

Madison Children's Museum, Inc. and Affiliate

Consolidated Financial Report

June 30, 2024



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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, 2024 and 2023, 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, 2024 and 2023, 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 5, 2024

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,484,667	\$ 4,311,952
Pledges receivable	2,305,181	338,199
Grants receivable	192,234	94,739
Accrued interest receivable	7,130	12,060
Inventories	7,074	38,949
Prepaid expenses	40,489	38,057
Total current assets	5,036,775	4,833,956
LONG-TERM ASSETS		
Property and equipment, net	12,925,588	12,995,375
Pledges receivable, net	2,446,013	446,750
Cash designated and restricted for building system replacements and maintenance	0	163,673
Operating lease right-of-use assets	0	33,441
Finance lease right-of-use assets	15,976	20,055
Total long-term assets	15,387,577	13,659,294
TOTAL ASSETS	\$ 20,424,352	\$ 18,493,250
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 111,598	\$ 130,395
Due to American Girl's Fund For Children	0	303,779
Accrued expenses	166,307	170,864
Accrued interest payable	4,183	4,513
Current maturities of notes payable	46,650	44,555
Contract liabilities	394,467	345,316
Current portion of operating lease obligations	0	34,064
Current portion of finance lease obligation	3,952	3,809
Total current liabilities	727,157	1,037,295
LONG-TERM LIABILITIES		
Notes payable, less current maturities	1,217,568	1,263,130
Finance lease obligations, less current portion	12,323	16,275
Total long-term liabilities	1,229,891	1,279,405
TOTAL LIABILITIES	1,957,048	2,316,700
NET ASSETS		
Without donor restrictions	13,716,109	15,249,338
With donor restrictions	4,751,195	927,212
Total net assets	18,467,304	16,176,550
TOTAL LIABILITIES AND NET ASSETS	\$ 20,424,352	\$ 18,493,250

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, 2024 and 2023

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Public support, revenue, and gains:		
Donated inventory, services, and materials	\$ 111,992	\$ 634,187
Annual benefit sale	0	1,074,105
Contributions and grants	1,586,374	1,976,622
Visitor services	759,121	766,686
Other income	37,224	21,699
Endowment distributions	238,191	233,322
Membership dues	505,829	501,240
Other events	221	1,990
Loss on disposal of property and equipment	(77,913)	0
Investment return	157,200	57,307
	3,318,239	5,267,158
 Expenses:		
Program services:		
Exhibit programs	1,463,863	1,213,556
Education	572,829	476,922
Marketing and visitor services	1,451,834	1,256,376
	3,488,526	2,946,854
Supporting activities:		
Administration	1,084,685	788,012
Fundraising	320,188	395,801
Annual Benefit Sale	118,737	1,363,478
Capital expansion project	305,786	108,095
	1,829,396	2,655,386
 Total expenses	5,317,922	5,602,240
 Net assets released from restrictions	466,454	509,481
 Change in net assets without donor restrictions	(1,533,229)	174,399
 NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants	4,290,437	86,329
Net assets released from restrictions	(466,454)	(509,481)
	3,823,983	(423,152)
 Change in net assets	2,290,754	(248,753)
 Net assets, beginning	16,176,550	16,425,303
 Net assets, ending	\$ 18,467,304	\$ 16,176,550

