

Mississippi Children's Museum

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

May 31, 2018 and 2017



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Mississippi Children’s Museum
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May 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mississippi Children's Museum
Jackson, Mississippi

We have audited the accompanying financial statements of Mississippi Children's Museum (a nonprofit organization), which comprise the statements of financial position as of May 31, 2018 and 2017, and the related statements of activities and changes in net assets, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Children's Museum as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses, combining statements of financial position, and combining statements of activities and changes in net assets on pages 22-25 are presented for purposes of the additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 aspects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
November 13, 2018

Audited Financial Statements

**Mississippi Children's Museum
Statements of Financial Position**

<i>May 31,</i>	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 1,153,439	\$ 1,257,684
Promises to give, net	544,591	717,482
Other receivables	20,057	8,925
Inventory	25,132	25,931
Prepaid expenses	104,921	124,016
Total current assets	1,848,140	2,134,038
Property and equipment, net	19,833,017	19,690,096
Other assets		
Investments restricted for maintenance of property and equipment	31,637	11,877
Investments restricted for investment in property and equipment	811,825	953,088
Investments restricted for permanent endowment	400,000	400,000
Promises to give, net	8,607,578	4,594,174
Total other assets	9,851,040	5,959,139
Total assets	\$ 31,532,197	\$ 27,783,273

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

**Mississippi Children's Museum
Statements of Financial Position**

<i>May 31,</i>	2018	2017
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 91,265	\$ 167,966
Current portion of long-term debt	395,708	80,000
Deferred revenue	315,381	471,310
Accrued expenses	34,520	54,782
Total current liabilities	836,874	774,058
Long-term liabilities		
Long-term debt, net of current portion	260,000	340,000
Total liabilities	1,096,874	1,114,058
Net assets		
Unrestricted	12,685,810	13,064,249
Temporarily restricted	17,349,513	13,204,966
Permanently restricted	400,000	400,000
Total net assets	30,435,323	26,669,215
Total liabilities and net assets	\$ 31,532,197	\$ 27,783,273

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

Mississippi Children's Museum
Statements of Activities and Changes in Net Assets

<i>Years ended May 31,</i>	2018	2017
Unrestricted Net Assets		
Revenues, Other Support and Reclassifications:		
Admissions	\$ 531,091	\$ 538,751
Contributions	207,991	124,594
Educational programs/sponsorships	401,568	348,272
Events	356,480	342,520
Facility rental	98,255	102,280
Grants	286,687	120,360
Proceeds from sale of stock	11	-
Interest income	582	391
Memberships	257,484	265,280
Other income	102,423	423,085
Retail sales	285,893	314,096
Tourism sales tax rebates	12,824	13,842
Total unrestricted revenues and other support	2,541,289	2,593,471
Net assets released from restrictions	787,963	945,205
Total support, revenues and reclassifications	3,329,252	3,538,676
Expenses		
Program services	2,957,775	2,915,081
Supporting service:		
Management and general	574,892	507,233
Fundraising	175,024	170,028
Total expenses	3,707,691	3,592,342
Decrease in unrestricted net assets	(378,439)	(53,666)
Temporarily Restricted Net Assets		
Contributions	4,896,060	5,664,580
Interest and dividend income	29,765	22,962
Net realized and unrealized gains on investments	6,685	31,958
Net assets released from restrictions	(787,963)	(945,205)
Increase in temporarily restricted net assets	4,144,547	4,774,295
Increase in net assets	3,766,108	4,720,629
Net assets at beginning of year	26,669,215	21,948,586
Net assets at end of year	\$ 30,435,323	\$ 26,669,215

