

CHILDREN'S MUSEUM OF PITTSBURGH
Pittsburgh, Pennsylvania

Consolidated Financial Statements
and
Supplementary Information
for the years ended June 30, 2021 and 2020
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children's Museum of Pittsburgh
Pittsburgh, Pennsylvania

We have audited the accompanying consolidated financial statements of the Children's Museum of Pittsburgh (Museum), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Museum as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements on Pages 30-33 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
November 19, 2021

CHILDREN'S MUSEUM OF PITTSBURGH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 5,798,327	\$ 3,620,999
Restricted	3,542,784	3,031,183
	<u>9,341,111</u>	<u>6,652,182</u>
Pledges receivable	1,581,607	3,518,371
Accounts receivable	100,507	26,738
Other current assets	145,239	268,179
	<u>11,168,464</u>	<u>10,465,470</u>
Total Current Assets		
	11,168,464	10,465,470
PLEDGES RECEIVABLE, NET	987,487	1,057,165
LEVERAGE LOAN RECEIVABLE	6,035,700	6,035,700
INVESTMENTS	9,809,665	8,132,318
PROPERTY, EQUIPMENT AND EXHIBITS, net	22,353,078	23,146,141
OTHER ASSETS	138,796	109,579
	<u>138,796</u>	<u>109,579</u>
Total Assets	<u>\$ 50,493,190</u>	<u>\$ 48,946,373</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 665,948	\$ 378,914
Accrued expenses	388,226	280,381
Deferred revenue	1,671,749	1,834,518
Current portion of note payable	-	160,248
	<u>2,725,923</u>	<u>2,654,061</u>
Total Current Liabilities		
	2,725,923	2,654,061
OTHER LIABILITIES	138,808	109,579
NOTE PAYABLE	-	1,951,239
PAYCHECK PROTECTION PROGRAM LOAN	1,045,400	1,045,400
NEW MARKET TAX CREDIT LOANS	9,140,000	9,140,000
	<u>13,050,131</u>	<u>14,900,279</u>
Total Liabilities		
	13,050,131	14,900,279
NET ASSETS		
Without donor restrictions		
Undesignated	21,467,548	20,089,403
Designated by the Board for endowment	1,886,616	1,486,159
	<u>23,354,164</u>	<u>21,575,562</u>
With donor restrictions		
Time-restricted for future periods	122,500	241,666
Purpose restrictions	4,559,317	4,399,417
Perpetual in nature	9,407,078	7,829,449
	<u>14,088,895</u>	<u>12,470,532</u>
Total Net Assets		
	<u>37,443,059</u>	<u>34,046,094</u>
Total Liabilities And Net Assets	<u>\$ 50,493,190</u>	<u>\$ 48,946,373</u>

See notes to consolidated financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Gifts and grants	\$ 3,213,125	\$ 1,194,690	\$ 4,407,815
Sponsorships	32,000	55,000	87,000
Contributed services and equipment	629,650	-	629,650
Capital campaign revenue	1,504,498	42,955	1,547,453
Special event	211,748	-	211,748
Total Support	5,591,021	1,292,645	6,883,666
Program revenue	53,703	-	53,703
Admissions	32,955	-	32,955
Memberships	57,506	-	57,506
Retail and café sales	14,814	-	14,814
Other income	433,211	-	433,211
Parking	9,815	-	9,815
Net investment return	282,790	2,463,204	2,745,994
Business development	914,037	151,512	1,065,549
Total Revenue	1,798,831	2,614,716	4,413,547
Net assets released from restrictions	1,449,526	(1,449,526)	-
Endowment draw	839,472	(839,472)	-
Total Support And Revenue	9,678,850	1,618,363	11,297,213
EXPENSES			
Program	6,146,973	-	6,146,973
General and administrative	2,227,596	-	2,227,596
Fundraising	571,079	-	571,079
Total Expenses	8,945,648	-	8,945,648
Increase (Decrease) In Net Assets Before Gain On Extinguishment Of Debt	733,202	1,618,363	2,351,565
GAIN ON EXTINGUISHMENT OF DEBT	1,045,400	-	1,045,400
Changes In Net Assets	1,778,602	1,618,363	3,396,965
NET ASSETS			
Beginning of year	21,575,562	12,470,532	34,046,094
End of year	<u>\$ 23,354,164</u>	<u>\$ 14,088,895</u>	<u>\$ 37,443,059</u>

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,112,715	\$ 1,533,578	\$ 3,646,293
63,425	146,908	210,333
617,443	-	617,443
583,473	210,000	793,473
239,243	-	239,243
3,616,299	1,890,486	5,506,785
69,994	-	69,994
895,861	-	895,861
565,491	-	565,491
586,598	-	586,598
607,455	-	607,455
240,671	-	240,671
174,601	(77,115)	97,486
1,485,884	-	1,485,884
4,626,555	(77,115)	4,549,440
4,770,135	(4,770,135)	-
822,588	(822,588)	-
13,835,577	(3,779,352)	10,056,225
9,265,529	-	9,265,529
2,194,322	-	2,194,322
521,929	-	521,929
11,981,780	-	11,981,780
1,853,797	(3,779,352)	(1,925,555)
-	-	-
1,853,797	(3,779,352)	(1,925,555)
19,721,765	16,249,884	35,971,649
<u>\$ 21,575,562</u>	<u>\$12,470,532</u>	<u>\$34,046,094</u>

See notes to consolidated financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				
	Education, Learning and Research	Business Development	Museum Experience	Special Projects	Total
Personnel costs	\$ 413,353	\$ 231,801	\$1,028,444	\$ 12,698	\$1,686,296
Office and administrative	8,968	38,758	16,103	9,689	73,518
Rent and exhibit rental	38,066	(5,162)	664,218	208	697,330
Utilities	16,491	10,023	149,098	499	176,111
Supplies	192,931	129,032	641,177	86,714	1,049,854
Service contracts	153,982	71,204	131,428	15,205	371,819
Royalties	-	142,612	3,631	-	146,243
Advertising	249	730	11,162	-	12,141
Insurance	12,462	13,983	54,380	13,254	94,079
Cost of goods sold	-	-	10,773	-	10,773
Legal and professional fees	-	7,500	231	500	8,231
Travel and meetings	4,375	36	51,316	3,288	59,015
Depreciation	-	271,723	566,930	693,188	1,531,841
Miscellaneous	760	361	16,635	52	17,808
Interest	-	-	211,914	-	211,914
	<u>\$ 841,637</u>	<u>\$ 912,601</u>	<u>\$3,557,440</u>	<u>\$ 835,295</u>	<u>\$6,146,973</u>