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, 2024 and 2023

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

	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		
2023										
Expenses:										
Cost of sales	\$ 0	\$ 0	\$ 70,871	70,871	\$ 0	\$ 0	\$ 1,138,331	\$ 0	\$ 1,138,331	\$ 1,209,202
Depreciation	330,597	11,792	11,792	354,181	165,299	0	0	0	165,299	519,480
Dues and subscriptions	503	734	963	2,200	4,938	0	12	0	4,950	7,150
Events, meetings, travel and training	13,548	10,495	10,431	34,474					-	
Insurance	61	0	0	61	15,190	12,918	5,576	30,574	64,258	98,732
Interest and bank charges	36,059	1,336	8,586	45,981	40,739	0	0	0	40,739	40,800
Maintenance and repairs	34,566	1,124	1,310	37,000	47,919	86,198	0	0	134,117	180,098
Occupancy	70,629	3,541	2,520	76,690	15,754	0	134	0	15,888	52,888
Office supplies	7,811	2,514	5,909	16,234	39,334	0	51,321	0	90,655	167,345
Personnel	489,449	377,825	1,084,425	1,951,699	5,903	699	3,321	7,079	17,002	33,236
Printing, postage and copying	70	160	12,261	12,491	286,667	232,829	73,550	0	593,046	2,544,745
Professional services	142,720	34,601	11,947	189,268	8,582	8,917	4,352	29	21,880	34,371
Program supplies	79,654	31,561	5,985	117,200	124,161	13,332	69,208	69,059	275,760	465,028
Publicity	500	0	8,533	9,033	21,508	8,951	12,780	1,354	44,593	161,793
Technology	7,389	1,239	20,843	29,471	7,820	9,000	0	0	16,820	25,853
Total expenses	\$ 1,213,556	\$ 476,922	\$ 1,256,376	\$ 2,946,854	\$ 788,012	\$ 395,801	\$ 1,363,478	\$ 108,095	\$ 2,655,386	\$ 5,602,240

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, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,290,754	\$ (248,753)
Adjustments to reconcile net income (loss) to net cash		
net cash provided by (used in) operating activities:		
Amortization of right-of-use assets	37,520	43,822
Depreciation and amortization	530,101	519,480
Loss on disposal of asset	77,913	0
Change in contributed inventory	31,875	930,731
Donated investments	(101,628)	0
Proceeds from sale of donated investments	101,628	0
Donated equipment	(40,000)	0
Increase (decrease) in cash due to changes in:		
Pledges receivable	(3,966,245)	394,952
Grants receivable	(97,495)	231,941
Accrued interest receivable	4,930	85,626
Prepaid expenses	(2,432)	(7,379)
Accounts payable	(18,797)	61,543
Due to American Girl's Fund For Children	(303,779)	(111,966)
Accrued expenses	(4,557)	(19,647)
Accrued interest	(330)	(3,737)
Contract liabilities	49,151	37,743
Operating lease obligations	(34,064)	(42,860)
	(1,445,455)	1,871,496
Net cash provided by (used in) operating activities	(1,445,455)	1,871,496
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(498,227)	(47,311)
Development of property and equipment	0	(195,063)
	(498,227)	(242,374)
Net cash used in investing activities	(498,227)	(242,374)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	0	(400,000)
Proceeds from notes payable	0	400,000
Payments on notes payable	(43,467)	(187,994)
Principal payments on finance lease liabilities	(3,809)	(310)
	(47,276)	(188,304)
Net cash used in financing activities	(47,276)	(188,304)
Change in cash and cash equivalents, and restricted cash	(1,990,958)	1,440,818
Cash and cash equivalents, and restricted cash:		
Beginning	4,475,625	3,034,807
Ending	\$ 2,484,667	\$ 4,475,625
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 2,484,667	\$ 4,311,952
Restricted cash for building system replacements	0	163,673
Total cash, cash equivalents, and restricted cash	\$ 2,484,667	\$ 4,475,625

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 65,405</u>	<u>\$ 69,751</u>
SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated investments	<u>\$ 101,628</u>	<u>\$ 0</u>
Donated equipment	<u>\$ 40,000</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, 2024

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, 2024

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.

Management estimates a zero credit loss on the certificates of deposit. The organization monitors the bank rating for various banks which have strong bank ratings as of June 30, 2023. The certificates of deposit are considered past due when the organization is not allowed to redeem the certificates of deposits at maturity. There are no past due certificates of deposit as of June 30, 2023. The organization places certificates of deposit on nonaccrual status when management believes collection of interest income is not probable. Interest income on those certificates of deposit is recognized when payments are received rather than when earned. There were no certificates of deposit on nonaccrual status as of June 30, 2023. There were no certificates of deposit as of June 30, 2024.

