

CHILDREN'S MUSEUM OF PITTSBURGH  
Pittsburgh, Pennsylvania

Consolidated Financial Statements  
and  
Supplementary Information  
for the years ended June 30, 2022 and 2021  
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

### ***Opinion***

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, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, 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.

### ***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 the Museum 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 opinion.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Schneider Downs & Co., Inc.  
www.schneiderdowns.com



One PPG Place  
Suite 1700  
Pittsburgh, PA 15222  
TEL 412.261.3644  
FAX 412.261.4876

65 E. State Street  
Suite 2000  
Columbus, OH 43215  
TEL 614.621.4060  
FAX 614.621.4062

1660 International Drive  
Suite 600  
McLean, VA 21102  
TEL 571.380.9003

### ***Auditor's Responsibility for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

### ***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 9, 2022

CHILDREN'S MUSEUM OF PITTSBURGH  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Unrestricted	\$ 5,715,685	\$ 5,798,327
Restricted	3,878,215	3,542,784
	9,593,900	9,341,111
Pledges receivable	2,215,903	1,581,607
Accounts receivable	67,880	100,507
Other receivable	1,194,095	-
Other current assets	164,451	145,239
	13,236,229	11,168,464
<b>PLEDGES RECEIVABLE, NET</b>	468,376	987,487
<b>INVESTMENTS</b>	7,822,617	9,809,665
<b>PROPERTY, EQUIPMENT AND EXHIBITS, net</b>	21,013,345	22,353,078
<b>OTHER ASSETS</b>	126,388	138,796
<b>LEVERAGE LOAN RECEIVABLE</b>	6,035,700	6,035,700
	<u>\$ 48,702,655</u>	<u>\$ 50,493,190</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 483,053	\$ 665,948
Accrued expenses	465,532	388,226
Contract liabilities	1,670,209	1,671,749
	2,618,794	2,725,923
<b>OTHER LIABILITIES</b>	126,388	138,808
<b>PAYCHECK PROTECTION PROGRAM LOAN</b>	-	1,045,400
<b>NEW MARKET TAX CREDIT LOANS</b>	9,140,000	9,140,000
	11,885,182	13,050,131
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	22,525,436	21,467,548
Designated by the Board for endowment	1,914,997	1,886,616
	24,440,433	23,354,164
With donor restrictions		
Time-restricted for future periods	395,000	122,500
Purpose restrictions	4,440,744	4,559,317
Perpetual in nature	7,541,296	9,407,078
	12,377,040	14,088,895
	36,817,473	37,443,059
<b>Total Liabilities And Net Assets</b>	<u>\$ 48,702,655</u>	<u>\$ 50,493,190</u>

See notes to consolidated financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>SUPPORT AND REVENUE</b>			
Gifts and grants	\$ 3,158,683	\$ 711,825	\$ 3,870,508
Sponsorships	47,400	95,000	142,400
In-kind support	642,565	-	642,565
Capital campaign revenue	-	945,000	945,000
Special event	343,087	-	343,087
<b>Total Support</b>	<b>4,191,735</b>	<b>1,751,825</b>	<b>5,943,560</b>
Program revenue	57,980	-	57,980
Admissions	826,910	-	826,910
Memberships	567,721	-	567,721
Retail and café sales	149,322	-	149,322
Other income	626,716	-	626,716
Parking	186,190	-	186,190
Net investment return (loss)	149,855	(1,247,525)	(1,097,670)
Business development	1,409,999	155,051	1,565,050
<b>Total Revenue</b>	<b>3,974,693</b>	<b>(1,092,474)</b>	<b>2,882,219</b>
Net assets released from restrictions	1,731,682	(1,731,682)	-
Endowment draw	639,524	(639,524)	-
<b>Total Support And Revenue</b>	<b>10,537,634</b>	<b>(1,711,855)</b>	<b>8,825,779</b>
<b>EXPENSES</b>			
Program	7,276,693	-	7,276,693
General and administrative	2,570,340	-	2,570,340
Fundraising	649,732	-	649,732
<b>Total Expenses</b>	<b>10,496,765</b>	<b>-</b>	<b>10,496,765</b>
Increase (Decrease) In Net Assets Before Gain On Extinguishment Of Debt	40,869	(1,711,855)	(1,670,986)
<b>GAIN ON EXTINGUISHMENT OF DEBT</b>	<b>1,045,400</b>	<b>-</b>	<b>1,045,400</b>
<b>Changes In Net Assets</b>	<b>1,086,269</b>	<b>(1,711,855)</b>	<b>(625,586)</b>
<b>NET ASSETS</b>			
Beginning of year	23,354,164	14,088,895	37,443,059
End of year	<u>\$ 24,440,433</u>	<u>\$ 12,377,040</u>	<u>\$ 36,817,473</u>

