

CHILDREN'S MUSEUM OF PITTSBURGH
Pittsburgh, Pennsylvania

Consolidated Financial Statements
and
Supplementary Information
for the years ended June 30, 2023 and 2022
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, 2023 and 2022, 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, 2023 and 2022, 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.

Responsibilities of Management 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.

Auditor's Responsibilities 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 28-31 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 15, 2023

CHILDREN'S MUSEUM OF PITTSBURGH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		June 30	
ASSETS		2023	2022
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted		\$ 6,583,551	\$ 5,715,685
Restricted		3,119,115	3,878,215
		9,702,666	9,593,900
Pledges receivable		1,727,610	2,215,903
Accounts receivable		29,728	67,880
Other receivable		266,678	1,194,095
Other current assets		157,903	164,451
		11,884,585	13,236,229
PLEDGES RECEIVABLE, NET			
		274,771	468,376
INVESTMENTS			
		8,150,691	7,822,617
PROPERTY, EQUIPMENT AND EXHIBITS, net			
		20,086,149	21,013,345
OPERATING RIGHT-OF-USE ASSET			
		136,440	-
OTHER ASSETS			
		179,946	126,388
LEVERAGE LOAN RECEIVABLE			
		6,035,700	6,035,700
		<u>\$ 46,748,282</u>	<u>\$ 48,702,655</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable			
		\$ 739,230	\$ 483,053
Accrued expenses			
		402,901	465,532
Contract liabilities			
		1,967,531	1,670,209
		3,109,662	2,618,794
OTHER LIABILITIES			
		179,946	126,388
OPERATING LEASE LIABILITY			
		144,459	-
NEW MARKET TAX CREDIT LOANS			
		9,140,000	9,140,000
		12,574,067	11,885,182
NET ASSETS			
Without donor restrictions			
Undesignated		19,784,012	22,525,436
Designated by the Board		2,576,649	1,914,997
		22,360,661	24,440,433
With donor restrictions			
Time-restricted for future periods		-	395,000
Purpose restrictions		3,926,340	4,440,744
Perpetual in nature		7,887,214	7,541,296
		11,813,554	12,377,040
		<u>34,174,215</u>	<u>36,817,473</u>
Total Liabilities And Net Assets			
		<u>\$ 46,748,282</u>	<u>\$ 48,702,655</u>

See notes to consolidated financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Gifts and grants	\$ 2,017,743	\$ 486,713	\$ 2,504,456
Sponsorships	124,500	-	124,500
In-kind support	669,446	-	669,446
Special event	584,965	-	584,965
Total Support	3,396,654	486,713	3,883,367
Program revenue	102,979	-	102,979
Admissions	1,468,311	-	1,468,311
Memberships	723,539	-	723,539
Retail and café sales	213,044	-	213,044
Other income	745,400	-	745,400
Parking	357,393	-	357,393
Net investment return (loss)	344,303	822,225	1,166,528
Business development	1,339,392	160,700	1,500,092
Total Revenue	5,294,361	982,925	6,277,286
Net assets released from restrictions	1,629,368	(1,629,368)	-
Endowment draw	403,756	(403,756)	-
Total Support And Revenue	10,724,139	(563,486)	10,160,653
EXPENSES			
Program	9,045,802	-	9,045,802
General and administrative	2,963,924	-	2,963,924
Fundraising	794,185	-	794,185
Total Expenses	12,803,911	-	12,803,911
(Decrease) Increase In Net Assets Before Gain On Extinguishment Of Debt	(2,079,772)	(563,486)	(2,643,258)
GAIN ON EXTINGUISHMENT OF DEBT			
Changes In Net Assets	(2,079,772)	(563,486)	(2,643,258)
NET ASSETS			
Beginning of year	24,440,433	12,377,040	36,817,473
End of year	<u>\$ 22,360,661</u>	<u>\$ 11,813,554</u>	<u>\$ 34,174,215</u>

