

The organization's policy is to capitalize property and equipment with a unit cost in excess of \$2,500 and a useful life of more than a year.

#### **Impairment of long-lived assets**

The organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

#### **Contract liabilities**

Contract liabilities represent fees for facility rental or registrations/ticket sales for events that will take place in the next fiscal year and membership dues that will be recognized over the related period.

#### **Leases - Lessee**

The organization determines if an arrangement is or contains a lease at inception. The organization has entered into operating and finance leases for warehouse space and a copier. Operating and finance leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term.

The organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less and that do not include an option to purchase the underlying assets that is reasonably certain to be exercised). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. The organization had no short-term leases during the years ended June 30, 2025 and 2024.

For leases of warehouse space, the organization has elected to account for the lease and non-lease components as a single lease component. There is variability in future lease payments for the office space as the amount of the non-lease components is dependent on certain factors that are unknown and change from one period to the next. These variable lease payments which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The organization has also made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments for its leases.

# **MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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### **NOTE A -- Nature of business and significant accounting policies (Continued)**

In determining what percentage of the lease constitutes a major part of the economic life of the underlying asset and defining what percentage of the present value of the sum of lease payments equals or exceed substantially all of the fair value of the underlying asset, the organization has elected to define major part as 75% of all classes of underlying assets and to define substantially all as 90% for all classes of underlying assets.

The organization's policy is to continue to amortize leasehold improvements over the original existing amortization period for all continuing leases in which it is the lessee.

#### **Revenue recognition – contracts with customers**

##### Annual benefit sale

The Annual Benefit Sale contracts have single performance obligations, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract, and therefore, is not distinct. Revenue from the sale is recognized in the period in which the sale is held (point in time). The organization does not have any significant financing components as payment is received at or shortly after the point of sale.

##### Visitor services

The visitor contracts have single performance obligations, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract, and therefore, is not distinct. Revenue from visitor services is recognized in the period in which the customer visited the museum (point in time). The organization does not have any significant financing components as payment is received at or shortly after the point of sale.

##### Membership dues

Membership dues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The contribution portion of revenue included in membership dues on the statement of activities is not material to the financial statements. The benefits provided to the members are unlimited admission to the Museum, discounts on products and services sold at the Museum, and guest passes. Revenue from membership dues is recognized over time based on the periods which dues relate. The portion of dues related to redemption of guest passes, which would be recognized at a point in time, is not material to the financial statements. The organization does not have any significant financing components as payment is received at or shortly after the point of sale. Amounts received for membership dues for future years are recorded as a contract liability.

# **MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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### **NOTE A -- Nature of business and significant accounting policies (Continued)**

#### **Other events**

The organization sells tickets and offers sponsorships for its special events. Ticket sales and sponsorships are nonrefundable and are comprised of an exchange element based on the value of benefits provided to the donors, and a contribution element for the difference between total ticket sales and sponsorships paid and the exchange element. The Museum recognizes the exchange portion of these events in the year the event takes place (point in time), and the contribution portion immediately. The contribution portion of revenue included in other events on the statement of activities is not material to the financial statements.

#### **Revenue recognition – contributions and grants**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, such as the payment of expenses related to the restriction), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as net assets without donor restrictions.

#### **Revenue recognition – donated services and materials**

Donated services that create or enhance non-financial assets or that require specialized skill, are performed by people with those skills, and would otherwise be purchased, are recognized as contributions at their estimated fair value in the period received. Volunteers also perform a variety of tasks that assist the organization with various programs and activities that are not recognized as contributions in the financial statements since the recognition criteria were not met. Donated materials received are recorded at their estimated fair value in the period received.

#### **Revenue recognition – investment transactions**

Investment return is reported as an increase or decrease in net assets without donor restrictions unless explicitly restricted by donors.

#### **Sales tax**

The State of Wisconsin (the State) and Dane County impose a combined sales tax of 5.5% on the organization's sales to nonexempt customers. The organization collects that sales tax from customers and remits the entire amount to the State. The organization's accounting policy is to exclude the tax collected and remitted to the State from revenue and cost of sales.

# **MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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### **NOTE A -- Nature of business and significant accounting policies (Continued)**

#### **Expense allocation**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Each employee of the organization works in a primary program area. Salaries and benefits are allocated on the basis of the department assignments of the employees. Occupancy costs and depreciation are allocated on a square footage basis. Other non-personnel expenses are attributed to individual programs or supporting function. In certain instances, a portion of the expense is identifiable with a specific program, while the remaining amount is allocated to management and general and/or fundraising.