<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 1,505,549	\$ 299,733	\$ 3,491,578
12,122	36,407	122,047
35,047	29,940	762,317
64,374	12,445	252,930
276,265	156,699	1,482,818
26,070	22,388	420,277
-	-	146,243
31,285	429	43,855
34,673	8,406	137,158
-	-	10,773
143,217	-	151,448
13,041	2,113	74,169
67,914	-	1,599,755
7,730	2,519	28,057
10,309	-	222,223
<u>\$ 2,227,596</u>	<u>\$ 571,079</u>	<u>\$ 8,945,648</u>

See notes to consolidated financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				
	Education, Learning and Research	Business Development	Museum Experience	Special Projects	Total
Personnel costs	\$ 585,042	\$ 294,257	\$2,512,591	\$ 69,013	\$3,460,903
Office and administrative	5,188	39,529	36,740	638	82,095
Rent and exhibit rental	41,054	3,862	760,224	-	805,140
Utilities	21,101	11,079	209,687	2,440	244,307
Supplies	192,031	55,864	211,371	30,617	489,883
Service contracts	81,778	329,426	612,037	103,030	1,126,271
Royalties	5,000	167,761	4,068	-	176,829
Advertising	14,426	11,520	113,186	-	139,132
Insurance	12,028	16,744	74,356	13,518	116,646
Cost of goods sold	-	-	321,522	-	321,522
Legal and professional fees	-	19,000	10,000	-	29,000
Travel and meetings	39,048	10,384	61,003	31,506	141,941
Depreciation	-	341,580	555,991	771,363	1,668,934
Miscellaneous	1,584	1,107	160,880	407	163,978
Interest	-	-	298,948	-	298,948
	<u>\$ 998,280</u>	<u>\$1,302,113</u>	<u>\$5,942,604</u>	<u>\$1,022,532</u>	<u>\$9,265,529</u>

<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 1,430,239	\$ 339,810	\$ 5,230,952
9,270	17,780	109,145
37,109	306	842,555
61,641	12,182	318,130
43,541	10,002	543,426
169,972	88,185	1,384,428
-	-	176,829
144,151	855	284,138
25,686	6,216	148,548
-	-	321,522
153,911	-	182,911
20,046	15,874	177,861
71,328	-	1,740,262
25,221	30,719	219,918
2,207	-	301,155
<u>\$ 2,194,322</u>	<u>\$ 521,929</u>	<u>\$11,981,780</u>

See notes to consolidated financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,396,965	\$ (1,925,555)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,599,755	1,740,262
Realized and unrealized gain on investments	(2,688,937)	(76,729)
Gain on forgiveness of Paycheck Protection Program Loan	(1,045,400)	-
Changes in assets and liabilities:		
Accounts receivable	(73,769)	105,769
Pledges receivable	2,006,442	838,058
Other assets	93,723	59,761
Accounts payable	182,894	(576,209)
Accrued expenses and other liabilities	137,074	(172,178)
Deferred revenue	(162,769)	226,825
Net Cash Provided By Operating Activities	3,445,978	220,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and exhibits	(702,552)	(1,450,357)
Purchases of investments	(2,236,585)	(3,186,253)
Proceeds from sales of investments	3,248,175	4,233,944
Net Cash Provided By (Used In) Investing Activities	309,038	(402,666)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from delayed draw term note	-	1,354,954
Payments on NMTC bridge loan	(2,111,487)	(1,615,478)
Proceeds from Paycheck Protection Program Loan	1,045,400	1,045,400
Net Cash (Used In) Provided By Financing Activities	(1,066,087)	784,876
Net Increase In Cash And Cash Equivalents	2,688,929	602,214
CASH AND CASH EQUIVALENTS		
Beginning of year	6,652,182	6,049,968
End of year	<u>\$ 9,341,111</u>	<u>\$ 6,652,182</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest - operations	<u>\$ 19,423</u>	<u>\$ 108,355</u>
Cash paid during the year for interest - reserved for New Market Tax Credit loans	<u>\$ 202,800</u>	<u>\$ 192,800</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
As of June 30, 2021, the Museum has accounts payable of approximately \$104,000 related to construction in progress property and equipment.		

See notes to consolidated financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - ORGANIZATION

Children's Museum of Pittsburgh (the Museum), comprised of the Children's Museum and Children's MuseumLAB Advancement Initiative (CMAI or MuseumLab), is a nonprofit organization established in 1980 and opened in 1983 to serve children in the tri-state area. At the heart of the Museum is its mission to provide innovative museum experiences that inspire joy, creativity and curiosity. The Museum is a partner and a resource for people who work with or on behalf of children, youth and families.

Interactive museum experiences are at the core of the Museum's mission. Each of the Museum's permanent exhibits is grounded in its longstanding Play with Real Stuff philosophy, which asserts that children need a solid foundation of developmentally appropriate learning activities that are concrete, real and relevant to their lives. The Museum is a place for learners of all ages to experience never before seen, one-of-a-kind museum experiences.

For over 35 years, the Museum was a single institution that specialized in providing meaningful, engaging experiences for elementary school aged children and younger, and their families. Its ten core exhibits, artist experiences and art collection continue to delight and inspire children and families. In April 2019, the Museum added MuseumLab to its campus to deliver exceptional museum programming for the region, by creating museum experiences specifically for older kids. MuseumLab builds on the Museum's three decades of community development investments in its North Side neighborhood, helping to prepare the workforce of the future and creating new opportunities to conduct robust learning research.

As a complement to its community development work, the Museum has emerged as a national leader in learning design and research with recognition from the museum and library field and local and national education leaders. The Museum leads the field around the maker movement and has helped to open hundreds of makerspaces around the region and the United States. At the same time, the Museum has become well-known as a leading creator of traveling exhibits for rental and is sought after for design and consulting services nationally. The Museum's reputation as a leading provider of high-quality, research-based experiences for children, families and educators is at an all-time high.

The combination of Children's Museum and MuseumLab programs has created an extensive selection of museum and educational experiences for children of all ages and their families. In addition to its 13 permanent exhibits and art collection, the Museum commissions new interactive art, partners with hundreds of local working artists, and engages in accessibility and inclusion programming for all families. The Museum also creates and presents educational programs that connect with and engage all types of learners in 21st century skills. Teacher education, youth programs and classes on the Museum's floor provide opportunities for learning and play. Visiting a children's museum focused on real stuff, children and adults alike have opportunities to try new things, explore creative outlets and take a fresh, new look at the world around them. Children are encouraged to find their own answers through hands-on exploration. Outreach programs provide services to the general public outside the Museum, primarily in schools and libraries.