## 2021

Without Donor Restrictions	With Donor Restrictions	Total
\$ 3,213,125	\$ 1,194,690	\$ 4,407,815
32,000	55,000	87,000
629,650	-	629,650
1,504,498	42,955	1,547,453
211,748	-	211,748
5,591,021	1,292,645	6,883,666
53,703	-	53,703
32,955	-	32,955
57,506	-	57,506
14,814	-	14,814
433,211	-	433,211
9,815	-	9,815
282,790	2,463,204	2,745,994
914,037	151,512	1,065,549
1,798,831	2,614,716	4,413,547
1,449,526	(1,449,526)	-
839,472	(839,472)	-
9,678,850	1,618,363	11,297,213
6,146,973	-	6,146,973
2,227,596	-	2,227,596
571,079	-	571,079
8,945,648	-	8,945,648
733,202	1,618,363	2,351,565
1,045,400	-	1,045,400
1,778,602	1,618,363	3,396,965
21,575,562	12,470,532	34,046,094
\$ 23,354,164	\$14,088,895	\$37,443,059

See notes to consolidated financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Total
	Education, Learning and Research	Business Development	Museum Experience	Special Projects	
Personnel costs	\$ 811,425	285,608	1,315,169	6,008	\$2,418,210
Office and administrative	602	55,551	17,358	33	73,544
Rent and exhibit rental	3,550	8,129	174,249	-	185,928
Utilities	33,282	12,140	181,125	244	226,791
Supplies	105,246	237,342	572,602	143,369	1,058,559
Service contracts	43,260	116,280	198,375	8,528	366,443
Royalties	-	233,218	3,740	-	236,958
Advertising	3,327	5,727	11,996	-	21,050
Insurance	-	-	-	-	-
Cost of goods sold	-	-	72,086	-	72,086
Legal and professional fees	-	7,413	-	-	7,413
Travel and meetings	9,998	7,557	84,441	5,332	107,328
Depreciation	-	268,537	666,607	667,199	1,602,343
Miscellaneous	363	425	117,652	-	118,440
Interest	-	-	212,800	-	212,800
In-kind	36,000	-	532,800	-	568,800
	<u>\$ 1,047,053</u>	<u>\$ 1,237,927</u>	<u>\$ 4,161,000</u>	<u>\$ 830,713</u>	<u>\$ 7,276,693</u>



