

Madison Children's Museum, Inc. and Affiliate

Consolidated Financial Report

June 30, 2021

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, Wisconsin

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, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note A to the financial statements, in fiscal year 2021, the organization adopted new accounting guidance with respect to revenue from contracts with customers. Our opinion is not modified with respect to this matter.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

October 8, 2021

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 729,957	\$ 237,577
Cash restricted for capital expansion project	1,519,956	0
Pledges receivable	477,227	1,467,635
Accounts receivable	209,017	852
Inventories	367,783	581,622
Prepaid expenses	25,511	19,572
Total current assets	3,329,451	2,307,258
LONG-TERM ASSETS		
Property and equipment, net	11,535,508	11,979,654
Construction in progress	1,312,783	0
Pledges receivable, net	1,083,649	946,360
Cash designated and restricted for building system replacements and maintenance	176,762	185,462
Cash restricted for capital expansion project	0	84,834
Cash and investments restricted for endowment purposes	5,995	5,995
Total long-term assets	14,114,697	13,202,305
TOTAL ASSETS	\$ 17,444,148	\$ 15,509,563
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 63,773	\$ 19,775
Construction payables	322,434	0
Due to American Girl's Fund For Children	180,450	287,364
Accrued expenses	128,874	94,869
Accrued interest payable	4,125	2,009
Security deposits payable	0	8,600
Current maturities of notes payable	35,628	20,549
Line of credit	400,000	400,000
Contract liabilities	309,705	347,824
Total current liabilities	1,444,989	1,180,990
LONG-TERM LIABILITIES		
Notes payable, less current maturities	1,489,117	1,515,168
TOTAL LIABILITIES	2,934,106	2,696,158
NET ASSETS		
Without donor restrictions	12,779,124	10,200,427
With donor restrictions	1,730,918	2,612,978
Total net assets	14,510,042	12,813,405
TOTAL LIABILITIES AND NET ASSETS	\$ 17,444,148	\$ 15,509,563

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, 2021 and 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Public support, revenue, and gains:		
Donated inventory, services, and materials	\$ 244,825	\$ 136,628
Inventory value adjustment	0	(39,841)
Annual benefit sale	311,350	527,531
Contributions and grants	1,602,110	879,522
Visitor services	53,720	492,715
Other income	36,998	13,696
Endowment distributions	214,501	210,746
Membership dues	32,004	265,654
Other events	32,377	218,678
Gain on forgiveness of debt	395,600	0
Investment return	1,327	5,889
	<u>2,924,812</u>	<u>2,711,218</u>
 Total public support, revenue and gains without donor restrictions	 2,924,812	 2,711,218
 Expenses:		
Program services:		
Exhibit programs	578,245	986,699
Education	162,989	548,934
Marketing and visitor services	178,792	656,184
	<u>920,026</u>	<u>2,191,817</u>
 Total program services	 920,026	 2,191,817
 Supporting activities:		
Administration	356,800	612,926
Fundraising	115,489	333,807
Annual Benefit Sale	363,832	644,795
Capital expansion project	190,509	313,657
	<u>1,026,630</u>	<u>1,905,185</u>
 Total supporting expenses	 1,026,630	 1,905,185
 Total expenses	 1,946,656	 4,097,002
 Net assets released from restrictions	 1,600,541	 167,317
 Change in net assets without donor restrictions	 2,578,697	 (1,218,467)
 NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants	450,189	2,186,316
Change in value of the CLAT	268,292	0
Net assets released from restrictions	(1,600,541)	(167,317)
	<u>(882,060)</u>	<u>2,018,999</u>
 Change in net assets with donor restrictions	 (882,060)	 2,018,999
 Change in net assets	 1,696,637	 800,532
 Net assets, beginning	 12,813,405	 12,012,873
 Net assets, ending	 <u>\$ 14,510,042</u>	 <u>\$ 12,813,405</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, 2021 and 2020