2022		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 3,158,683	\$ 1,656,825	\$ 4,815,508
47,400	95,000	142,400
642,565	-	642,565
343,087	-	343,087
<u>4,191,735</u>	<u>1,751,825</u>	<u>5,943,560</u>
57,980	-	57,980
826,910	-	826,910
567,721	-	567,721
149,322	-	149,322
626,716	-	626,716
186,190	-	186,190
149,855	(1,247,525)	(1,097,670)
<u>1,409,999</u>	<u>155,051</u>	<u>1,565,050</u>
<u>3,974,693</u>	<u>(1,092,474)</u>	<u>2,882,219</u>
1,731,682	(1,731,682)	-
<u>639,524</u>	<u>(639,524)</u>	<u>-</u>
10,537,634	(1,711,855)	8,825,779
7,276,693	-	7,276,693
2,570,340	-	2,570,340
<u>649,732</u>	<u>-</u>	<u>649,732</u>
<u>10,496,765</u>	<u>-</u>	<u>10,496,765</u>
40,869	(1,711,855)	(1,670,986)
<u>1,045,400</u>	<u>-</u>	<u>1,045,400</u>
1,086,269	(1,711,855)	(625,586)
<u>23,354,164</u>	<u>14,088,895</u>	<u>37,443,059</u>
<u>\$ 24,440,433</u>	<u>\$12,377,040</u>	<u>\$36,817,473</u>

See notes to consolidated financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services				Total Program Services
	Education, Learning and Research	Business Development	Museum Experience	Special Projects	
Personnel costs	\$ 1,462,580	\$ 330,750	\$1,710,762	\$ 136,149	\$3,640,241
Office and administrative	3,211	36,253	48,702	15,131	103,297
Rent and exhibit rental	439	6,022	223,431	52,502	282,394
Utilities	59,660	13,588	243,728	4,933	321,909
Supplies	97,521	66,186	266,887	44,328	474,922
Service contracts	158,618	181,886	554,917	213,838	1,109,259
Royalties	-	258,403	5,026	285	263,714
Advertising	350	4,089	15,914	62,490	82,843
Insurance	-	-	-	-	-
Cost of goods sold	-	-	99,803	-	99,803
Legal and professional fees	2,500	11,548	441	2,500	16,989
Travel and meetings	42,342	10,909	28,971	44,947	127,169
Depreciation	-	213,825	683,520	611,541	1,508,886
Miscellaneous	625	2,068	229,594	489	232,776
Interest	-	-	212,800	-	212,800
In-kind	36,000	-	532,800	-	568,800
	<u>\$ 1,863,846</u>	<u>\$1,135,527</u>	<u>\$4,857,296</u>	<u>\$1,189,133</u>	<u>\$9,045,802</u>

<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 1,647,385	\$ 361,807	\$ 5,649,433
21,781	18,258	143,336
22,392	74,619	379,405
77,455	15,003	414,367
92,861	35,709	603,492
450,098	193,225	1,752,582
-	-	263,714
263,404	600	346,847
141,004	-	141,004
-	-	99,803
97,990	-	114,979
30,818	10,499	168,486
71,079	-	1,579,965
18,857	12,619	264,252
-	-	212,800
28,800	71,846	669,446
<u>\$ 2,963,924</u>	<u>\$ 794,185</u>	<u>\$12,803,911</u>

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 Program Services
	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	43,260	116,280	198,375	8,528	366,443
Service contracts	105,246	237,342	572,602	143,369	1,058,559
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
75,855	12,702	455,000
291,767	150,342	1,500,668
-	-	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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (2,643,258)	\$ (625,586)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Amortization of right-of-use asset	141,576	-
Depreciation	1,579,965	1,677,204
Realized and unrealized (gain) loss on investments	(756,415)	1,172,258
Loss on disposal of property, equipment and exhibits	4,200	106,311
Gain on forgiveness of Paycheck Protection Program loan	-	(1,045,400)
Changes in assets and liabilities:		
Accounts receivable	38,152	32,627
Pledges receivable	681,898	(115,185)
Other receivable	927,417	(1,194,095)
Other assets	(47,010)	(6,804)
Accounts payable	268,829	(182,895)
Accrued expenses and other liabilities	(9,073)	64,886
Operating lease liability	(146,209)	-
Contract liabilities	297,322	(1,540)
Net Cash Provided By (Used In) Operating Activities	337,394	(118,219)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and exhibits	(656,969)	(443,782)
Purchases of investments	(1,766,615)	(1,936,588)
Proceeds from sales of investments	2,194,956	2,751,378
Net Cash (Used In) Provided By Investing Activities	(228,628)	371,008
Net Increase In Cash And Cash Equivalents	108,766	252,789
CASH AND CASH EQUIVALENTS		
Beginning of year	9,593,900	9,341,111
End of year	\$ 9,702,666	\$ 9,593,900
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest - reserved for New Market Tax Credit loans	\$ 212,800	\$ 212,800