The Museum is a catalyst for positive change and works to use its resources to improve the quality of its immediate neighborhood with the goal of creating a safe, family-friendly destination. The physical structure of the Museum provides inspiration in its unique architecture incorporating three centuries and the latest in "green" technologies. MuseumLab is the first building in the United States to achieve a Universal Design certificate from the Center for Inclusive Design and Environmental Access (IDeA) at the University of Buffalo for its design that is welcoming to all.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

NOTE 1 - ORGANIZATION (Continued)

In 2018, the Museum established CMAI as a nonprofit organization to hold the MuseumLab's fixed assets and Qualified Low-Income Community Investment (QLICI) loans. This transaction took place to facilitate the new market tax credit structure in conjunction with the creation of the MuseumLab. Note 12 provides further information on this transaction and new facility. The Museum is the sole voting member of CMAI and uses the MuseumLab for its exclusive benefit and use. Therefore, CMAI is consolidated into the financial statements of the Museum.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation - The consolidated financial statements include accounts of the Children's Museum of Pittsburgh and CMAI. The consolidated organizations are herein referred to as the Museum. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures 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 may differ from those estimates.

Net Assets - The Museum classifies resources for accounting and reporting purposes into separate net asset classes based on the absence or existence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories.

A description of the Museum's net asset categories is as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors (Board) has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents - The Museum considers highly liquid debt instruments with a purchased maturity of 12 months or less to be cash equivalents. Restricted cash consists of donor-restricted funds that are to be used for specific projects. The Museum maintains, at various financial institutions, cash and cash equivalents that may exceed federally insured amounts at times.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables - Pledges receivable include promises to give with payments due in future periods. There is no allowance for doubtful accounts recorded as of June 30, 2021 and 2020. The allowance is based on the Museum's historical collection experience and review of the current status of receivables and judgment. Decisions to charge-off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that the Museum's estimate of the allowance for doubtful accounts will change.

Investments and Investment Activities - Investments consist of equity securities, fixed-income obligations and other investment securities and are measured at fair value in the consolidated statements of financial position. Accordingly, the change in net unrealized appreciation or depreciation for the year is included in the consolidated statements of activities and changes in net assets.

The fair value of substantially all securities is determined by quoted market prices. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market. (See Note 5.)

Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Investment securities are exposed to various risks caused by changes in interest rates, general market volatility and credit risk, etc. Due to the level of risk associated with certain investment securities, it is possible that changes in risks in the near term could materially affect account balances and the amounts reported in the consolidated statements of activities and changes in net assets and the consolidated statements of financial position.

Property, Equipment and Exhibits - Property, equipment and exhibits are recorded at the lower of cost or market. Donated equipment is recorded at its fair market value at the date of donation. Depreciation expense is recorded on the straight-line method over estimated useful lives. Repairs and maintenance costs that do not extend the lives of the applicable assets are charged to expense as incurred. Gain or loss resulting from the retirement or other disposition of assets is included in the consolidated statements of activities and changes in net assets.

The Museum reviews the carrying value of property, equipment and exhibits for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The Museum identified no events or changes in circumstances that necessitated an evaluation for impairment of property, equipment or exhibits for the fiscal years ended June 30, 2021 and 2020.

Inexhaustible Collections - In conformity with the practice followed by many museums, inexhaustible collections are not included because their values are not readily determinable. Items held by the Museum include paintings, models, dolls and puppets. Proceeds from deaccessions or insurance recoveries are reflected as increases in the statements of activities and changes in net assets and are used for the acquisition of collections.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - All donor-restricted support is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other 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 (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Conditional contributions for which the donor-imposed conditions and restrictions are met within the same reporting period are presented as net assets without donor restrictions. As of June 30, 2021 and 2020, the Museum did not have any conditional promises to give outstanding for which the conditions had not yet been met.

Gifts and Grants - Gifts and grants include pledges and volunteer and donated professional services, as well as donated supplies, printing, rent and equipment. Although Board members have donated a substantial amount of time to the operation of the Museum, no amounts have been reflected in the accompanying consolidated financial statements for services of the Board members because no objective basis is available to measure the value of such services.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include insurance, administration and some facilities costs. The Museum allocates these costs based on each program or supporting service category's percentage of total functional expenses prior to the allocation. All other expenses are charged directly to the program or supporting service benefited.

Advertising Costs - The Museum has a policy of expensing advertising costs in the period incurred.

Income Tax - The Museum and CMAI are exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Museum and CMAI recognize and report income tax liabilities arising from unrelated business activities on Federal Form 990-T. The Museum and CMAI follow the FASB Accounting Standards Codification (Codification) topic on income taxes. The topic prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. The Museum's consolidated statements of financial position at June 30, 2020 and 2019 do not include any liabilities associated with uncertain tax positions; further, the Museum and CMAI have no unrecognized tax benefits. The Museum is no longer subject to examinations by tax authorities for fiscal years before 2018.

Risks and Uncertainties - The Museum operates in Pennsylvania. In response to the novel coronavirus pandemic, the Governor of Pennsylvania ordered all "non-life-sustaining" businesses to close on March 19, 2020. As a result, the public could no longer visit the Museum. Once the Museum reopened in June 2021, restrictions were still in place to limit the number of visitors permitted on site. In the beginning of fiscal year 2021, social distancing and other measures that reduce the number of visitors to the Museum continued.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Museum continues to feel the impact of the novel coronavirus pandemic. However, the impact that will continue into the next fiscal year is uncertain. The Museum continues to monitor the impact that the pandemic might have on its operations. To date, the Museum has been able to react quickly and respond to the changing environment.

Recently Adopted Accounting Pronouncements - The FASB issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which is the result of a joint project of FASB and the International Accounting Standards Board (IASB) to clarify the principles for recognizing revenue and to develop a common revenue standard for use in the U.S. and internationally. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605 of the FASB Codification and most industry-specific guidance throughout the Industry Topics of the Codification. It enhances comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, reduces the number of requirements an entity must consider for recognizing revenue, and requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. In May 2020, FASB voted to extend the effective date to all nonpublic entities that have not yet issued their financial statements. The standard is effective for annual reporting periods beginning after December 15, 2019. ASU 2014-09 requires either retrospective application by restating each prior period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning retained earnings in the year that the standard becomes effective. The Museum adopted ASU 2014-09 effective July 1, 2020. See Note 3 for further disclosure regarding the adoption of ASU No. 2014-09.

In March 2019, the FASB issued ASU 2019-03 Not-for-Profit Entities (Topic 958): Updating the Definition of Collections (ASU 2019-03) related to the definition of collections. ASU 2019-03 modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned. If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. This guidance is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Museum has adopted ASU 2019-03 in the current year, which did not have a significant impact on its consolidated financial statements and corresponding disclosures.