	Program services				Supporting services					Total expenses
	Exhibit programs	Education	Marketing and visitor services	Total program services	Administration	Fundraising	Annual benefit sale	Capital expansion project	Total supporting services	
2021										
Expenses:										
Cost of sales	\$ 0	\$ 0	\$ 77	\$ 77	\$ 0	\$ 0	\$ 278,405	\$ 0	\$ 278,405	\$ 278,482
Depreciation	288,190	10,280	10,280	308,750	144,096	0	0	0	144,096	452,846
Dues and subscriptions	147	173	393	713	2,921	135	1,888	0	4,944	5,657
Events, meetings, travel and training	2,712	90	0	2,802	1,097	369	232	0	1,698	4,500
Insurance	0	0	0	0	26,064	0	0	0	26,064	26,064
Interest and bank charges	20,363	727	5,892	26,982	32,786	13,250	2,253	7,625	55,914	82,896
Maintenance and repairs	11,885	402	402	12,689	5,640	0	15	0	5,655	18,344
Occupancy	39,011	1,391	1,391	41,793	19,499	0	47,016	0	66,515	108,308
Office supplies	668	36	1,958	2,662	821	46	1,409	0	2,276	4,938
Personnel	107,150	137,091	128,951	373,192	79,030	35,707	27,824	182,884	325,445	698,637
Printing, postage and copying	3,001	557	1,567	5,125	4,837	671	654	0	6,162	11,287
Professional services	60,426	2,274	261	62,961	31,455	0	2,094	0	33,549	96,510
Program supplies	40,355	9,849	3,258	53,462	6,666	7,284	1,114	0	15,064	68,526
Publicity	0	0	3,279	3,279	0	40,510	0	0	40,510	43,789
Technology	4,337	119	21,083	25,539	1,888	17,517	928	0	20,333	45,872
Total expenses	\$ 578,245	\$ 162,989	\$ 178,792	\$ 920,026	\$ 356,800	\$ 115,489	\$ 363,832	\$ 190,509	\$ 1,026,630	\$ 1,946,656

	Program services				Supporting services					Total expenses
	Exhibit programs	Education	Marketing and visitor services	Total program services	Administration	Fundraising	Annual benefit sale	Capital expansion project	Total supporting services	
2020										
Expenses:										
Cost of sales	\$ 0	\$ 0	\$ 7,771	\$ 7,771	\$ 0	\$ 0	\$ 436,232	\$ 0	\$ 436,232	\$ 444,003
Depreciation	289,908	10,341	10,341	310,590	147,738	0	0	0	147,738	458,328
Dues and subscriptions	342	201	3,048	3,591	8,262	775	63	0	9,100	12,691
Events, meetings, travel and training	1,681	2,740	731	5,152	603	1,675	1,998	297	4,573	9,725
Insurance	0	0	0	0	26,284	0	0	0	26,284	26,284
Interest and bank charges	34,006	1,213	25,778	60,997	33,265	7,500	15,060	0	55,825	116,822
Maintenance and repairs	41,239	1,072	1,072	43,383	15,031	0	500	0	15,531	58,914
Occupancy	55,330	1,973	1,973	59,276	27,663	0	97,537	0	125,200	184,476
Office supplies	3,380	1,219	4,776	9,375	3,431	1,068	3,431	0	7,930	17,305
Personnel	457,679	496,649	538,107	1,492,435	290,588	176,683	52,693	136,789	656,753	2,149,188
Printing, postage and copying	0	15	16,172	16,187	12,293	10,535	1,214	565	24,607	40,794
Professional services	61,872	10,826	2,374	75,072	41,051	48,050	23,774	170,641	283,516	358,588
Program supplies	36,952	22,574	3,720	63,246	4,929	76,027	12,257	5,365	98,578	161,824
Publicity	0	0	19,742	19,742	0	0	0	0	0	19,742
Technology	4,310	111	20,579	25,000	1,788	11,494	36	0	13,318	38,318
Total expenses	\$ 986,699	\$ 548,934	\$ 656,184	\$ 2,191,817	\$ 612,926	\$ 333,807	\$ 644,795	\$ 313,657	\$ 1,905,185	\$ 4,097,002