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

In 2023, the Museum recorded \$235,415 of operating lease right-of-use assets in exchange for \$248,067 of operating lease liabilities as a result of implementation of ASC 842.

See notes to consolidated financial statements.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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 and inclusive museum experiences that inspire kindness, joy, creativity and curiosity for all learners. The Museum forges connections with artists, community partners and neighbors to work 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 40 years, the Museum has been an institution that specialized in providing meaningful, engaging experiences for elementary school-aged children and younger and their families. Its 13 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 four 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, 2023 AND 2022

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 capital needs or operations.

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, 2023 AND 2022

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, 2023 and 2022. 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.

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, 2023 and 2022.

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, 2023 AND 2022

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 - i.e., 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, 2023 and 2022, 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. The majority of in-kind support is made up of rent for the land and facilities provided by the City of Pittsburgh, as discussed in Note 13. The fair value of the goods and services are reflected in the accompanying consolidated financial statements as both revenue and expense. In-kind support for the years ended June 30, 2023 and 2022 was approximately \$669,000 and \$643,000, respectively.

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.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022 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 2020.

Leases - Leases are recognized under Accounting Standards Codification 842, Leases (Topic 842). The Museum determines whether a contract contains a lease at contract inception and classifies it as either finance or operating. A contract contains a lease if there is an identified asset and the Museum has the right to control the asset.

Finance leases are generally those that allow the Museum to substantially utilize or pay for the entire asset over its estimated useful life. Finance leases are recorded in finance lease right-of-use asset and finance lease liability on the consolidated statements of financial position. Finance lease right-of-use assets are amortized in operating expenses on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term, with the interest component for lease liabilities included in interest expense and recognized using the effective interest method over the lease term.

Topic 842 allows lessees an option to not recognize right-of-use assets and lease liabilities arising from short-term leases. A short-term lease is defined as a lease with an initial term of 12 months or less. The Museum elected to not recognize short-term leases as right-of-use assets and lease liabilities on the consolidated statements of financial position. All short-term leases that are not included on the Museum's consolidated statements of financial position are recognized within lease expense. Leases that have an initial term of 12 months or less with an option for renewal will need to be assessed in order to determine if the lease qualifies for the short-term lease exception. If the option is reasonably certain to be exercised, the lease does not qualify as a short-term lease.

Finance lease right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. The Museum's lease liabilities are recognized based on the present value of the remaining fixed lease payments, over the lease term, using a discount rate. For the purpose of lease liability measurement, the Museum considers only payments that are fixed and determinable at the time of commencement. Some leasing arrangements require variable payments that are dependent upon usage or output, or may vary for other reasons, such as insurance or tax payments. Any variable payments are expensed as incurred. The Museum uses its risk-free rate at the commencement date in determining the present value of the lease payments for all asset classes, unless the implicit rate is readily determinable. The Museum's lease terms may include options to extend or terminate the lease and are recognized when it is reasonably certain that the Museum will exercise that option. Lease assets are tested for impairment in the same manner as long-lived assets used in operations. (See Note 14.)

Recently Adopted Accounting Pronouncements - In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. The Museum adopted this standard on July 1, 2022 and has elected to utilize the optional transition method. (See Note 14.)

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 15, 2023, the date on which the consolidated financial statements were available to be issued.

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, and 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 \$1,077,000 and \$860,000 in 2023 and 2022, 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 \$423,000 and \$705,000 in 2023 and 2022, 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.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 3 - REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Retail and café sales is presented separately on the consolidated statements of activities. Retail sales are derived from providing goods in the Museum store. Café sales are earned through an agreement with a company to operate the café through 2026 and are based on a percentage of net sales. Both the retail store and café are located on the Museum grounds and are available 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. Contract liabilities were approximately \$1,968,000, \$1,670,000 and \$1,672,000 as of June 30, 2023 and 2022 and July 1, 2021, respectively.