Recently Issued Accounting Pronouncements - In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that are affected by reference rate reform. ASU 2020-04 is effective for nonpublic entities as of March 12, 2020 and through December 31, 2022. Adoption is permitted as of March 12, 2020, including adoption in an interim period. The Museum is assessing the impact that ASU 2020-04 will have on its consolidated financial statements and corresponding disclosures.

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958) (ASU 2020-07), related to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is intended to improve financial reporting by providing new presentation and disclosure requirements for contributed nonfinancial assets. Enhanced disclosures will include disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities and changes in net assets by category that depicts the type of contributed nonfinancial asset and further information about each category of contributed nonfinancial assets recognized. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021, with early adoption permitted. The Museum is assessing the impact that ASU 2020-07 will have on its consolidated financial statements and corresponding disclosures.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). ASU No. 2020-05 further delayed the effective date of ASU 2016-02 to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Museum is assessing the impact that this standard will have on its consolidated financial statements and corresponding disclosures.

Subsequent Events - Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued or are available to be issued. Management has evaluated subsequent events through November 19, 2021, the date on which the consolidated financial statements were available to be issued.

NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The core principle of FASB ASC Topic 606, Revenue from Contracts with Customers, is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. The Museum adopted Topic 606 with a date of initial application of July 1, 2020 using the cumulative effect method, which recognizes the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of net assets without donor restrictions. The initial application of Topic 606 was applied to all contracts at the date of initial application. The adoption of Topic 606 did not materially affect the Museum's change in net assets, financial position or cash flows. Accordingly, no adjustment was recorded to net assets without donor restrictions as of July 1, 2020.

Revenue reported on the consolidated statements of activities and changes in net assets was derived from contracts with customers (i.e., membership support). The Museum includes admissions, memberships, and other activities, such as Museum sales and parking, as revenue. The Museum also has business development sales, such as contracted revenue and exhibit sales revenue. Other revenue that may qualify under Topic 606 such as sponsorships revenue does not represent a material value and is not included. Most of the Museum's revenues are earned from government grants, private gifts and grants, investment income, endowment income, net realized and unrealized gains on operating and endowment investments and are not derived from contracts with customers and do not qualify for inclusion under Topic 606.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Disaggregation of Revenue

The Museum generates business development revenue from traveling exhibit rentals and exhibit sales. Revenues for traveling exhibit rentals are recognized over the period of the rental agreement and were approximately \$696,000 and \$803,000 in 2021 and 2020, respectively. Revenues for exhibit sales and traveling exhibit rentals that are received in advance of performance under the contract are deferred and recognized in the year revenue recognition criteria is met. Revenues for exhibit sales are recognized on a percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that estimates of costs and revenues will change within the near term. Contract costs include all material and labor costs and fringe benefits. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are recorded in the period in which such losses are determined. Profits are included in revenues when their realization is reasonably assured. Revenue recognized for exhibit sales and contracted revenue was approximately \$370,000 and \$683,000 in 2021 and 2020, respectively.

The Museum generates revenue from individual contracts with members from one primary source: the membership fee. The provisions of Topic 606 are applied by the Museum on an individual contract basis. As a practical expedient, the Museum applies this Topic to a portfolio of contracts with similar characteristics for the membership fee revenue stream. The Museum expects that the effects of applying this guidance to the portfolio would not significantly differ from applying the guidance to the individual contracts within the portfolio.

Admissions revenue is presented separately on the consolidated statements of activities and changes in net assets and is derived from ticket sales upon admission to priced exhibits. Admissions revenue is recognized at a point in time because the customers simultaneously receive and consume the benefits provided by the Museum upon payment for admissions, which is when the Museum satisfies its performance obligation. However, the benefits of membership revenue are recognized over time as the benefits are consumed over time. Payments for membership fees are voluntary in nature and can be renewed at the request of the member.

"Retail and café sales" is presented separately on the consolidated statements of activities and changes in net assets. These sales are derived from providing food and beverage sales in the café and goods in the Museum store, both of which are located on the Museum grounds, to customers visiting the grounds. Parking sales is recognized at a point in time upon payment because the customers simultaneously receive and consume the benefits provided by the Museum upon payment, which is when the Museum satisfies its performance obligation.

Contract Balances

Liabilities from membership dues and business development revenue which have not yet been earned are presented within deferred revenue on the consolidated statements of financial position.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Remaining Performance Obligations

The Museum applies the practical expedient in Topic 606 and, therefore, does not disclose further information about remaining performance obligations that have original expected durations of one year or less. There was revenue recognized during the years ended June 30, 2021 and 2020, respectively, from performance obligations that were satisfied or partially satisfied in prior periods. This includes membership revenue and business development revenue, as these are recognized over time and contracts span over fiscal years.

Significant Judgments

The timing and the satisfaction of performance obligations were determined through careful analysis of the timing of when control of goods or services are transferred to members/customers. Membership revenue and business development revenue are recognized over time, as benefits are consumed as the Museum performs over the life of each contract. All other performance obligations are satisfied at a point in time, as customers simultaneously receive and consume the benefits provided by the Museum's performance upon payment.

NOTE 4 - LIQUIDITY AND AVAILABILITY

The Museum's cash flows have seasonal variations during the year attributable to timing of fundraising events, admissions, grants, contributions, programs, and memberships. Expenditures are managed to match the seasonal variation in cash flows.

At June 30, 2021 and 2020, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents - unrestricted	\$ 5,798,327	\$ 3,620,999
Accounts receivable	100,507	26,738
Pledges receivable for operations	440,409	406,916
Endowment draw	<u>839,472</u>	<u>419,813</u>
Total Financial Assets Available Within One Year	<u>\$ 7,178,715</u>	<u>\$ 4,474,466</u>

The Museum is supported by contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner, or in a future period, the Museum must maintain sufficient resources to meet those responsibilities to its donors. As part of the Museum's liquidity management, it has a policy to segregate restricted cash and equivalents to be available as expenditures and other obligations become due. In addition, included in unrestricted cash and cash equivalents is approximately \$1,487,000 of Board-designated funds, which could be made available to fund general expenditures, if necessary. The Museum also has a revolving line of credit with \$1,000,000 of availability as of June 30, 2021 and 2020, which it could draw on in the event of a liquidity need.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 4 - LIQUIDITY AND AVAILABILITY (Continued)

The Museum's endowment funds consist of a donor-restricted endowment and funds designated by the Board. Income from the donor-restricted endowment is restricted for specific purposes with the exception of the spending appropriation available for general use. For the fiscal years ending June 30, 2020, 2021 and 2022, the Museum is permitted to take a 10% draw based on PA 2020 Act 71 (Act 71). During the fiscal years ended 2021 and 2020, the Museum took a 10% draw of endowment funds as permitted by Act 71. This percentage is applied to a 36-month average market value of the investments at the prior year-end as described in Note 6.