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,696,637	\$ 800,532
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	452,846	458,328
Net realized and unrealized gain on investments	(769)	(25)
Gain on forgiveness of debt	(395,600)	0
Change in contributed inventory	213,839	830,583
Donated investments	(307,633)	(1,627)
Proceeds from sale of donated investments	308,402	1,652
Increase (decrease) in cash due to changes in:		
Pledges receivable	853,119	(2,244,297)
Accounts receivable	(208,165)	9,317
Prepaid expenses	(5,939)	1,154
Accounts payable	43,998	(93,986)
Due to American Girl's Fund For Children	(106,914)	(416,438)
Accrued expenses	34,005	(48,134)
Accrued interest	2,116	(717)
Security deposits payable	(8,600)	(3,700)
Contract liabilities	(38,119)	71,552
Net cash provided by (used in) operating activities	2,533,223	(635,806)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(8,700)	(71,940)
Development of property and equipment	(990,349)	0
Net cash used in investing activities	(999,049)	(71,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	0	620,000
Payments on line of credit	0	(440,000)
Proceeds from notes payable	394,786	545,600
Payments on notes payable	(10,158)	(21,445)
Net cash provided by financing activities	384,628	704,155
Change in cash and cash equivalents, and restricted cash	1,918,802	(3,591)
Cash and cash equivalents, and restricted cash:		
Beginning	513,868	517,459
Ending	\$ 2,432,670	\$ 513,868
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 729,957	\$ 237,577
Restricted cash for building system replacements	176,762	185,462
Restricted cash for capital expansion project	1,519,956	84,834
Restricted cash for endowment purposes	5,995	5,995
Total cash, cash equivalents, and restricted cash	\$ 2,432,670	\$ 513,868

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

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 50,186</u>	<u>\$ 68,320</u>
SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated investments	<u>\$ 307,633</u>	<u>\$ 1,627</u>
Gain on forgiveness of debt	<u>\$ 395,600</u>	<u>\$ 0</u>
Construction payables capitalized into construction in progress	<u>\$ 322,434</u>	<u>\$ 0</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, 2021

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, 2021

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.

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.

Accounts receivable

The organization considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If amounts become uncollectible, they will be charged to operations when that determination is made. Accounts receivable are not interest bearing. A receivable is considered past due if payments have not been received by the organization after 30 days.

Inventories

Inventories consist of donated items that are sold in the Annual Benefit Sale (see Note N) and items sold at the gift counter of the Museum.

The donated items are recognized as inventory and revenue when they are in a saleable condition. For the year ended June 30, 2020, the donated inventory is stated at its estimated selling price and adjusted based on subsequent sales at the annual benefit sale held in July 2021. The value of unsold inventory carried over from the prior year sale is subsequently adjusted based on selling prices in the next sale. This adjustment is reflected in the consolidated statements of activities as an inventory value adjustment. For the year ended June 30, 2021, the donated inventory is stated at its estimated selling price.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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 is 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.

Depreciation expense amounted to \$452,846 and \$458,328 for the years ended June 30, 2021 and 2020, 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.

Due to American Girl's Fund for Children

Due to American Girl's Fund for Children is recorded at 50% of the ending balance of benefit sale inventory as the Museum is obligated to pay 50% of sales from the Annual Benefit Sale to the American Girl's Fund for Children (see Note N).

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.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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 organization recognizes revenue from membership dues when it satisfies a performance obligation by transferring control over a product or service to a customer, which may be at a point in time or over time. Revenue from performance obligations satisfied at a point in time consists of redemption of guest passes. Revenue from performance obligations satisfied over time consists of unlimited admission to the Museum and discounts on products and services sold at the Museum. For unlimited admission and discounts, revenue is recognized over time based on the periods which dues relate. 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.

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.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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 that are not related to the Annual Benefit Sale 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.

Recognition of recoveries

Recoveries of payroll expenses through the Employee Retention Tax Credit under the Consolidated Appropriations Act of 2021 (CAA) are recorded as assets when receipt is deemed probable.

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.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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.

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 \$43,789 and \$19,742 for the years ended June 30, 2021 and 2020, respectively.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

New accounting standards adopted

In May 2014, the FASB issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that the organization should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the organization receives or expects to receive. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the new Topic 606 and Subtopic 340-40 is referred to as the "new guidance."