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, 2023 and 2022, 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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents - unrestricted	\$ 6,583,551	\$ 5,715,685
Accounts receivable	29,728	67,880
Other receivable	266,678	1,194,095
Pledges receivable for operations	592,894	544,231
Endowment draw	403,756	639,524
Total Financial Assets Available Within One Year	<u>\$ 7,876,607</u>	<u>\$ 8,161,415</u>

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 4 - LIQUIDITY AND AVAILABILITY (Continued)

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 \$2,577,000 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, 2023 and 2022, which it could draw on in the event of a liquidity need.

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. The Museum was permitted to take a 10% draw for fiscal years 2020, 2021 and 2022 based on PA 2020 Act 71 (Act 71). The rate of the draw approximated 5% and 10% for the years ended June 30, 2023 and 2022, respectively. 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:

	2023		2022	
	Market	Cost	Market	Cost
Equity funds	\$ 6,485,058	\$ 5,033,466	\$ 5,769,773	\$ 5,000,967
Fixed-income holdings	1,665,633	2,705,966	2,052,844	2,716,985
	<u>\$ 8,150,691</u>	<u>\$ 7,739,432</u>	<u>\$ 7,822,617</u>	<u>\$ 7,717,952</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.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

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, 2023 and 2022 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, 2023. As such, the estimated fair values could be materially different, in either a positive or negative manner, at a subsequent date.

	2023			
	Level 1	Level 2	Level 3	Total
Equity funds	\$ 6,485,058	-	-	\$ 6,485,058
Fixed-income holdings	1,665,633	-	-	1,665,633
	<u>\$ 8,150,691</u>	<u>-</u>	<u>-</u>	<u>\$ 8,150,691</u>
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
	<u>\$ 7,822,617</u>	<u>-</u>	<u>-</u>	<u>\$ 7,822,617</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. 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 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, 2023 AND 2022

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.

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 the donor-restricted 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:

Balance, June 30, 2021	\$ 9,407,078
Net investment loss	(1,172,267)
Appropriation of endowment assets pursuant to spending rate policy	<u>(693,515)</u>
Balance, June 30, 2022	7,541,296
Net investment return	802,389
Appropriation of endowment assets pursuant to spending rate policy	<u>(456,471)</u>
Balance, June 30, 2023	\$ <u>7,887,214</u>

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. 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.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 was permitted to take a 10% draw for fiscal years 2020, 2021 and 2022 based on Act 71. The rate of the draw approximated 5% and 10% for the years ended June 30, 2023 and 2022, respectively. 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 - BOARD-DESIGNATED FUNDS

The purpose of the Museum's board-designated fund is to provide resources for facility or exhibit needs in accordance with the Museum's ongoing capital needs assessment. Additionally, the fund may be used to sustain operations of the Museum due to unforeseen or significant circumstances that jeopardize ongoing operations. Upon review and approval of management's recommendation to the finance committee for use of the funds, the finance committee will make a recommendation to the Board for approval of use of funds. Approval of a use of funds requires a majority vote of the Board.

NOTE 8 - PLEDGES RECEIVABLE, NET

The Museum has received unconditional promises to give in 2023 and 2022. The unconditional promises to give are due to be received as follows at June 30:

	<u>2023</u>	<u>2022</u>
Due in less than 1 year	\$ 1,727,610	\$ 2,215,903
Due in 1-5 years	300,000	500,333
Discount to present value	<u>(25,229)</u>	<u>(31,957)</u>
	<u>\$ 2,002,381</u>	<u>\$ 2,684,279</u>

Discount rates approximated 4.49% and 3.01% at June 30, 2023 and 2022, respectively. Grants receivable of approximately \$1,211,000 and \$1,318,000 at June 30, 2023 and 2022, respectively, are restricted for the capital campaign or for a specific purpose.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 9 - PROPERTY, EQUIPMENT AND EXHIBITS, NET