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments are presented in the consolidated financial statements at fair market value as follows as of June 30:

	2021		2020	
	Market	Cost	Market	Cost
Equity funds	\$ 7,232,100	\$ 4,930,406	\$ 5,846,725	\$ 5,040,495
Fixed-income holdings	2,577,565	2,469,142	2,073,776	1,984,570
Cash and cash equivalents	-	-	211,817	211,817
	<u>\$ 9,809,665</u>	<u>\$ 7,399,548</u>	<u>\$ 8,132,318</u>	<u>\$ 7,236,882</u>

The Fair Value Measurement topic defines fair value as the price that would be received to sell an asset or transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. It requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant judgment. Financial assets and liabilities are classified based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

Level 1 - Valuations are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect the Museum's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The fair values of financial assets comprising the Museum's investments at June 30, 2021 and 2020 are shown in the following tables. The estimated fair values have been measured as of year-end and have not been re-evaluated or updated for the purposes of these consolidated financial statements subsequent to June 30, 2021. As such, the estimated fair values could be materially different, in either a positive or negative manner, at a subsequent date.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

		2021				
		Level 1	Level 2	Level 3	Total	
Equity funds	\$	7,232,100	-	-	\$	7,232,100
Fixed-income holdings		2,577,565	-	-		2,577,565
	\$	<u>9,809,665</u>	<u>-</u>	<u>-</u>	\$	<u>9,809,665</u>
		2020				
		Level 1	Level 2	Level 3	Total	
Equity funds	\$	5,846,725	-	-	\$	5,846,725
Fixed-income holdings		2,073,776	-	-		2,073,776
Cash and cash equivalents		211,817	-	-		211,817
	\$	<u>8,132,318</u>	<u>-</u>	<u>-</u>	\$	<u>8,132,318</u>

The fair value of investments categorized as Level 1 includes investments in common stock, U.S. Treasury securities and cash and cash equivalents, the fair values of which are based on quoted market prices for identical securities traded in active markets that are readily and regularly available to the Museum.

NOTE 6 - ENDOWMENT

The Museum's endowment consists of various investment funds established or designated primarily for support of the organization's mission. Its endowment includes donor-restricted endowment funds and those designated by the Board. A portion of the endowment consists of \$3,500,000 of funds that were endowed by foundations. These funds are to be held in perpetuity, with the Museum using the income from the investments for operations. Additionally, net assets of \$1,000,000 were endowed by an anonymous donor. These funds are also to be held in perpetuity, with the Museum using the income from the investments for the Growth Capital Fund. (See Note 13.) As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Museum to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of the Museum has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141) for the donor-restricted endowment funds. Act 141 is a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's donor restricted investments held in perpetuity as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. The Museum has elected a policy to allow the corpus of the donor-restricted net assets held in perpetuity to be sustained even if the investment is less than the corpus.

The Museum has not adopted Act 141 for the funds that are Board-designated for endowment. These funds are monitored by the Finance Committee of the Board under operation of the Investment Policy. The Museum transfers funds as needed for specific capital projects. A release from the Board-designated fund requires approval of the full Board.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 - ENDOWMENT (Continued)

In accordance with Act 141, the Museum has adopted a written investment policy, of which a section specifically relates to the endowment fund. The Museum considers the following factors in making a determination to set a spending rate for both the donor-restricted and Board-designated endowment funds:

1. Protecting the corpus of the endowment fund.
2. Preserving the spending power of the assets.
3. Obtaining maximum investment return with reasonable risk and operational consideration.
4. Complying with applicable laws.

The following represents the change in endowment funds by net asset type for the years ended June 30:

	Without Donor Restrictions- Board- Designated	With Donor Restrictions	Total
Balance, June 30, 2019	\$ 1,208,101	\$ 8,793,926	\$ 10,002,027
Net investment loss	(38,463)	(94,664)	(133,127)
Contributions	401,721	-	401,721
Release of Board-designated assets for expenditures	(85,200)	-	(85,200)
Appropriation of endowment assets pursuant to spending rate policy	-	(869,813)	(869,813)
Balance, June 30, 2020	\$ 1,486,159	\$ 7,829,449	\$ 9,315,608
Net investment return	93,887	2,470,748	2,564,635
Contributions	398,647	-	398,647
Release of Board-designated assets for expenditures	(92,077)	-	(92,077)
Appropriation of endowment assets pursuant to spending rate policy	-	(893,119)	(893,119)
Balance, June 30, 2021	\$ 1,886,616	\$ 9,407,078	\$ 11,293,694

Return Objectives and Risk Parameters - The Museum has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment while seeking to enhance the purchasing power of the fund's corpus by striving for long-term growth. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period, and Board-designated endowment funds. Under this policy, as approved by the Board, the donor-restricted endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark of equity, fixed income, private equity and alternatives. The Board-designated endowment assets are invested based on the anticipated short-term and long-term needs of the Museum.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 - ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Finance Committee, are given guidelines to the percentage that can be committed to a particular investment or investment category.

Spending Policy and Investment Objectives Related to Spending Policy - The Museum annually transfers between 2% and 7% of the previous 36-month market value average of the donor-restricted endowment fund to net assets without donor restrictions for use in current and future operations. The Museum is permitted to take a 10% draw for fiscal years 2020, 2021 and 2022 based on Act 71. The rate of the draw approximated 10% for the years ended June 30, 2021 and 2020. The Museum believes that this spending policy is consistent with its objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE 7 - PLEDGES RECEIVABLE, NET

The Museum has received unconditional promises to give in 2021 and 2020. The unconditional promises to give are due to be received as follows at June 30:

	<u>2021</u>	<u>2020</u>
Due in less than 1 year	\$ 1,581,607	\$ 3,518,371
Due in 1-5 years	1,009,758	1,066,368
Discount to present value	<u>(22,271)</u>	<u>(9,203)</u>
	<u>\$ 2,569,094</u>	<u>\$ 4,575,536</u>

Discount rates approximated 0.87% and 0.29% at June 30, 2021 and 2020, respectively. Grants receivable of approximately \$1,163,000 and \$1,655,000 at June 30, 2021 and 2020, respectively, are restricted for the capital campaign or for a specific purpose.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 - PROPERTY, EQUIPMENT AND EXHIBITS, NET