The organization adopted the requirements of the new guidance as of July 1, 2020, utilizing the full-retrospective method. The adoption of the new guidance resulted in changes to the organization's accounting policies for membership dues recognition and contract liabilities as detailed below. Under the new guidance, deferred revenue is disclosed as contract liabilities in the statements of financial position. The new guidance was applied using the following practical expedients which are provided in Topic 606: completed contracts that began and ended in the same year were not restated; and the amount of the transaction price allocated to the remaining performance obligations and details of when the organization expects to recognize that amount as revenue for fiscal year 2020 was not disclosed. The effects of applying these practical expedients were not significant to the financial statements.

Since the changes are applied retrospectively, the following is an analysis of the change in net assets as of July 1, 2019:

	<u>As previously reported</u>	<u>Adjustments</u>	<u>As adjusted</u>
Net assets without donor restrictions	\$ 10,479,109	\$ (278,682)	\$ 10,200,427

In addition to the change in net assets as of July 1, 2019, the organization adjusted the fiscal year 2020 financial statements from amounts previously reported to adopt the new guidance. The following items in the consolidated statements of financial position changed from what was previously reported as of June 30, 2020:

	<u>As previously reported</u>	<u>Adjustments</u>	<u>As adjusted</u>
<u>Liabilities:</u>			
Contract liabilities	\$ 69,142	\$ 278,682	\$ 347,824
<u>Net assets:</u>			
Net assets without donor restrictions	\$ 10,479,109	\$ (278,682)	\$ 10,200,427

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

The impact of adopting the new revenue recognition guidance was a decrease to the organization's fiscal year 2020 revenue of \$84,785. This decrease is the result of a change in the timing the organization uses to recognize membership dues revenue. Previously, the organization recognized revenue for membership dues in the month the funds were collected. The following line items in the consolidated statement of activities and the consolidated statement of cash flows changed from what was previously reported for the year ended June 30, 2020:

	<u>As previously reported</u>	<u>Adjustments</u>	<u>As adjusted</u>
<u>Revenues:</u>			
Membership dues	\$ 350,439	\$ (84,785)	\$ 265,654
<u>Change in net assets without donor restrictions:</u>			
	\$ (1,133,682)	\$ (278,682)	\$ (1,218,467)
<u>Cash flows:</u>			
Change in net assets	\$ 885,317	\$ (84,785)	\$ 800,532
Contract liabilities	\$ (13,233)	\$ 84,785	\$ 71,552

Subsequent events

These financial statements have not been updated for subsequent events occurring after October 8, 2021, 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 -- Investments

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

	<u>2021</u>	<u>2020</u>
Interest	558	5,864
Net realized and unrealized gains (losses)	<u>769</u>	<u>25</u>
Investment return	<u>\$ 1,327</u>	<u>\$ 5,889</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE C -- Pledges receivable

Pledges receivable at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Pledges - operating	\$ 1,039,965	\$ 894,836
Pledges - time restricted	0	201,313
Pledges - capital campaign	<u>651,117</u>	<u>1,345,242</u>
Pledges receivable	<u>\$ 1,691,082</u>	<u>\$ 2,441,391</u>
Receivable in less than one year	\$ 481,863	\$ 1,467,635
Receivable in one to five years	<u>1,209,219</u>	<u>973,756</u>
Pledges receivable	\$ 1,691,082	\$ 2,441,391
Discount to net present value	(125,570)	(24,344)
Provision for uncollectible pledges receivable	<u>(4,636)</u>	<u>(3,052)</u>
Pledges receivable - net	<u>\$ 1,560,876</u>	<u>\$ 2,413,995</u>

Pledges receivable in one year or more are discounted to net present value using a discount rate of 2.5%. 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 \$874,428 and \$705,793 as of June 30, 2021 and 2020, respectively. The change in the value of the CLAT totaled \$268,292 and \$0 for the years ended June 30, 2021 and 2020, respectively and is included on the statements of activities.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE D -- Fair value disclosure

The fair value measurement for the categories of assets that are measured at fair value on a recurring basis are as follows:

	<u>6/30/21</u>	Fair value measurement using		
		Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>Assets</u>				
Pledges receivable, net - CLAT ¹	\$ <u>874,428</u>	\$ <u>0</u>	\$ <u>874,428</u>	\$ <u>0</u>

	<u>6/30/20</u>	Fair value measurement using		
		Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>Assets</u>				
Pledges receivable, net - CLAT ¹	\$ <u>705,793</u>	\$ <u>0</u>	\$ <u>705,793</u>	\$ <u>0</u>

- The CLAT is valued by the underlying investments which are derived from quoted prices in active markets for identical assets. The organization records its share (1/20th) of the value provided by the trustee. In addition, the amount reported is based on the net present value of the CLAT using the discount rate as described in Note C.

NOTE E -- Property and equipment, net

Property and equipment, net is comprised of the following:

	<u>2021</u>	<u>2020</u>
Building, improvements, and exhibits	\$ 16,372,425	\$ 16,363,725
Leasehold improvements	19,064	19,064
Equipment	<u>160,676</u>	<u>160,676</u>
	16,552,165	16,543,465
Less accumulated depreciation	<u>5,016,657</u>	<u>4,563,811</u>
	<u>\$ 11,535,508</u>	<u>\$ 11,979,654</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F -- Contract liabilities

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

	2021	2020
Deferred facility rental deposits and AGBS tickets	\$ 12,400	\$ 52,238
Unused gift cards	965	11,551
Unused admission tickets	706	5,353
Deferred membership dues	295,634	278,682
Total	\$ 309,705	\$ 347,824

NOTE G -- Notes payable

Notes payable consist of the following:

	2021	2020
Park Bank; original amount of \$1,000,000; monthly interest-only payments at 5.5% through original due date of May 15, 2020; renewed in May 2020; monthly interest-only payments at 4.00% through September 2020; monthly principal and interest payments at 4.00% starting December 2020; due May 15, 2023; collateralized by a mortgage on the organization's building and assignment of rents thereon; prepayment allowed through May 15, 2020, afterwards penalty ranges from 1.00% - 3.00%.	971,288	980,000
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.	8,671	10,117
The Park Bank; Paycheck Protection Program (PPP) loan through the Small Business Administration (SBA); original amount of \$395,600 including interest at 1%; 18 equal payments of \$22,263 due April 17, 2022; portion of loan can be forgiven; no collateral required; loan was fully forgiven on December 8, 2020.	0	395,600
Balance carried forward	979,959	1,385,717

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G -- Notes payable (Continued)

Balance brought forward	\$ 979,959	\$ 1,385,717
<p>The Park Bank; Paycheck Protection Program (PPP) loan through the Small Business Administration (SBA); original amount of \$394,786 including interest at 1%; no payments due until the earlier of forgiveness or 10 months after the expiration of the organization's covered period (which can be no later than December 31, 2021); due February 12, 2026; portion of loan can be forgiven; no collateral required.</p>		
	394,786	0
<p>SBA; Economic Injury Disaster Loan (EIDL); original amount of \$150,000 to alleviate economic injury caused by disaster occurring due to the COVID-19 pandemic; interest at 2.75%; monthly payments of principal of \$641 beginning 12 months from the date of the note (May 20, 2020) due May 20, 2050; collateralized by inventory, equipment, promissory notes, deposit accounts, general intangibles, etc.</p>		
	<u>150,000</u>	<u>150,000</u>
	1,524,745	1,535,717
Less current maturities	<u>35,628</u>	<u>20,549</u>
	<u>\$ 1,489,117</u>	<u>\$ 1,515,168</u>

Interest expense incurred on notes payable totaled \$37,724 and \$53,742 during the years ended June 30, 2021 and 2020, respectively.

Repayment of principal on the notes payable as of June 30, 2021, is as follows:

Year ending June 30,

2022	\$ 35,628
2023	942,553
2024	5,169
2025	5,273
2026	400,165
Thereafter	<u>135,957</u>
	<u>\$ 1,524,745</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE H -- Line of credit

A line of credit of \$400,000 is available from Park Bank and carries interest at prime plus 0.50 percentage points, but never less than 4.00% (4.00% as of June 30, 2021). The line of credit expires in May 2022, is secured by all business assets of the organization, and was drawn in full as of June 30, 2021.