<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
1,601,316	357,402	\$ 4,376,928
10,714	21,988	106,246
12,400	37,091	235,419
74,361	14,743	315,895
291,767	150,342	1,500,668
75,855	12,702	455,000
-	-	236,958
148,928	400	170,378
134,825	-	134,825
-	-	72,086
100,644	-	108,057
14,889	6,755	128,972
74,861	-	1,677,204
980	3,344	122,764
-	-	212,800
28,800	44,965	642,565
<u>\$ 2,570,340</u>	<u>\$ 649,732</u>	<u>\$10,496,765</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				Total
	Education, Learning and Research	Business Development	Museum Experience	Special Projects	
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	866	(5,452)	128,818	208	124,440
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
In-kind	37,200	290	535,400	-	572,890
	<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
8,227	-	132,667
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
26,820	29,940	629,650
<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 STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (625,586)	\$ 3,396,965
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,677,204	1,599,755
Realized and unrealized loss (gain) on investments	1,172,258	(2,688,937)
Loss on disposal of property, equipment and exhibits	106,311	-
Gain on forgiveness of Paycheck Protection Program loan	(1,045,400)	(1,045,400)
Changes in assets and liabilities:		
Accounts receivable	32,627	(73,769)
Pledges receivable	(115,185)	2,006,442
Other receivable	(1,194,095)	-
Other assets	(6,804)	93,723
Accounts payable	(182,895)	182,894
Accrued expenses and other liabilities	64,886	137,074
Contract liabilities	(1,540)	(162,769)
	(118,219)	3,445,978
<b>Net Cash (Used In) Provided By Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, equipment and exhibits	(443,782)	(702,552)
Purchases of investments	(1,936,588)	(2,236,585)
Proceeds from sales of investments	2,751,378	3,248,175
	371,008	309,038
<b>Net Cash Provided By Investing Activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on NMTC bridge loan	-	(2,111,487)
Proceeds from Paycheck Protection Program loan	-	1,045,400
	-	(1,066,087)
<b>Net Cash Used In Financing Activities</b>		
<b>Net Increase In Cash And Cash Equivalents</b>	252,789	2,688,929
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	9,341,111	6,652,182
End of year	\$ 9,593,900	\$ 9,341,111
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest - operations	-	\$ 19,423
Cash paid during the year for interest - reserved for New Market Tax Credit loans	\$ 212,800	\$ 202,800

**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, 2022 AND 2021

#### NOTE 1 - ORGANIZATION

Children's Museum of Pittsburgh (the Museum), comprised of the Children's Museum (CMP) 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 tristate 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 10 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, 2022 AND 2021

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 11 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 at times exceed federally insured amounts.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022 and 2021. The allowance is based on the Museum's historical collection experience and review of the current status of receivables and judgment. Decisions to chargeoff 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.

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 the near term could materially affect account balances and the amounts reported in the consolidated statements of activities 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.

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, 2022 and 2021.

Inexhaustible Collections - In conformity with 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 are used for the acquisition of collections.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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. Conditional promises to give - 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, 2022 and 2021, 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.

In-Kind Support - The Museum records various types of in-kind support, including contributed goods and services. Contributed services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Amounts reflected in the accompanying consolidated financial statements as in-kind support are offset by like amounts included in either assets or expenses. (See also Note 16.)

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. 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) topic on income taxes, which 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, 2022 and 2021 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 2019.



CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties - The Museum operates in Pennsylvania. The COVID-19 pandemic materially and adversely affected the Museum and its operations. Ongoing government-imposed safety regulations might result in direct operational and administrative disruptions to the Museum's operations. Additionally, the Museum's suppliers and donors might continue to be adversely affected by these disruptions, which in turn could negatively impact the Museum's operating results. While it might be premature to accurately predict the ultimate impact of these developments, the Museum expects that its results for the year ended June 30, 2023 could be impacted.

Recently Adopted Accounting Pronouncements - In September 2020, the FASB issued Accounting Standards Update (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, which 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 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 adopted the provisions of ASU 2020-07 on its consolidated financial statements in the current year with no significant impact.

Recently Issued Accounting Pronouncement - 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 determines 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 9, 2022, the date on which the consolidated financial statements were available to be issued.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue reported on the consolidated statements of activities 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 FASB Topic 606, Revenue from Contracts with Customers (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.

*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 \$860,000 and \$696,000 in 2022 and 2021, 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 \$705,000 and \$370,000 in 2022 and 2021, 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 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. 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. 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 that have not yet been earned are presented within contract liabilities on the consolidated statements of financial position.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022 and 2021, 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 the timing of fundraising events, admissions, grants, contributions, programs and memberships. Expenditures are managed to match the seasonal variation in cash flows.