Property, equipment and exhibits at June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Building improvements	\$ 31,421,813	\$ 31,409,389
Exhibits	7,527,557	6,672,312
Building	520,000	520,000
Equipment	1,760,939	1,658,097
Land	<u>130,000</u>	<u>130,000</u>
	41,360,309	40,389,798
Less - Accumulated depreciation	<u>19,584,426</u>	<u>17,984,671</u>
	21,775,883	22,405,127
Construction in progress	<u>577,195</u>	<u>741,014</u>
Property, Equipment and Exhibits, Net	<u>\$ 22,353,078</u>	<u>\$ 23,146,141</u>

NOTE 9 - LINE OF CREDIT

The Museum entered into a revolving line-of-credit agreement with PNC Bank, National Association (PNC Bank) that provided for borrowings up to \$1,000,000 during December 2019 which bears interest at the London InterBank Offered Rate (LIBOR) (0.086% at June 30, 2021) plus 1.75%. The agreement also provides an alternative interest rate, which is the higher of the Prime Rate and the sum of the Overnight Bank Funding Rate plus 0.50%. The agreement has been extended to December 31, 2021. The Museum has not taken a draw on the line of credit during the fiscal years ended June 30, 2021 and 2020. Additionally, no interest has been expensed related to this note.

NOTE 10 - NOTE PAYABLE

On May 1, 2018, the Museum entered into a delayed draw term note (note) with PNC Bank with available borrowings of \$6,250,000 to be used for construction and renovation of the MuseumLab. The Museum could request advances on the delayed draw term note through the conversion date of December 31, 2019. The note bears interest of daily LIBOR (0.086% at June 30, 2021) plus 2.30%. The agreement also provides an alternative interest rate, which is the higher of the Prime Rate and the sum of the Overnight Bank Funding Rate plus 0.50%. Beginning on January 1, 2020, the outstanding balance of the note was approximately \$3,205,000, and is payable in monthly installments of \$13,354, with a balloon payment due in June 2023. In October 2020, the Museum repaid the balance of the note payable in full.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 11 - PAYCHECK PROTECTION PROGRAM (PPP) LOANS

On April 16, 2020 and January 29, 2021, the Museum entered into term notes with PNC Bank, each with a principal amount of approximately \$1,045,000 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The PPP Loans are evidenced by promissory notes, which bear interest at a fixed annual rate of 1.00%, with the first six months of interest deferred. The PPP Loans may be accelerated upon the occurrence of an event of default. The PPP Loans are unsecured and guaranteed by the United States Small Business Administration (SBA).

The first PPP Loan was forgiven in January 2021, with the principal of approximately \$1,045,000 plus approximately \$8,000 in interest being forgiven by the SBA. This amount is recognized as gain on extinguishment of debt in the accompanying consolidated statements of activities and changes in net assets. The Museum is planning on applying for forgiveness of the second PPP Loan during fiscal year 2022.

NOTE 12 - NEW MARKET TAX CREDIT LOANS AND LEVERAGED LOAN RECEIVABLE

During 2018, the Museum entered into a series of transactions through its affiliate CMAI to create a new market tax credit structure to assist in the renovation of the old Carnegie Free Library of Allegheny into the MuseumLab. These transactions allow for additional funding that is not typically available through traditional financing. The Museum and Community Development Enterprises (CDEs) loaned funds to CMAI to use in this renovation and construction project. The Museum's \$6,035,700 in leveraged loans to CMAI helped CMAI receive approximately \$9,140,000 in funds after transactions costs and fees.

PNC CDE 85, LLC (PNC) and Pittsburgh Urban Initiatives Sub-CDE 23, LP (PUI), collectively known as CDEs, provided new market tax credit enhanced mortgage loans (NMTC loans) to CMAI to finance the MuseumLab. These loans were made in conjunction with the leveraged loan from CMP.

The CDEs received allocations of new market tax credits (NMTC) pursuant to Section 45D of the Internal Revenue Code in order to assist eligible businesses in making investments in certain low-income communities. The availability of NMTC allowed PNC New Markets Investments Partners, LLC (PNC NMTC) to invest \$3,264,300 in Children's Way Investment Fund, LLC (Investment Fund). In addition, the Museum made a leveraged loan of \$6,035,700 from the proceeds of the PNC Bank Short-Term Bridge Loan and the Museum equity. The Investment Fund used the combined amount to make equity contributions of \$8,000,000 to PUI and \$1,300,000 to PNC. The CDEs, in turn, used the contributions to make the NMTC loans to CMAI. The NMTC loans are secured by the assignment of leases and rents and interest in leasehold improvements related to construction of MuseumLab and a guarantee by the Museum.

The NMTC loans mature on June 30, 2040, and the principal is payable in quarterly installments, commencing September 5, 2025. Interest is payable quarterly, which commenced June 5, 2018 and approximated \$203,000 and \$193,000 for the years ended June 30, 2021 and 2020, respectively, at the following interest rates:

	<u>Principal Amounts</u>	<u>Interest Rates</u>
PNC	\$ 1,300,000	2.00 %
PUI	<u>7,840,000</u>	2.00
Total New Market Tax Credit Loans	<u>\$ 9,140,000</u>	

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 - NEW MARKET TAX CREDIT LOANS AND LEVERAGED LOAN RECEIVABLE (Continued)

The Museum began receiving quarterly interest payments of 3.02% on the leveraged loans from the Investment Fund on June 15, 2018, which will continue through June 15, 2025. The leveraged loans mature on September 30, 2036, and principal is payable in quarterly installments, commencing September 15, 2025. Amounts received from the Investment Fund as payment on the leveraged loans, which approximated \$203,000 and \$193,000 for the years ended June 30, 2021 and 2020, respectively, will be used to make interest payments on the NMTC loans.