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.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

Accrued interest receivable

As a practical expedient, the organization excludes the accrued interest receivable from the amortized cost basis of the certificates of deposits and separately reports it in another financial statement line item, accrued interest receivable. Additionally, the amount will be excluded from disclosures within the cash and cash equivalents policies in Note A. Certificates of deposit pay interest at maturity, therefore accrued interest is typically for a period of 1 month to 5 years.

The organization has elected not to measure an allowance on accrued interest receivable for all asset types, because the uncollectible accrued interest receivable is written off in a timely manner. The organization writes off accrued interest when not collected at the time the certificates of deposit mature. The organization has elected to write off accrued interest receivable by reversing interest income in the statement of activities. During the year ended June 30, 2024, the organization did not reverse any accrued interest receivable in its certificates of deposit.

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 and stated at its estimated selling price.

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.

Depreciation expense amounted to \$530,101 and \$519,480 for the years ended June 30, 2024 and 2023, 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.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

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 was recorded at 100% of the first \$100,000 gross receipts. After \$450,000 of revenue earned, 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.

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, 2024 and 2023.

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.

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.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

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.

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, 2024

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.

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, 2024

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 \$42,868 and \$25,853 for the years ended June 30, 2024 and 2023, respectively.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

Adoption of new accounting standard – ASU 2016-13 Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the organization that are subject to the guidance in FASB ASC 326 were certificates of deposit and accrued interest receivable.

The organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

Subsequent events

These financial statements have not been updated for subsequent events occurring after December 5, 2024, 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>2024</u>	<u>2023</u>
Interest	\$ 157,200	\$ 57,307
Net realized and unrealized gains	<u>0</u>	<u>0</u>
Investment return	<u>\$ 157,200</u>	<u>\$ 57,307</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE C -- Pledges receivable

Pledges receivable at June 30 consisted of the following:

	<u>2024</u>	<u>2023</u>
Pledges - operating	\$ 909,949	\$ 594,849
Pledges - restricted	4,000,000	0
Pledges - capital campaign	<u>70,000</u>	<u>230,400</u>
Pledges receivable	<u>\$ 4,979,949</u>	<u>\$ 825,249</u>
Pledges receivable in less than one year	\$ 2,305,181	\$ 338,199
Pledges receivable in one to five years	<u>2,674,768</u>	<u>487,050</u>
Pledges receivable	\$ 4,979,949	\$ 825,249
Discount to net present value	(228,755)	(40,300)
Provision for uncollectible pledges receivable	<u>0</u>	<u>0</u>
Pledges receivable - net	<u>\$ 4,751,194</u>	<u>\$ 784,949</u>

Pledges receivable in one year or more are discounted to net present value using a discount rate of 4.52% and 2.50% for the years ended June 30, 2024 and 2023, respectively. 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 \$390,758 and \$493,612 as of June 30, 2024 and 2023, respectively.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE D -- Property and equipment, net

Property and equipment, net is comprised of the following:

	<u>2024</u>	<u>2023</u>
Building, improvements, and exhibits	\$ 19,045,890	\$ 18,800,351
Leasehold improvements	19,064	19,064
Equipment	<u>237,935</u>	<u>197,935</u>
	19,302,889	19,017,350
Less accumulated depreciation	<u>6,377,301</u>	<u>6,021,975</u>
	<u>\$ 12,925,588</u>	<u>\$ 12,995,375</u>

NOTE E -- Contract liabilities

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contract liabilities:			
Deferred facility rental deposits and AGBS tickets	\$ 27,331	\$ 14,208	\$ 3,650
Unused gift cards	13,432	16,620	10,230
Deferred membership dues	<u>353,704</u>	<u>314,488</u>	<u>293,693</u>
Total	<u>\$ 394,467</u>	<u>\$ 345,316</u>	<u>\$ 307,573</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE F -- Notes payable

Notes payable consist of the following:

	2024	2023
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%.	1,259,933	1,301,955
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.	4,285	5,730
	1,264,218	1,307,685
Less current maturities	46,650	44,555
	\$ 1,217,568	\$ 1,263,130

The organization had an Economic Injury Disaster Loan (EIDL) through the Small Business Administration (SBA) totaling \$150,000 including interest at 2.75% to alleviate economic injury caused by disaster occurring due to the COVID-19 pandemic. There were monthly payments of principal of \$641 beginning 18 months from the date of the note (May 20, 2020). The loan was due May 20, 2050 and collateralized by inventory, equipment, promissory notes, deposit accounts, general intangibles, etc. The loan was repaid in February 2023.

Interest expense incurred on notes payable totaled \$65,065 and \$64,356 during the years ended June 30, 2024 and 2023, respectively.

Repayment of principal on the notes payable as of June 30, 2024, is as follows:

<u>Year ending June 30,</u>	
2025	\$ 46,650
2026	48,890
2027	57,168
2028	1,111,510
	\$ 1,264,218

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE G -- Line of credit

A line of credit of \$400,000 was available from Park Bank and carries interest at prime plus 0.50 percentage points, but never less than 4.00%. The line of credit expired in August 2022 and was not renewed.

NOTE H -- 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>2024</u>	<u>2023</u>
Building system replacements and maintenance	\$ 0	\$ 13,800
Capital expansion project	<u>0</u>	<u>68,206</u>
Total board designated net assets	<u>\$ 0</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>2024</u>	<u>2023</u>
Purpose restricted:		
Building system replacements and maintenance	\$ 3,817,537	\$ 142,263
Time restricted:		
Pledges receivable due in subsequent years	<u>933,658</u>	<u>784,949</u>
Net assets with donor restrictions	<u>\$ 4,751,195</u>	<u>\$ 927,212</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE I -- Contributions and grants

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

	<u>2024</u>	<u>2023</u>
Individual	\$ 476,451	\$ 405,742
Foundations	4,845,159	502,464
Corporations	140,276	87,572
Government	<u>414,925</u>	<u>1,067,173</u>
Contributions and grants	<u>\$ 5,876,811</u>	<u>\$ 2,062,951</u>

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 \$3,817,537 as of June 30, 2024. For the year ended June 30, 2023, approximately 63% of the organization's contribution and grant revenue came from one donor.

NOTE J -- In-kind contributions

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

	<u>2024</u>	<u>2023</u>
American Girl Dolls and accessories	\$ 0	\$ 606,695
Advertising services	11,156	16,820
Professional services	1,800	8,050
Goods	59,036	2,622
Furniture	<u>40,000</u>	<u>0</u>
	<u>\$ 111,992</u>	<u>\$ 634,187</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 receives donated American Girl Dolls and American Girl Doll accessories, which are recorded as revenue in the year received based on the estimated fair market value. In-kind donated American Girl Dolls and accessories was \$0 and \$606,695 for the years ended June 30, 2024 and 2023, respectively.

The museum received donated advertising services from various companies with an estimated fair market value of \$11,156 and \$16,820 for the years ended June 30, 2024 and 2023, respectively. These services were provided for the general operations of the museum.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE J -- In-kind contributions (Continued)

The museum received donated professional services from Findorff Construction with an estimated fair market value of \$0 and \$6,250 for the years ended June 30, 2024 and 2023, respectively. These services were provided for the capital expansion project. The remaining donated professional services with an estimated fair market value of \$1,800 for each of the years ended June 30, 2024 and 2023, respectively, were provided for internet services. The organization received donated services from volunteers who assisted in the American Girl Doll sale and other services from volunteers that do not require a specialized skill. No amounts have been reflected in the financial statements for these donated services since the value cannot be quantified by management.

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, 2024 and 2023 totaled \$99,036 and \$2,622, respectively.

All in-kind contributions received by the organization for the years ended June 30, 2024 and 2023 were considered without donor restrictions and able to be used by the organization as determined by the board of directors and management.