#### **Program services**

The organization's significant program services consist of the following:

##### Exhibit programs

Exhibit programs are a primary means by which the organization accomplishes its tax-exempt mission. Exhibit programs comprise research development of interactive exhibits and the physical design, construction, installation, maintenance, and evaluation of exhibits. The organization actively solicits community input to ensure that information and issues presented are current, factual, and developmentally appropriate. Exhibit programs are integrated with education initiatives and are based on accepted learning theories, employing a broad range of educational methodologies to stimulate curiosity and motivate learning. The organization collaborates with its community to ensure that education initiatives and exhibits meet community needs and provide quality educational resources and experiences for children, their families, teachers, and care givers. Exhibit programs are developed in conjunction with Education and Marketing and Visitor Services.

##### Education

Education programs comprise the organization's education programming and visitor/participant experience. Education programs are designed and implemented to advance the organization's tax- exempt purpose, mission, and values. The Education Department works closely with the Exhibit and Marketing and Visitor Services programs to assure integrated, educationally rich, visitor-focused environments and experiences. The Education Department helps the organization reach its institutional goals by facilitating visitor learning and enjoyment within the organization and in community outreach activities.

##### Marketing and visitor services

The marketing and visitor services program provides the organization's constituencies with convenient ways to access a broad range of museum educational exhibits, programs, and services. The program comprises areas of public relations, media relations, advertising, promotion, outreach, and publications. Rental of the facility for private gatherings helps to extend the reach of the mission to a wide age range, supporting lifelong learning and strengthening social bonds. Programs are designed and implemented to make the museum accessible and attractive to the broadest possible audience.

# **MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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### **NOTE A -- Nature of business and significant accounting policies (Continued)**

#### **Capital expansion project**

The capital expansion project is part of a master plan to renovate and expand the museum. The current year's activity consists primarily of contribution revenue and expenses related to contracted services for fundraising and building/exhibits design.

#### **Advertising**

The organization uses advertising to promote its programs among the audiences it serves.

Advertising costs are expensed as incurred. Advertising expense was \$79,030 and \$42,868 for the years ended June 30, 2025 and 2024, respectively.

#### **Subsequent events**

These financial statements have not been updated for subsequent events occurring after December 26, 2025, which is the date these financial statements were available to be issued. The organization has no responsibility to update these financial statements for events and circumstances occurring after this date.

### **NOTE B – Investment return**

The following is a summary of the organization's investment return for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Interest	\$ 134,580	\$ 157,200
Net realized and unrealized gains	<u>44,661</u>	<u>0</u>
Investment return	<u>\$ 179,241</u>	<u>\$ 157,200</u>

**MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2025

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**NOTE C -- Pledges receivable**

Pledges receivable at June 30 consisted of the following:

	<u>2025</u>	<u>2024</u>
Pledges - operating	\$ 612,265	\$ 909,949
Pledges - restricted	3,000,000	4,000,000
Pledges - capital campaign	<u>12,500</u>	<u>70,000</u>
 Pledges receivable	 <u>\$ 3,624,765</u>	 <u>\$ 4,979,949</u>
 Pledges receivable in less than one year	 <u>\$ 1,985,609</u>	 <u>\$ 2,305,181</u>
Pledges receivable in one to five years	<u>1,639,156</u>	<u>2,674,768</u>
 Pledges receivable	 <u>\$ 3,624,765</u>	 <u>\$ 4,979,949</u>
Discount to net present value	<u>(176,421)</u>	<u>(228,755)</u>
Provision for uncollectible pledges receivable	<u>0</u>	<u>0</u>
 Pledges receivable - net	 <u>\$ 3,448,344</u>	 <u>\$ 4,751,194</u>

Pledges receivable in one year or more are discounted to net present value using a discount rate of 4.52% for the years ended June 30, 2025 and 2024. Pledges receivable in less than one year are measured at net realizable value, which approximates fair value. The organization routinely assesses the financial strength of its contributors and patrons and, as a consequence, believes the majority of its receivables to be fully collectible.

Split-interest agreement (Charitable Lead Annuity Trust)

Split-interest agreements are trusts or other arrangements under which donors have designated beneficiaries. The organization is one of twenty beneficiaries of the John H. Lussier Charitable Lead Annuity Trust (CLAT). Under the CLAT, the organization receives fixed annual annuity payments during the term of the trust, 10 years. The final distribution will be made in 2028. The organization was notified it was a beneficiary of the CLAT in 2019. Any changes in the discounted value of the CLAT are adjusted through the remaining unconditional promise to give balance and contribution revenue. The unconditional promise to give, net of the discount to present value, was \$312,621 and \$390,758 as of June 30, 2025 and 2024, respectively.

**MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2025

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**NOTE D -- Property and equipment, net**

Property and equipment, net is comprised of the following:

	<u>2025</u>	<u>2024</u>
Building, improvements, and exhibits	\$ 19,114,585	\$ 19,045,890
Leasehold improvements	0	19,064
Equipment	<u>237,935</u>	<u>237,935</u>
	19,352,520	19,302,889
Less accumulated depreciation	<u>6,877,065</u>	<u>6,377,301</u>
	\$ 12,475,455	\$ 12,925,588

**NOTE E -- Contract liabilities**

Contract liabilities as of June 30, consisted of the following:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contract liabilities:			
Deferred facility rental deposits	\$ 13,492	\$ 27,331	\$ 14,208
Unused gift cards	12,347	13,432	16,620
Deferred membership dues	<u>364,738</u>	<u>353,704</u>	<u>314,488</u>
Total	<u>\$ 390,577</u>	<u>\$ 394,467</u>	<u>\$ 345,316</u>

**NOTE F -- Notes payable**

Notes payable consist of the following:

	<u>2025</u>	<u>2024</u>
Park Bank; original amount of \$1,335,613; payments of \$8,719 at 4.8% (effective interest rate of 4.91%); due August 5, 2027; collateralized by a mortgage on the organization's building and assignment of rents thereon; prepayment allowed through August 5, 2027 with penalty ranging from 1.00% - 3.00%.	1,215,648	1,259,933
City of Madison; original amount of \$21,679 for assessment of property improvements; interest at 2.5%; annual payments of principal of \$1,445 through 2027; no collateral provided; paid off in January 2025.	0	4,285
Less current maturities	<u>1,215,648</u>	<u>1,264,218</u>
	<u>47,445</u>	<u>46,650</u>
	<u>\$ 1,168,203</u>	<u>\$ 1,217,568</u>

**MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

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**NOTE F -- Notes payable (Continued)**

Interest expense incurred on notes payable totaled \$60,675 and \$65,065 during the years ended June 30, 2025 and 2024, respectively.

Repayment of principal on the notes payable as of June 30, 2025, is as follows:

Year ending June 30,

2026	\$ 47,445
2027	55,773
2028	<u>1,112,430</u>
	<u>\$ 1,215,648</u>

**NOTE G -- Net assets with donor restrictions**

Net assets with donor restrictions include assets set aside in accordance with donor restrictions. Net assets with donor restrictions are available for the following purposes or periods as of June 30:

	<u>2025</u>	<u>2024</u>
Purpose restricted:		
Building system replacements and maintenance	\$ 3,723,125	\$ 3,817,537
Possible-opolis Project	2,458,805	0
Time restricted:		
Pledges receivable due in subsequent years	<u>587,562</u>	<u>933,658</u>
Net assets with donor restrictions	<u>\$ 6,769,492</u>	<u>\$ 4,751,195</u>

# **MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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### **NOTE H -- Contributions and grants**

Contributions and grants during the years ended June 30, consisted of the following:

	<u>2025</u>	<u>2024</u>
Individual	\$ 1,019,640	\$ 476,451
Foundations	2,745,189	4,845,159
Corporations	128,755	140,276
Government	<u>625,142</u>	<u>414,925</u>
Contributions and grants	<u>\$ 4,518,726</u>	<u>\$ 5,876,811</u>

For the year ended June 30, 2025, approximately 76% of the organization's contribution and grant revenue came from three donors. For the year ended June 30, 2024, approximately 65% of the organization's contribution and grant revenue came from two donors. The pledges receivable from these donors was \$3,000,000 as of June 30, 2024.

### **NOTE I -- In-kind contributions**

The organization received the following in-kind contributions for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Advertising services	\$ 33,125	\$ 11,156
Professional services	5,800	1,800
Goods	29,672	59,036
Furniture	<u>0</u>	<u>40,000</u>
	<u>\$ 68,597</u>	<u>\$ 111,992</u>

The organization's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the organization to utilize it in its normal course of business, the asset will be disposed or the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The museum received donated advertising services from various companies with an estimated fair market value of \$33,125 and \$11,156 for the years ended June 30, 2025 and 2024, respectively. These services were provided for the general operations of the museum.

The museum received donated goods and furniture to be used throughout the museum. The organization has elected to value the goods at the estimated fair market value. In-kind donated goods and furniture for the years ended June 30, 2025 and 2024 totaled \$18,675 and \$99,036, respectively.

All in-kind contributions received by the organization for the years ended June 30, 2025 and 2024 were considered without donor restrictions and able to be used by the organization as determined by the board of directors and management.

# MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2025

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### NOTE J -- Leases

The organization leased warehouse space under an operating lease to store donated inventory and for use as the location for its annual benefit sale. The lease commenced April 2020 with a 3-year initial term. In January 2023, the lease was amended and 1 year was added to the lease term. The lease expired in March 2024. The lease required monthly rent payments of \$2,344, subject to annual increases of 3%. In addition, the lease also required additional rent as reimbursement for the organization's share of the warehouse real estate taxes and operating expenses.