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

	<u>2023</u>	<u>2022</u>
Building improvements	\$ 32,205,768	\$ 32,149,470
Exhibits	7,914,547	7,554,716
Building	520,000	520,000
Equipment	<u>1,929,863</u>	<u>1,865,504</u>
	42,570,180	42,089,690
Less - Accumulated depreciation	<u>22,841,596</u>	<u>21,261,630</u>
	19,728,584	20,828,060
Land	130,000	130,000
Construction-in-progress	<u>227,567</u>	<u>55,285</u>
Property, Equipment and Exhibits, Net	<u>\$ 20,086,149</u>	<u>\$ 21,013,345</u>

The Museum disposed of \$4,200 and \$106,311 of property, equipment and exhibits during the years ended June 30, 2023 and 2022, respectively. These amounts are recognized within program services in the accompanying consolidated statements of functional expenses.

NOTE 10 - 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 that bears interest at the daily 1M Secured Overnight Financing Rate (5.07% as of June 30, 2023) plus 1.00%. 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, 2023. The Museum has not taken a draw on the line of credit during the fiscal years ended June 30, 2023 and 2022. Additionally, no interest has been expensed related to this note.

NOTE 11 - 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, 2023 AND 2022

NOTE 11 - 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 were 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 were 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. During the year ended June 30, 2023, approximately \$927,000 of ERCs were received. The remaining balance of \$267,000 was received during July 2023.

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.

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 12 - 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 \$213,000 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 AND 2022

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Capital campaign	\$ 960,349	\$ 1,017,556
Exhibits/programs	1,469,713	1,801,286
Growth Capital Fund	<u>1,496,278</u>	<u>1,621,902</u>
	3,926,340	4,440,744
Subject to the passage of time:	<u>-</u>	<u>395,000</u>
	3,926,340	4,835,744
Perpetual in nature:		
Subject to spending policy and appropriation:		
Park maintenance	105,764	112,953
Museum operations	6,956,972	6,345,908
Growth Capital Fund	<u>824,478</u>	<u>1,082,435</u>
	<u>7,887,214</u>	<u>7,541,296</u>
	<u>\$ 11,813,554</u>	<u>\$ 12,377,040</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>2023</u>	<u>2022</u>
Expiration of time restrictions	-	\$ 97,500
Satisfaction of purpose restrictions:		
Capital campaign:		
MuseumLab	\$ 24,000	718,955
Growth Capital Fund	385,156	89,079
Operations:		
Exhibits/programs	<u>1,220,212</u>	<u>826,148</u>
	<u>\$ 1,629,368</u>	<u>\$ 1,731,682</u>

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 14 - LEASES

On July 1, 2022, the Museum adopted Topic 842 using the “comparatives under 840” option as amended by ASU 2018-11. The reported results for the year ended June 30, 2023 reflect the application of Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with historical accounting under Topic 840.

The Museum elected the practical expedient package permitted under the transition approach. As such, the Museum did not reassess whether any expired or existing contracts are or contain leases, did not reassess historical lease classification, and did not reassess initial direct costs for any leases that existed prior to July 1, 2022.

As of the date of adoption, the Museum recognized operating lease ROU assets and liabilities of approximately \$235,000 and \$248,000, respectively, on the consolidated statement of financial position.

The components of lease expense within the consolidated statements of operations were as follows for the year ended June 30, 2023:

Operating lease expense	\$ 105,731
Short-term lease cost	<u>110,364</u>
Total	\$ <u>216,095</u>

The Museum has operating leases for a parking lot and office equipment.

<u>Years Ended June 30,</u>	<u>Amount</u>
2024	\$ 111,716
2025	30,834
2026	<u>5,434</u>
Total Minimum Lease Payments	147,984
Less: Amounts representing interest	<u>(3,524)</u>
	\$ <u>144,460</u>

The weighted-average remaining lease term (in years) and discount rate were as follows for the year ended June 30, 2023:

Operating lease weighted-average remaining lease term	2.25
Operating lease weighted-average discount rate	3.12%

CHILDREN'S MUSEUM OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 14 - LEASES (Continued)

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 2023 and 2022.

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 2023 and 2022.

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.

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% discretionary 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 \$550,000 and \$449,000 for the years ended June 30, 2023 and 2022, 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 \$180,000 and \$126,000 as of June 30, 2023 and 2022, respectively.