On May 1, 2025, PNC New Markets Investment Partners, LLC (100% owner of PNC NMTC) has a right and option, but no an obligation, for a period of 120 days, to require the Museum to purchase all of PNC New Markets Investment Partners, LLC's interest in the Investment Fund for a put exercise price of \$1,000 plus the cost of closing costs. If the put is not exercised, then the Museum has the right to purchase PNC New Markets Investment Partners, LLC's interest in the Investment Fund at an amount equal to the fair market value of PNC New Markets Investment Partners, LLC's interest in the Investment Fund.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available at June 30 for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Capital campaign	\$ 814,065	\$ 826,119
Exhibits/programs	2,244,454	2,081,468
Growth Capital Fund	<u>1,500,798</u>	<u>1,491,830</u>
	4,559,317	4,399,417
Subject to the passage of time:	<u>122,500</u>	<u>241,666</u>
	4,681,817	4,641,083
Perpetual in nature:		
Subject to spending policy and appropriation:		
Park maintenance	161,404	124,216
Museum operations	7,961,451	6,716,902
Growth Capital Fund	<u>1,284,223</u>	<u>988,331</u>
	<u>9,407,078</u>	<u>7,829,449</u>
	<u>\$ 14,088,895</u>	<u>\$ 12,470,532</u>

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from donor restrictions by incurring expenses, purchasing fixed assets satisfying the restricted purposes, by occurrence of events specified by the donors, or the passage of time at June 30 as follows:

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions	\$ 119,167	\$ 241,667
Satisfaction of purpose restrictions:		
Capital campaign:		
MuseumLab	34,704	3,801,087
Growth Capital Fund	196,645	150,000
Operations:		
Exhibits/programs	<u>1,099,010</u>	<u>577,381</u>
	<u>\$ 1,449,526</u>	<u>\$ 4,770,135</u>

NOTE 14 - LEASED PROPERTY

In November 2002, the Museum executed a land lease agreement with the City of Pittsburgh. The lease is for an initial term of 30 years and provides for renewal options, which both parties will negotiate at that time. Rental payments under the lease agreement are \$1 per year. The Museum is responsible for all operating costs and repairs and maintenance, including taxes, assessments, water and sewer rents and all other governmental charges or levies. The Museum has recorded \$240,000 as in-kind rent for the value of this lease for each of the fiscal years ended 2021 and 2020.

In September 2004, the Museum executed a land lease agreement with Allegheny Center Associates. During fiscal 2014, this property was sold to a new owner that requires the Museum to pay for all operating costs and repairs and maintenance, including taxes, utilities and all other government charges and levies.

In January 2018, the Museum executed a land lease agreement with the City of Pittsburgh. The lease includes the building formally called Carnegie Free Library of Allegheny, which will be used as the Museum's new MuseumLab. The initial lease term is for 29 years for \$1 per year. The Museum has recorded \$360,000 as in-kind rent for the value of this lease for the fiscal years ended 2021 and 2020, respectively.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 - LEASED PROPERTY (Continued)

The Museum leases certain equipment under long-term lease agreements. The following is a schedule, by year, of approximate future minimum rental payments required under these agreements that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2021:

Fiscal Year Ending June 30	Amount
2022	\$ 94,000
2023	94,000
2024	49,000
2025	5,000
2026	5,000
	<u>\$ 247,000</u>

In addition, the Museum leases certain exhibits and storage space under short-term or cancelable leases.

The Museum's total rental expense for fiscal years 2021 and 2020 approximated \$133,000 and \$843,000, respectively.

NOTE 15 - EMPLOYEE BENEFITS

The Museum offers its employees' health insurance, dental insurance, life insurance, short-term and long-term disability insurance, accidental death and dismemberment insurance and up to a 3% salary match for deposit to a 403(b) defined contribution retirement plan. Employees who waive health insurance receive one additional week of vacation. Employee benefit expense approximated \$390,000 and \$531,000 for the years ended June 30, 2021 and 2020, respectively. During the fiscal year ended 2014, the Museum added a 457(b) savings plan to offer eligible employees the opportunity to accumulate supplemental retirement savings. Amounts payable under this plan, included in accrued expenses in the accompanying consolidated statements of financial position, and the related fair value of assets held by the Museum, included in other assets in the accompanying consolidated statements of financial position, are approximately \$139,000 and \$110,000 as of June 30, 2021 and 2020, respectively.

NOTE 16 - CAPITAL CAMPAIGN

In August 2011, the Museum entered into a Project, Maintenance and License Agreement (Agreement) with the City of Pittsburgh (City) for Allegheny Public Square, the public park where the Museum is making improvements. The Agreement extends to July 2032, and the Museum can negotiate in the final year of the contract to extend the term. The Agreement grants a temporary construction license for project work and outlines the Museum's responsibilities for maintenance following the completion of construction. All capital improvements made and paid for by the Museum will be owned by the City upon installation. As such, the Museum has expensed all capital-related items for this project in prior fiscal years. Repairs and maintenance for this project are recorded to expense as incurred in accordance with the Agreement.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 16 - CAPITAL CAMPAIGN (Continued)

In 2017, the Museum's Board approved an \$18,550,000 MuseumLab Capital Campaign. The endeavor is rooted in the Museum's mission to provide innovative museum experiences that inspire joy, creativity and curiosity, and leverages its national recognition in hands-on making and learning. Through this project, the North Side of Pittsburgh will become home to the Largest Cultural Campus for Children in the United States. To accomplish the vision the Museum will:

- Launch the MuseumLab, a site to test innovative approaches to improve education within the vacant historic Carnegie Free Library of Allegheny;
- Create new innovative exhibits and experiences in the existing museum for rapidly expanding audience; and
- Expand and invest in financial vitality through the creation of new funds, including the new Growth Capital Fund.

The MuseumLab Capital Campaign builds on the Museum's work in the community and continues to restore the core of what was Allegheny City in a beautiful historic building. At the same time, it launches the Museum into its next phase of growth and relevancy.

In April 2019, the Museum opened MuseumLab to the public, and capital improvements were substantially complete. The Museum exceeded its initial Capital Campaign goal receiving a total of approximately \$19,000,000 in pledges as of June 30, 2019. Of these Capital Campaign pledges made, approximately \$988,000 remains outstanding as of June 30, 2021. Payment on these pledges received over time will help to continue to enhance the beautification of overall Museum campus, preserving and protecting the historic building and improving its accessibility to visitors. This project work includes entryway accessibility enhancements, necessary restoration repairs and improvements to the lobbies of MuseumLab and of the Museum.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The Museum is, from time to time, subject to claims and suits arising in the ordinary course of its operations. Such claims are generally covered by insurance, although any expenditures associated with claims and suits are presented gross of any insurance proceeds that the Museum may receive. Management believes the resolution of legal matters, if any, will not have a material effect on the Museum's financial condition, results of operations or cash flows, although no assurance can be given with respect to the ultimate outcome of any such actions. Furthermore, there can be no assurance that the Museum's insurance will be adequate to cover all liabilities that may arise out of claims brought against the Museum.