NOTE I -- Net assets

Board designated net assets without donor restrictions

Board designations included in net assets without donor restrictions are for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Building system replacements and maintenance	\$ 13,800	\$ 13,800
Capital expansion project	<u>68,206</u>	<u>68,206</u>
Total board designated net assets	<u>\$ 82,006</u>	<u>\$ 82,006</u>

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>2021</u>	<u>2020</u>
Purpose restricted:		
Building system replacements and maintenance	\$ 162,963	\$ 171,662
Annual Benefit Sale	0	17,000
Roadshow project	0	25,814
Mobile sustainability and environmental education lab project	0	80,000
Freeman Foundation Asian culture exhibit series project	0	72,000
Capital expansion project	0	1,355,883
Wonder Ball event	0	6,500
Technology education	0	1,947
Time restricted:		
Pledges receivable due in subsequent years	1,561,960	876,177
Investments in perpetuity, which once appropriated, are expendable to support:		
Madison Children's Museum Foundation, Inc. Endowment	<u>5,995</u>	<u>5,995</u>
Net assets with donor restrictions	<u>\$ 1,730,918</u>	<u>\$ 2,612,978</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE J -- Contributions and grants

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

	<u>2021</u>	<u>2020</u>
Individual	\$ 1,093,446	\$ 2,641,827
Foundations	332,380	259,409
Corporations	234,231	68,289
Government	<u>392,242</u>	<u>96,313</u>
Contributions and grants	<u>\$ 2,052,299</u>	<u>\$ 3,065,838</u>

NOTE K -- Operating lease

The organization leases warehouse space to store donated inventory and for use as the location for its annual benefit sale. The lease expired October 2017 with two automatic 5-year renewal terms through September 2027, provided the Museum has not given prior notice of vacating or is in default under the lease agreement. The Museum has not given prior notice, therefore, the first automatic renewal term commenced October 2017. The lease required monthly rent payments of \$4,245 (commencing October 2012), subject to annual increases equal to the change in the Consumer Price Index over the previous year. In addition, the lease required additional rent as reimbursement for the organization's share of the warehouse real estate taxes and operating expenses. The lease was terminated in March 2020 and a new lease at a smaller location began in April 2020. The lease requires monthly rent payments of \$2,344 (commencing April 2020), subject to annual increases of 3% (current monthly rent payments of \$2,414 as of June 30, 2021). In addition, the new lease also requires additional rent as reimbursement for the organization's share of the warehouse real estate taxes and operating expenses.

The Museum also entered into a lease agreement beginning June 2020 through August 2020 for space to house the inventory for the 2020 online Annual Benefit Sale. The lease requires a total rent payment of \$15,000.

Total rent expense, including the additional rent for the organization's share of real estate taxes and operating expenses, was \$51,278 and \$99,359 during the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under these leases are as follows:

Year ending June 30,

2022	\$ 29,186
2023	<u>22,378</u>
	<u>\$ 51,564</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE L -- Commitments and contingencies

Contracts

The organization has entered into contracts with various firms and a children's museum to provide architectural services and exhibit design development for a capital expansion project. The contracts totaled \$1,674,681 and \$855,844 as of June 30, 2021 and 2020, respectively. The balance of the uncompleted contracts approximated \$459,612 and \$613,891 as of June 30, 2021 and 2020, respectively.

Paycheck Protection Program

On April 17, 2020, the organization qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$395,600 (the "PPP Loan"). PPP Loan proceeds are used to pay expenses permitted by PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the organization. The organization obtained forgiveness of the PPP loan on December 8, 2020 and recognized the entire amount as a gain on forgiveness of debt in the statements of activities.