NOTE K -- 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:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 33,765	\$ 45,020
Finance lease cost:		
Amortization of right-of-use assets	4,079	340
Interest on lease liabilities	<u>665</u>	<u>62</u>
Total finance lease cost	<u>4,744</u>	<u>402</u>
Total lease cost	<u>\$ 38,509</u>	<u>\$ 45,422</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE K -- Leases (Continued)

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

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 34,388	\$ 44,397
Operating cash flows from finance leases	665	62
Financing cash flows from finance leases	3,809	310
Noncash financing and investing cash flow:		
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 0	\$ 76,924
Finance leases	0	20,395

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

	2024	2023
Weighted average remaining lease term (in years):		
Operating leases	0.0	0.8
Finance leases	3.9	4.9
Weighted average discount rate:		
Operating leases	2.85%	2.85%
Finance leases	3.70%	3.70%

Future minimum lease payments to be paid under this lease as of June 30, 2024, are as follows:

Year ending June 30,	Finance Leases
2025	\$ 4,474
2026	4,474
2027	4,474
2028	4,027
Total future minimum lease payments	17,449
Less amount of lease payments representing interest	(1,174)
Present value of future minimum lease payments (lease liabilities)	\$ 16,275

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE L -- Contracts

The organization had entered into contracts with various firms to provide various types of services to the organization. The contracts totaled \$339,949 and \$0 as of June 30, 2024 and 2023, respectively. The balance of the uncompleted contracts approximated \$111,247 and \$0 as of June 30, 2024 and 2023, respectively.

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 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>2024</u>	<u>2023</u>
Fund 1030590	\$ 1,549,908	\$ 1,475,689
Fund 1030772	2,318,689	2,194,340
Fund 1030591	2,121,567	2,007,789
Fund 1030592	<u>61,672</u>	<u>58,365</u>
	<u>\$ 6,051,836</u>	<u>\$ 5,736,183</u>

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

	<u>2024</u>	<u>2023</u>
Fund 1030590	\$ 60,121	\$ 58,440
Fund 1030772	91,714	90,074
Fund 1030591	83,916	82,412
Fund 1030592	<u>2,440</u>	<u>2,396</u>
	<u>\$ 238,191</u>	<u>\$ 233,322</u>

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE N -- Annual Benefit Sale

The organization had an agreement with American Girl Brands, LLC in connection with the organization's Annual Benefit Sale. Under this agreement, American Girl Brands, LLC donated damaged, excess, and returned merchandise to the organization for repair and sale. The organization organized a group of volunteers who repaired and organized the merchandise and implemented a large-scale benefit sale. Revenue from the sale, less applicable sales taxes and bank charges, was divided equally between the American Girl's Fund for Children Foundation and the organization. The organization treated this as an agency transaction. In the event net revenue from the Annual Benefit Sale exceeded \$1.5 million or if the organization's portion of net revenue comprised 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 final benefit sale was held in June 2023.

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

	<u>2024</u>	<u>2023</u>
Gross receipts	\$ 0	\$ 1,720,696
Less: Sales tax and bank charges	<u>0</u>	<u>39,953</u>
Net sales	0	1,680,743
American Girl Fund for Children current year event distribution	<u>0</u>	<u>(689,775)</u>
Organization's portion of sales revenue	0	990,968
Ticket sales for benefit sale	0	78,130
Other benefit revenue	<u>0</u>	<u>5,007</u>
Annual Benefit Sale revenue	<u>\$ 0</u>	<u>\$ 1,074,105</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 \$303,779 as of June 30, 2023 reflected the amount due to American Girl's Fund for Children Foundation from the June 2023 benefit sale.

MADISON CHILDREN'S MUSEUM, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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>2024</u>	<u>2023</u>
Cash	\$ 2,484,667	\$ 4,333,363
Pledges receivable	638,513	338,199
Accounts receivable	<u>1,376</u>	<u>1,141</u>
	<u>\$ 3,124,556</u>	<u>\$ 4,672,703</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.