At June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash and cash equivalents - unrestricted	\$ 5,715,685	\$ 5,798,327
Accounts receivable	67,880	100,507
Other receivable	1,194,095	-
Pledges receivable for operations	544,231	440,409
Endowment draw	<u>639,524</u>	<u>839,472</u>
Total Financial Assets Available Within One Year	<u>\$ 8,161,415</u>	<u>\$ 7,178,715</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 \$1,179,000 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, 2022 and 2021, which it could draw on in the event of a liquidity need.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 2022 and 2021, 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:

	<u>2022</u>		<u>2021</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Equity funds	\$ 5,769,773	\$ 5,000,967	\$ 7,232,100	\$ 4,930,406
Fixed-income holdings	<u>2,052,844</u>	<u>2,716,985</u>	<u>2,577,565</u>	<u>2,469,142</u>
	<u>\$ 7,822,617</u>	<u>\$ 7,717,952</u>	<u>\$ 9,809,665</u>	<u>\$ 7,399,548</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.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

The fair values of financial assets comprising the Museum's investments at June 30, 2022 and 2021 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, 2022. As such, the estimated fair values could be materially different, in either a positive or negative manner, at a subsequent date.

	2022			
	Level 1	Level 2	Level 3	Total
Equity funds	\$ 5,769,773	-	-	\$ 5,769,773
Fixed-income holdings	2,052,844	-	-	2,052,844
	\$ 7,822,617	-	-	\$ 7,822,617
	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
	\$ 9,809,665	-	-	\$ 9,809,665

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 12.) 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.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 6 - ENDOWMENT (Continued)

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. 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 funds that are Board-designated for endowment. These 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.

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, 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
Net investment loss	(121,533)	(1,172,267)	(1,293,800)
Contributions	287,985	-	387,985
Release of Board-designated assets for expenditures	(138,069)	-	(138,069)
Appropriation of endowment assets pursuant to spending rate policy	-	(693,515)	(693,515)
Balance, June 30, 2022	<u>\$ 1,914,997</u>	<u>\$ 7,541,296</u>	<u>\$ 9,556,295</u>

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 6 - ENDOWMENT (Continued)

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. Board-designated endowment assets are invested based on the anticipated short-term and long-term needs of the Museum.

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, 2022 and 2021. 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 2022 and 2021. The unconditional promises to give are due to be received as follows at June 30:

	<u>2022</u>		<u>2021</u>
Due in less than 1 year	\$ 2,215,903	\$	1,581,607
Due in 1-5 years	500,333		1,009,758
Discount to present value	<u>(31,957)</u>		<u>(22,271)</u>
	<u>\$ 2,684,279</u>	\$	<u>2,569,094</u>

Discount rates approximated 0.82% and 0.87% at June 30, 2022 and 2021, respectively. Grants receivable of approximately \$1,318,000 and \$1,163,000 at June 30, 2022 and 2021, respectively, are restricted for the capital campaign or for a specific purpose.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 8 - PROPERTY, EQUIPMENT AND EXHIBITS, NET

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

	<u>2022</u>	<u>2021</u>
Building improvements	\$ 32,149,470	\$ 31,421,813
Exhibits	7,554,716	7,527,557
Building	520,000	520,000
Equipment	<u>1,865,504</u>	<u>1,760,939</u>
	42,089,690	41,230,309
Less - Accumulated depreciation	<u>21,261,630</u>	<u>19,584,426</u>
	20,828,060	21,645,883
Land	130,000	130,000
Construction-in-progress	<u>55,285</u>	<u>577,195</u>
Property, Equipment and Exhibits, Net	<u>\$ 21,013,345</u>	<u>\$ 22,353,078</u>

The Museum disposed of \$106,311 of property, equipment and exhibits during the year ended June 30, 2022. These amounts are recognized within program services in the accompanying consolidated statement of functional expenses.

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 bears interest at the Bloomberg Short-Term Bank Yield Index rate (1.58% as of June 30, 2022) plus 1.25%. 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 23, 2022. The Museum has not taken a draw on the line of credit during the fiscal years ended June 30, 2022 and 2021. Additionally, no interest has been expensed related to this note.

NOTE 10 - PAYCHECK PROTECTION PROGRAM (PPP) LOANS AND EMPLOYEE RETENTION CREDITS (ERC)

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 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. PPP Loans may be accelerated upon the occurrence of an event of default. They are unsecured and guaranteed by the United States Small Business Administration (SBA).



CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 10 - PAYCHECK PROTECTION PROGRAM (PPP) LOANS AND EMPLOYEE RETENTION CREDITS (ERC) (Continued)

The first and second PPP Loans were forgiven in January 2021 and February 2022, respectively, with the principal of approximately \$1,045,000 plus approximately \$8,000 and \$11,000, respectively, in interest being forgiven by the SBA. These amounts are recognized as gain on extinguishment of debt in the accompanying consolidated statements of activities.

The Museum is a recipient of Employee Retention Credits (ERCs), which are refundable payroll tax credits that encouraged businesses to keep employees on the payroll during the COVID-19 pandemic. The ERC provided qualifying employers up to \$5,000 of credit for each employee based on certain wages paid after March 12, 2020, and before January 1, 2021. In December 2020, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 increased the credit for each employee to \$7,000 per calendar quarter after December 31, 2020 and through September 30, 2021. Based on the Museum's evaluations, ERCs of approximately \$1,194,000 were recognized during the year ended June 30, 2022, and are recorded within other receivable in the consolidated statement of financial position and gifts and grants revenue in the consolidated statement of activities as of and for the year ended June 30, 2022.

NOTE 11 - 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.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 11 - NEW MARKET TAX CREDIT LOANS AND LEVERAGED LOAN RECEIVABLE (Continued)

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 \$213,000 and \$203,000 for the years ended June 30, 2022 and 2021, 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>		

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 \$213,000 and \$203,000 for the years ended June 30, 2022 and 2021, 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 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.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Capital campaign	\$ 1,017,556	\$ 814,065
Exhibits/programs	1,801,286	2,244,454
Growth Capital Fund	<u>1,621,902</u>	<u>1,500,798</u>
	4,440,744	4,559,317
Subject to the passage of time:	<u>395,000</u>	<u>122,500</u>
	4,835,744	4,681,817
Perpetual in nature:		
Subject to spending policy and appropriation:		
Park maintenance	112,953	161,404
Museum operations	6,345,908	7,961,451
Growth Capital Fund	<u>1,082,435</u>	<u>1,284,223</u>
	<u>7,541,296</u>	<u>9,407,078</u>
	<u>\$ 12,377,040</u>	<u>\$ 14,088,895</u>

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>2022</u>	<u>2021</u>
Expiration of time restrictions	\$ 97,500	\$ 119,167
Satisfaction of purpose restrictions:		
Capital campaign:		
MuseumLab	718,955	34,704
Growth Capital Fund	89,079	196,645
Operations:		
Exhibits/programs	<u>826,148</u>	<u>1,099,010</u>
	<u>\$ 1,731,682</u>	<u>\$ 1,449,526</u>

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 13 - 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 2022 and 2021.

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 2022 and 2021.

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, 2022:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2023	\$ 99,000
2024	52,000
2025	5,000
2026	<u>5,000</u>
	\$ <u>161,000</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 2022 and 2021 approximated \$235,000 and \$133,000, respectively.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 14 - 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 \$449,000 and \$390,000 for the years ended June 30, 2022 and 2021, 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 \$126,000 and \$139,000 as of June 30, 2022 and 2021, respectively.

NOTE 15 - 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.

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.

CHILDREN’S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 15 - CAPITAL CAMPAIGN (Continued)

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 \$384,000 remains outstanding as of June 30, 2022. 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 16 - IN-KIND SUPPORT

In addition to rent for the land and facilities provided by the City of Pittsburgh, as discussed in Note 13 above, the Museum received various nonfinancial gifts for the annual gala. The Museum assigns values to such gifts based on their fair value. The fair value of the goods and services are reflected in the accompanying financial statements as both revenue and expense.