On February 12, 2021, the organization qualified for and received a second loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$394,786 (the "PPP Loan"). The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the organization. The organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum and commencing in December 2021 principal and interest payments will be required through the maturity date in February 2026. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

The SBA retains the right to review the eligibility of any borrower, regardless of the size of the loan. If the SBA subsequently determines the borrower was ineligible for the PPP loans after forgiveness, the borrower must immediately repay the loans to the lender.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE M -- 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 is 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>2021</u>	<u>2020</u>
Fund 1030590	\$ 1,533,970	\$ 1,255,847
Fund 1030772	2,335,184	1,931,022
Fund 1030591	2,136,645	1,766,831
Fund 1030592	<u>62,111</u>	<u>51,362</u>
	<u>\$ 6,067,911</u>	<u>\$ 5,005,062</u>

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

	<u>2021</u>	<u>2020</u>
Fund 1030590	\$ 52,747	\$ 51,273
Fund 1030772	83,318	82,170
Fund 1030591	76,218	75,115
Fund 1030592	<u>2,217</u>	<u>2,188</u>
	<u>\$ 214,501</u>	<u>\$ 210,746</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE N -- Annual Benefit Sale

The organization has an agreement with American Girl Brands, LLC in connection with the organization's Annual Benefit Sale. Under this agreement, American Girl Brands, LLC will donate damaged, excess, and returned merchandise to the organization for repair and sale. The organization will organize a group of volunteers who will repair and organize the merchandise and implement a large-scale benefit sale. Revenue from the sale, less applicable sales taxes and bank charges, will be divided equally between the American Girl's Fund for Children Foundation and the organization. The organization treats this as an agency transaction. In the event net revenue from the Annual Benefit Sale exceeds \$1.5 million or if the organization's portion of net revenue comprises over 35% of their annual support and revenue, American Girl Brands, LLC shall have the option to reinstate the matching principles for future benefit sales as they had been applied during past sales. Either party can terminate the agreement with written notice. However, upon termination of this agreement, American Girl Brands, LLC shall continue adhering to these terms with the organization for an additional two years. Annual Benefit Sale revenue also includes income from ticket sales and sales of merchandise donated by other corporations directly to the organization.

The following summarizes the Annual Benefit Sale revenue amount included in the statements of activities:

	<u>2021</u>	<u>2020</u>
Gross receipts	\$ 555,218	\$ 854,382
Less: Sales tax and bank charges	<u>33,173</u>	<u>64,738</u>
Net sales	522,045	919,120
American Girl Fund for Children current year event distribution	<u>(284,404)</u>	<u>(441,051)</u>
Organization's portion of sales revenue	237,641	478,069
Shipping revenue	39,147	0
Ticket sales for benefit sale	32,552	45,055
Other benefit revenue	<u>2,010</u>	<u>4,407</u>
Annual Benefit Sale revenue	<u>\$ 311,350</u>	<u>\$ 527,531</u>

An amount payable to American Girl's Fund for Children Foundation is reported as Due to American Girl's Fund for Children in the statements of financial position. The payable of \$180,450 and \$287,364 as of June 30, 2021 and 2020, respectively, reflects an estimated amount that will be payable from the next benefit sale and is based on 50% of the estimated fair value of the donated merchandise held in inventory as of June 30, 2021 and 2020, respectively.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE O -- 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>2021</u>	<u>2020</u>
Cash	\$ 2,195,506	\$ 254,564
Pledges receivable	477,227	148,530
Accounts receivable	<u>209,017</u>	<u>984</u>
	<u>\$ 2,881,750</u>	<u>\$ 404,078</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. \$1,519,956 of restricted cash is included in the available financial assets to meet cash needs for general expenditures due to the nature of the Our Future in Play program designation. This program is to help the museum re-open after being closed for over a year due to the COVID-19 pandemic. The costs to re-open the museum are considered general expenditures. The pledges receivable are subject to implied time restrictions but are expected to be collected within one year. The balance of pledges receivable are 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. In addition, as part of its liquidity management, the organization has access to a \$400,000 available line of credit (see Note H) which is used to manage cash flow volatility throughout the year, of which \$400,000 was drawn upon as of June 30, 2021.

NOTE P -- Employee Retention Tax Credit

Under the CAA, the organization has claimed an Employee Retention Tax Credit in the amount of \$207,983 which is included in the balance of accounts receivable as of June 30, 2021 and was credited against payroll tax expenses reported in the statements of activities.