SUPPLEMENTARY INFORMATION

CHILDREN'S MUSEUM OF PITTSBURGH
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023			Total
	The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 6,583,551	-	-	\$ 6,583,551
Restricted	3,044,454	\$ 74,661	-	3,119,115
	<u>9,628,005</u>	<u>74,661</u>	<u>-</u>	<u>9,702,666</u>
Pledges receivable	1,727,610	-	-	1,727,610
Accounts receivable	29,728	-	-	29,728
Other receivable	266,678	-	-	266,678
Other current assets	<u>157,903</u>	<u>-</u>	<u>-</u>	<u>157,903</u>
Total Current Assets	11,809,924	74,661	-	11,884,585
PLEDGES RECEIVABLE, NET	274,771	-	-	274,771
INVESTMENTS	8,150,691	-	-	8,150,691
PROPERTY, EQUIPMENT AND EXHIBITS, net	8,764,326	11,321,823	-	20,086,149
OPERATING RIGHT-OF-USE ASSET	136,440	-	-	136,440
DUE FROM RELATED PARTY	1,354,954	11,981,225	\$ (13,336,179)	-
OTHER ASSETS	179,946	-	-	179,946
LEVERAGE LOAN RECEIVABLE	<u>6,035,700</u>	<u>-</u>	<u>-</u>	<u>6,035,700</u>
Total Assets	<u>\$ 36,706,752</u>	<u>\$ 23,377,709</u>	<u>\$ (13,336,179)</u>	<u>\$ 46,748,282</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 739,230	-	-	\$ 739,230
Accrued expenses	402,901	-	-	402,901
Contract liabilities	<u>1,967,531</u>	<u>-</u>	<u>-</u>	<u>1,967,531</u>
Total Current Liabilities	3,109,662	-	-	3,109,662
OTHER LIABILITIES	179,946	-	-	179,946
OPERATING LEASE LIABILITY	144,459	-	-	144,459
DUE TO RELATED PARTY	11,981,225	\$ 1,354,954	\$ (13,336,179)	-
NEW MARKET TAX CREDIT LOANS	<u>-</u>	<u>9,140,000</u>	<u>-</u>	<u>9,140,000</u>
Total Liabilities	15,415,292	10,494,954	(13,336,179)	12,574,067
NET ASSETS				
Without donor restrictions				
Undesignated	6,901,257	12,882,755	-	19,784,012
Designated by the Board for endowment	<u>2,576,649</u>	<u>-</u>	<u>-</u>	<u>2,576,649</u>
	9,477,906	12,882,755	-	22,360,661
With donor restrictions				
Time-restricted for future periods	-	-	-	-
Purpose restrictions	3,926,340	-	-	3,926,340
Perpetual in nature	<u>7,887,214</u>	<u>-</u>	<u>-</u>	<u>7,887,214</u>
	11,813,554	-	-	11,813,554
Total Net Assets	<u>21,291,460</u>	<u>12,882,755</u>	<u>-</u>	<u>34,174,215</u>
Total Liabilities And Net Assets	<u>\$ 36,706,752</u>	<u>\$ 23,377,709</u>	<u>\$ (13,336,179)</u>	<u>\$ 46,748,282</u>