In-kind support as of June 30 was as follows:

	<u>2022</u>	<u>2021</u>
Rent	\$ 600,000	\$ 600,000
Gifts for gala	<u>42,565</u>	<u>29,650</u>
	<u>\$ 642,565</u>	<u>\$ 629,650</u>

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SUPPLEMENTARY INFORMATION

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2022 AND 2021

		2022			
		The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents:					
Unrestricted	\$	5,715,685	-	-	\$ 5,715,685
Restricted		3,772,767	\$ 105,448	-	3,878,215
		<u>9,488,452</u>	<u>105,448</u>	<u>-</u>	<u>9,593,900</u>
Pledges receivable		2,215,903	-	-	2,215,903
Accounts receivable		67,880	-	-	67,880
Other receivable		1,194,095	-	-	1,194,095
Other current assets		<u>164,451</u>	<u>-</u>	<u>-</u>	<u>164,451</u>
Total Current Assets		13,130,781	105,448	-	13,236,229
PLEDGES RECEIVABLE, NET		468,376	-	-	468,376
INVESTMENTS		7,822,617	-	-	7,822,617
PROPERTY, EQUIPMENT AND EXHIBITS, net		9,117,666	11,895,679	-	21,013,345
DUE FROM RELATED PARTY		1,354,954	11,981,225	(13,336,179)	-
OTHER ASSETS		126,388	-	-	126,388
LEVERAGE LOAN RECEIVABLE		<u>6,035,700</u>	<u>-</u>	<u>-</u>	<u>6,035,700</u>
Total Assets		<u>\$ 38,056,482</u>	<u>\$ 23,982,352</u>	<u>\$ (13,336,179)</u>	<u>\$ 48,702,655</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$	483,053	-	-	\$ 483,053
Accrued expenses		465,532	-	-	465,532
Contract liabilities		<u>1,670,209</u>	<u>-</u>	<u>-</u>	<u>1,670,209</u>
Total Current Liabilities		2,618,794	-	-	2,618,794
OTHER LIABILITIES		126,388	-	-	126,388
DUE TO RELATED PARTY		11,981,225	\$ 1,354,954	\$ (13,336,179)	-
PAYCHECK PROTECTION PROGRAM LOAN		-	-	-	-
NEW MARKET TAX CREDIT LOANS		<u>-</u>	<u>9,140,000</u>	<u>-</u>	<u>9,140,000</u>
Total Liabilities		14,726,407	10,494,954	(13,336,179)	11,885,182
NET ASSETS					
Without donor restrictions					
Undesignated		9,038,038	13,487,398	-	22,525,436
Designated by the Board for endowment		1,914,997	-	-	1,914,997
		<u>10,953,035</u>	<u>13,487,398</u>	<u>-</u>	<u>24,440,433</u>
With donor restrictions					
Time-restricted for future periods		395,000	-	-	395,000
Purpose restrictions		4,440,744	-	-	4,440,744
Perpetual in nature		<u>7,541,296</u>	<u>-</u>	<u>-</u>	<u>7,541,296</u>
		12,377,040	-	-	12,377,040
Total Net Assets		<u>23,330,075</u>	<u>13,487,398</u>	<u>-</u>	<u>36,817,473</u>
Total Liabilities And Net Assets		<u>\$ 38,056,482</u>	<u>\$ 23,982,352</u>	<u>\$ (13,336,179)</u>	<u>\$ 48,702,655</u>