The organization leases a copier under a finance lease with a 5-year initial term and expires May 2028. The lease includes automatic renewals on a month-to-month basis. The exercise of these renewal options is at the sole discretion of the company, and only lease options that the company believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

The components of lease expense are as follows for the year ended June 30:

	2025	2024
Operating lease cost	\$ 0	\$ 33,765
Finance lease cost:		
Amortization of right-of-use assets	4,079	4,079
Interest on lease liabilities	<u>522</u>	<u>665</u>
Total finance lease cost	<u>4,601</u>	<u>4,744</u>
Total lease cost	<u><u>\$ 4,601</u></u>	<u><u>\$ 38,509</u></u>

Supplemental statement of cash flows information related to leases as of June 30, is as follows:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 0	\$ 34,388
Operating cash flows from finance leases	522	665
Financing cash flows from finance leases	3,952	3,809

Supplemental consolidated statement of financial position information related to leases as of June 30, is as follows:

	2025	2024
Weighted average remaining lease term (in years):		
Finance leases	2.9	3.9
Weighted average discount rate:		
Operating leases	0.00%	2.85%
Finance leases	3.70%	3.70%

**MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025

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**NOTE J -- Leases (Continued)**

Future minimum lease payments to be paid under this lease as of June 30, 2025, are as follows:

<u>Year ending June 30,</u>	<u>Finance Leases</u>
2026	\$ 4,474
2027	4,474
2028	<u>4,029</u>
Total future minimum lease payments	12,977
Less amount of lease payments representing interest	<u>(652)</u>
Present value of future minimum lease payments (lease liabilities)	\$ <u>12,325</u>

**NOTE K -- Contracts**

The organization had entered into contracts with various firms to provide various types of services to the organization. The contracts totaled \$689,768 and \$339,949 as of June 30, 2025 and 2024, respectively. The balance of the uncompleted contracts approximated \$174,326 and \$111,247 as of June 30, 2025 and 2024, respectively.

# **MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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### **NOTE L -- Endowment funds held at Madison Community Foundation**

The organization has four Endowment Funds (Funds) that are operated as a component part of Madison Community Foundation (MCF), numbered 1030590, 1030591, 1030592, and 1030772. Fund 1030590, the Fund for the Future, holds gifts to an endowment that were matched dollar for dollar by a board member, up to \$500,000. Fund 1030772, the Pleasant Rowland Great Performance Fund, is a challenge grant fund that was matched dollar for dollar, up to \$2,000,000. Fund 1030591 holds the original donations toward the Great Performance Fund which were matched as described above. Fund 1030592 holds all gifts to endowment outside of the three funds mentioned.

Annual distributions of up to 4.75% of a rolling twenty-quarter average are available for operations. All other interest and appreciation are reinvested into the Funds. Principal may not be drawn from the Funds except with approval from MCF's Board of Governors. The MCF has variance power that allows it to modify the donors' stipulations under certain circumstances. Due to these restrictions, the Funds have not been recorded in the organization's financial statements.

The fair values as of June 30 were as follows:

	<u>2025</u>	<u>2024</u>
Fund 1030590	\$ 1,648,550	\$ 1,549,908
Fund 1030772	2,433,442	2,318,689
Fund 1030591	2,226,565	2,121,567
Fund 1030592	<u>64,724</u>	<u>61,672</u>
	<u><u>\$ 6,373,281</u></u>	<u><u>\$ 6,051,836</u></u>

Endowment distributions received and recognized in the financial statements during the years ended June 30 consisted of the following:

	<u>2025</u>	<u>2024</u>
Fund 1030590	\$ 62,320	\$ 60,121
Fund 1030772	94,202	91,714
Fund 1030591	86,193	83,916
Fund 1030592	<u>2,506</u>	<u>2,440</u>
	<u><u>\$ 245,221</u></u>	<u><u>\$ 238,191</u></u>

# **MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2025

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### **NOTE M -- Availability of financial assets and liquidity**

The organization has the following financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date:

	<u>2025</u>	<u>2024</u>
Cash	\$ 2,333,733	\$ 2,484,667
Pledges receivable	142,521	638,513
Accounts receivable	<u>1,484</u>	<u>1,376</u>
	<u><u>\$ 2,477,738</u></u>	<u><u>\$ 3,124,556</u></u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. Pledges receivable are subject to implied time restrictions but are expected to be collected within one year. The balance of pledges receivable is restricted by donors for specific purposes or have a time restriction of more than a year and are not available for general expenditures.

The organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The organization considers financial assets whose use is limited by board designation for the building system replacements and maintenance to also be available for general expenditures, if needed.