2022

The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	Total
\$ 5,715,685	-	-	\$ 5,715,685
3,772,767	\$ 105,448	-	3,878,215
<u>9,488,452</u>	<u>105,448</u>	<u>-</u>	<u>9,593,900</u>
2,215,903	-	-	2,215,903
67,880	-	-	67,880
1,194,095	-	-	1,194,095
<u>164,451</u>	<u>-</u>	<u>-</u>	<u>164,451</u>
13,130,781	105,448	-	13,236,229
468,376	-	-	468,376
7,822,617	-	-	7,822,617
9,117,666	11,895,679	-	21,013,345
-	-	-	-
1,354,954	11,981,225	\$ (13,336,179)	-
126,388	-	-	126,388
<u>6,035,700</u>	<u>-</u>	<u>-</u>	<u>6,035,700</u>
<u>\$ 38,056,482</u>	<u>\$ 23,982,352</u>	<u>\$ (13,336,179)</u>	<u>\$ 48,702,655</u>
\$ 483,053	-	-	\$ 483,053
465,532	-	-	465,532
<u>1,670,209</u>	<u>-</u>	<u>-</u>	<u>1,670,209</u>
2,618,794	-	-	2,618,794
126,388	-	-	126,388
-	-	-	-
11,981,225	\$ 1,354,954	\$ (13,336,179)	-
<u>-</u>	<u>9,140,000</u>	<u>-</u>	<u>9,140,000</u>
14,726,407	10,494,954	(13,336,179)	11,885,182
9,038,038	13,487,398	-	22,525,436
1,914,997	-	-	1,914,997
<u>10,953,035</u>	<u>13,487,398</u>	<u>-</u>	<u>24,440,433</u>
395,000	-	-	395,000
4,440,744	-	-	4,440,744
7,541,296	-	-	7,541,296
<u>12,377,040</u>	<u>-</u>	<u>-</u>	<u>12,377,040</u>
<u>23,330,075</u>	<u>13,487,398</u>	<u>-</u>	<u>36,817,473</u>
<u>\$ 38,056,482</u>	<u>\$ 23,982,352</u>	<u>\$ (13,336,179)</u>	<u>\$ 48,702,655</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, 2023 AND 2022

	2023			Total
	The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	
SUPPORT AND REVENUE				
Gifts and grants	\$ 2,504,456	-	-	\$ 2,504,456
Sponsorships	124,500	-	-	124,500
In-kind support	669,446	-	-	669,446
Special event	584,965	-	-	584,965
Total Support	3,883,367	-	-	3,883,367
Program revenue	102,979	-	-	102,979
Admissions	1,468,311	-	-	1,468,311
Memberships	723,539	-	-	723,539
Retail and café sales	213,044	-	-	213,044
Other income	745,400	\$ 240,000	\$(240,000)	745,400
Parking	357,393	-	-	357,393
Net investment return	1,166,514	14	-	1,166,528
Business development	1,500,092	-	-	1,500,092
Total Revenue	6,277,272	240,014	(240,000)	6,277,286
Total Support And Revenue	10,160,639	240,014	(240,000)	10,160,653
EXPENSES				
Program	8,441,145	844,657	(240,000)	9,045,802
General and administrative	2,963,924	-	-	2,963,924
Fundraising	794,185	-	-	794,185
Total Expenses	12,199,254	844,657	(240,000)	12,803,911
Decrease In Net Assets Before Gain On Extinguishment From Debt	(2,038,615)	(604,643)	-	(2,643,258)
GAIN ON EXTINGUISHMENT OF DEBT				
Changes In Net Assets	(2,038,615)	(604,643)	-	(2,643,258)
NET ASSETS				
Beginning of year	23,330,075	13,487,398	-	36,817,473
End of year	<u>\$ 21,291,460</u>	<u>\$ 12,882,755</u>	<u>-</u>	<u>\$ 34,174,215</u>

2022

The Children's Museum of Pittsburgh	Children's MuseumLAB Advancement Initiative	Eliminations	Total
\$ 4,815,508	-	-	\$ 4,815,508
142,400	-	-	142,400
642,565	-	-	642,565
343,087	-	-	343,087
5,943,560	-	-	5,943,560
57,980	-	-	57,980
826,910	-	-	826,910
567,721	-	-	567,721
149,322	-	-	149,322
626,716	\$ 240,000	\$(240,000)	626,716
186,190	-	-	186,190
(1,097,690)	20	-	(1,097,670)
1,565,050	-	-	1,565,050
2,882,199	240,020	(240,000)	2,882,219
8,825,759	240,020	(240,000)	8,825,779
6,672,035	844,658	(240,000)	7,276,693
2,570,340	-	-	2,570,340
649,732	-	-	649,732
9,892,107	844,658	(240,000)	10,496,765
(1,066,348)	(604,638)	-	(1,670,986)
1,045,400	-	-	1,045,400
(20,948)	(604,638)	-	(625,586)
23,351,023	14,092,036	-	37,443,059
<u>\$ 23,330,075</u>	<u>\$ 13,487,398</u>	<u>-</u>	<u>\$ 36,817,473</u>

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

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