2021

The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	Total
\$ 5,798,327	-	-	\$ 5,798,327
3,406,556	\$ 136,228	-	3,542,784
<u>9,204,883</u>	<u>136,228</u>	<u>-</u>	<u>9,341,111</u>
1,581,607	-	-	1,581,607
100,507	-	-	100,507
-	-	-	-
<u>145,239</u>	<u>-</u>	<u>-</u>	<u>145,239</u>
11,032,236	136,228	-	11,168,464
987,487	-	-	987,487
9,809,665	-	-	9,809,665
9,883,541	12,469,537	-	22,353,078
1,354,954	11,981,225	\$ (13,336,179)	-
138,796	-	-	138,796
<u>6,035,700</u>	<u>-</u>	<u>-</u>	<u>6,035,700</u>
<u>\$ 39,242,379</u>	<u>\$ 24,586,990</u>	<u>\$ (13,336,179)</u>	<u>\$ 50,493,190</u>
\$ 665,948	-	-	\$ 665,948
388,226	-	-	388,226
<u>1,671,749</u>	<u>-</u>	<u>-</u>	<u>1,671,749</u>
2,725,923	-	-	2,725,923
138,808	-	-	138,808
11,981,225	1,354,954	\$ (13,336,179)	-
1,045,400	-	-	1,045,400
-	\$ 9,140,000	-	9,140,000
15,891,356	10,494,954	(13,336,179)	13,050,131
7,375,512	14,092,036	-	21,467,548
1,886,616	-	-	1,886,616
<u>9,262,128</u>	<u>14,092,036</u>	<u>-</u>	<u>23,354,164</u>
122,500	-	-	122,500
4,559,317	-	-	4,559,317
<u>9,407,078</u>	<u>-</u>	<u>-</u>	<u>9,407,078</u>
14,088,895	-	-	14,088,895
<u>23,351,023</u>	<u>14,092,036</u>	<u>-</u>	<u>37,443,059</u>
<u>\$ 39,242,379</u>	<u>\$ 24,586,990</u>	<u>\$ (13,336,179)</u>	<u>\$ 50,493,190</u>

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

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATING STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			
	The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	Total
<b>SUPPORT AND REVENUE</b>				
Gifts and grants	\$ 3,870,508	-	-	\$ 3,870,508
Sponsorships	142,400	-	-	142,400
In-Kind Support	642,565	-	-	642,565
Capital campaign revenue	945,000	-	-	945,000
Special event	343,087	-	-	343,087
	5,943,560	-	-	5,943,560
Total Support				
Program revenue	57,980	-	-	57,980
Admissions	826,910	-	-	826,910
Memberships	567,721	-	-	567,721
Retail and café sales	149,322	-	-	149,322
Other income	626,716	\$ 240,000	\$(240,000)	626,716
Parking	186,190	-	-	186,190
Net investment return	(1,097,690)	20	-	(1,097,670)
Business development	1,565,050	-	-	1,565,050
	2,882,199	240,020	(240,000)	2,882,219
Total Revenue				
Total Support And Revenue	8,825,759	240,020	(240,000)	8,825,779
<b>EXPENSES</b>				
Program	6,672,035	844,658	(240,000)	7,276,693
General and administrative	2,570,340	-	-	2,570,340
Fundraising	649,732	-	-	649,732
	9,892,107	844,658	(240,000)	10,496,765
Total Expenses				
(Decrease) Increase In Net Assets Before Gain On Extinguishment From Debt	(1,066,348)	(604,638)	-	(1,670,986)
GAIN ON EXTINGUISHMENT OF DEBT	1,045,400	-	-	1,045,400
Changes In Net Assets	(20,948)	(604,638)	-	(625,586)
<b>NET ASSETS</b>				
Beginning of year	23,351,023	14,092,036	-	37,443,059
End of year	\$23,330,075	\$ 13,487,398	-	\$ 36,817,473

2021

The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	Total
\$ 4,407,815	-	-	\$ 4,407,815
87,000	-	-	87,000
629,650	-	-	629,650
1,547,453	-	-	1,547,453
211,748	-	-	211,748
6,883,666	-	-	6,883,666
53,703	-	-	53,703
32,955	-	-	32,955
57,506	-	-	57,506
14,814	-	-	14,814
433,211	\$ 240,000	\$(240,000)	433,211
9,815	-	-	9,815
2,745,956	38	-	2,745,994
1,065,549	-	-	1,065,549
4,413,509	240,038	(240,000)	4,413,547
11,297,175	240,038	(240,000)	11,297,213
5,626,185	760,788	(240,000)	6,146,973
2,227,596	-	-	2,227,596
571,079	-	-	571,079
8,424,860	760,788	(240,000)	8,945,648
2,872,315	(520,750)	-	2,351,565
1,045,400	-	-	1,045,400
3,917,715	(520,750)	-	3,396,965
19,433,308	14,612,786	-	34,046,094
<u>\$23,351,023</u>	<u>\$ 14,092,036</u>	<u>-</u>	<u>\$ 37,443,059</u>

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

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