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SUPPLEMENTARY INFORMATION

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

		2021			
		The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents:					
Unrestricted	\$	5,798,327	-	-	\$ 5,798,327
Restricted		3,406,556	\$ 136,228	-	3,542,784
		9,204,883	136,228	-	9,341,111
Pledges receivable		1,581,607	-	-	1,581,607
Accounts receivable		100,507	-	-	100,507
Other current assets		145,239	-	-	145,239
Total Current Assets		11,032,236	136,228	-	11,168,464
PLEDGES RECEIVABLE, NET		987,487	-	-	987,487
LEVERAGE LOAN RECEIVABLE		6,035,700	-	-	6,035,700
INVESTMENTS		9,809,665	-	-	9,809,665
PROPERTY, EQUIPMENT AND EXHIBITS, net		9,883,541	12,469,537	-	22,353,078
DUE FROM RELATED PARTY		1,354,954	11,981,225	(13,336,179)	-
OTHER ASSETS		138,796	-	-	138,796
Total Assets	\$	39,242,379	\$ 24,586,990	\$ (13,336,179)	\$ 50,493,190
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$	665,948	-	-	\$ 665,948
Accrued expenses		388,226	-	-	388,226
Deferred revenue		1,671,749	-	-	1,671,749
Current portion of long-term debt		-	-	-	-
Total Current Liabilities		2,725,923	-	-	2,725,923
OTHER LIABILITIES		138,808	-	-	138,808
DUE TO RELATED PARTY		11,981,225	\$ 1,354,954	\$ (13,336,179)	-
NOTE PAYABLE		-	-	-	-
PAYCHECK PROTECTION PROGRAM LOAN		1,045,400	-	-	1,045,400
NEW MARKET TAX CREDIT LOANS		-	9,140,000	-	9,140,000
Total Liabilities		15,891,356	10,494,954	(13,336,179)	13,050,131
NET ASSETS					
Without donor restrictions					
Undesignated		7,375,512	14,092,036	-	21,467,548
Designated by the Board for endowment		1,886,616	-	-	1,886,616
		9,262,128	14,092,036	-	23,354,164
With donor restrictions					
Time-restricted for future periods		122,500	-	-	122,500
Purpose restrictions		4,559,317	-	-	4,559,317
Perpetual in nature		9,407,078	-	-	9,407,078
		14,088,895	-	-	14,088,895
Total Net Assets		23,351,023	14,092,036	-	37,443,059
Total Liabilities And Net Assets	\$	39,242,379	\$ 24,586,990	\$ (13,336,179)	\$ 50,493,190

2020			
The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	Total
\$ 3,620,999	-	-	\$ 3,620,999
2,901,193	\$ 129,990	-	3,031,183
6,522,192	129,990	-	6,652,182
3,518,371	-	-	3,518,371
26,738	-	-	26,738
268,179	-	-	268,179
10,335,480	129,990	-	10,465,470
1,057,165	-	-	1,057,165
6,035,700	-	-	6,035,700
8,132,318	-	-	8,132,318
10,139,616	13,006,525	-	23,146,141
-	10,616,271	\$ (10,616,271)	-
109,579	-	-	109,579
<u>\$ 35,809,858</u>	<u>\$ 23,752,786</u>	<u>\$ (10,616,271)</u>	<u>\$ 48,946,373</u>
\$ 378,914	-	-	\$ 378,914
280,381	-	-	280,381
1,834,518	-	-	1,834,518
160,248	-	-	160,248
2,654,061	-	-	2,654,061
109,579	-	-	109,579
10,616,271	-	\$ (10,616,271)	-
1,951,239	-	-	1,951,239
1,045,400	-	-	1,045,400
-	\$ 9,140,000	-	9,140,000
16,376,550	9,140,000	(10,616,271)	14,900,279
5,476,617	14,612,786	-	20,089,403
1,486,159	-	-	1,486,159
6,962,776	14,612,786	-	21,575,562
241,666	-	-	241,666
4,399,417	-	-	4,399,417
7,829,449	-	-	7,829,449
12,470,532	-	-	12,470,532
19,433,308	14,612,786	-	34,046,094
<u>\$ 35,809,858</u>	<u>\$ 23,752,786</u>	<u>\$ (10,616,271)</u>	<u>\$ 48,946,373</u>

The independent auditor's report should be read with these consolidating financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			
	The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	Total
SUPPORT AND REVENUE				
Gifts and grants	\$ 4,419,533	-	-	\$ 4,419,533
Sponsorships	87,000	-	-	87,000
Contributed services and equipment	629,650	-	-	629,650
Capital campaign revenue	1,535,733	-	-	1,535,733
Special event	211,748	-	-	211,748
Total Support	6,883,664	-	-	6,883,664
Program revenue	53,703	-	-	53,703
Admissions	32,955	-	-	32,955
Memberships	57,506	-	-	57,506
Retail and café sales	14,816	-	-	14,816
Other income	433,211	\$ 240,000	\$ (240,000)	433,211
Parking	9,815	-	-	9,815
Net investment return	2,745,956	38	-	2,745,994
Business development	1,065,549	-	-	1,065,549
Total Revenue	4,413,511	240,038	(240,000)	4,413,549
Total Support And Revenue	11,297,175	240,038	(240,000)	11,297,213
EXPENSES				
Program	5,626,185	760,788	(240,000)	6,146,973
General and administrative	2,227,596	-	-	2,227,596
Fundraising	571,079	-	-	571,079
Total Expenses	8,424,860	760,788	(240,000)	8,945,648
Increase (Decrease) In Net Assets Before Gain On Extinguishment From Debt	2,872,315	(520,750)	-	2,351,565.00
GAIN ON EXTINGUISHMENT OF DEBT				
	1,045,400	-	-	1,045,400
Changes In Net Assets	3,917,715	(520,750)	-	3,396,965
NET ASSETS				
Beginning of year	19,433,308	14,612,786	-	34,046,094
End of year	\$ 23,351,023	\$ 14,092,036	-	\$ 37,443,059

2020			
The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	Total
\$ 3,646,293	-	-	\$ 3,646,293
210,333	-	-	210,333
617,443	-	-	617,443
793,473	-	-	793,473
239,243	-	-	239,243
5,506,785	-	-	5,506,785
69,994	-	-	69,994
895,861	-	-	895,861
565,491	-	-	565,491
586,598	-	-	586,598
607,455	\$ 240,000	\$ (240,000)	607,455
240,671	-	-	240,671
97,335	151	-	97,486
1,485,884	-	-	1,485,884
4,549,289	240,151	(240,000)	4,549,440
10,056,074	240,151	(240,000)	10,056,225
8,723,458	782,071	(240,000)	9,265,529
2,194,322	-	-	2,194,322
521,929	-	-	521,929
11,439,709	782,071	(240,000)	11,981,780
(1,383,635)	(541,920)	-	(1,925,555)
-	-	-	-
(1,383,635)	(541,920)	-	(1,925,555)
20,816,943	15,154,706	-	35,971,649
<u>\$ 19,433,308</u>	<u>\$ 14,612,786</u>	<u>-</u>	<u>\$ 34,046,094</u>

The independent auditor's report should be read with these consolidating financial statements.

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