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

Mississippi Children's Museum
Statements of Cash Flows

<i>Years ended May 31,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 3,766,108	\$ 4,720,629
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	984,784	981,205
Net realized and unrealized gains on investments	(6,685)	(31,958)
(Increase) decrease in:		
Promises to give	(3,840,513)	(3,746,205)
Other receivables	(11,132)	7,537
Inventory	799	2,874
Prepaid expenses	19,095	(63,492)
Increase (decrease) in:		
Accounts payable	(76,701)	(37,680)
Deferred revenue	(155,929)	19,873
Accrued expenses	(20,262)	5,364
Net cash provided by operating activities	659,564	1,858,147
Cash flows from investing activities		
Purchases of property and equipment	(1,127,705)	(304,289)
Proceeds from sale of investments	128,188	124,804
Purchase of investments	-	(773,000)
Net cash used in investing activities	(999,517)	(952,485)
Cash flows from financing activities		
Proceeds from long-term debt	515,708	-
Payments on long-term debt	(280,000)	(215,000)
Net cash provided (used) by financing activities	235,708	(215,000)
Net increase (decrease) in cash and cash equivalents	(104,245)	690,662
Cash and cash equivalents - beginning of year	1,257,684	567,022
Cash and cash equivalents - end of year	\$ 1,153,439	\$ 1,257,684
Supplemental disclosure of cash flow information:		
Interest paid	\$ 27,423	\$ 27,064

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

Mississippi Children's Museum (the Organization) was established to construct and operate a museum dedicated to fostering in its visitors a passion for lifelong learning, improving the health and well-being of Mississippi children, and instilling a sense of state pride in all Mississippi residents. The mission of the Organization is to provide a unique and exciting education experience that ignites and inspires a thirst for discovery, knowledge and learning in all children. The goal of the Organization is to empower and inspire the state's children, regardless of their social, educational or economic background, to discover their potential by tapping their curiosity and creativity. The 40,000 square foot museum is designed around five primary initiatives, with correlating exhibits, programs and outreach efforts. These initiatives include: Literacy; Science, Technology, Engineering and Math (STEM); Health and Nutrition; Cultural Arts and Mississippi Heritage – the keys to helping children mature into healthy and productive adult learners. Museum exhibits provide engaging, explorative, hands-on educational activities for children of all ages.

The Organization has a support group, Museum Partners, which is a part of the Organization. The primary focus of Museum Partners is conducting fundraising and promotional activities for the benefit of the Organization.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. These classifications are based on the presence or absence of donor-imposed restrictions on net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of concession items and children's gift shop items and is carried at the lower of cost or market. Cost is determined on a first-in, first-out (FIFO) basis).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the Statement of Financial Position. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Otherwise they are recorded as increases in temporarily restricted assets.

Promises to Give

Unconditional promises to give are recognized as revenues when the promises are received. The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

Purchased property and equipment are capitalized and recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value as of the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Maintenance and repairs are charged to expense when incurred. Depreciation is provided on the straight-line basis over the estimated lives of the assets.

Depreciation expense totaled \$984,784 and \$981,205 for the years ending May 31, 2018 and 2017.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the laws of the State of Mississippi. However, any income from activities not directly related to the Organization's tax-exempt purpose would be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization files its annual Form 990 in the U.S. federal jurisdiction and the State of Mississippi. The Organization is generally no longer subject to income tax examinations for the fiscal years ended May 31, 2013, and prior.

Deferred Revenue

Deferred revenue relates primarily to museum memberships, grants and advance payments for various events. Revenue is recognized as it is earned.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended May 31, 2018 and 2017, was \$84,538 and \$66,915, respectively.

Sales Taxes

Sales taxes on revenues are recorded as a liability at the time of the related sale, and the revenue is recognized net of the sales taxes. The Organization receives approximately 70% of the remitted sales taxes back from the State of Mississippi as part of the Tourism Rebate Program for the first ten years of operation. The amounts received under the Tourism Rebate Program are reflected as additional revenues.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

ASU 2016-14 will affect how not-for-profit entities report net asset classes, expenses, investment return and liquidity in the financial statements. Key elements of the ASU 2016-14 include: 1) reducing net asset classifications from three categories to two reporting net assets with donor restrictions and net assets without donor restrictions, 2) expanding disclosures about the nature and amount of any donor restrictions, 3) expanding disclosures on any board designations of net

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

assets without donor restrictions and 4) classifying underwater donor-restricted endowments as net assets with donor restrictions. There will be enhanced required disclosures for underwater endowments. Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the balance sheet date. Enhanced disclosures will be required for organizations that present an operating measure. There will be several new reporting requirements related to expenses, including disclosure by both nature and function, disclosure of expenses netted with investment return, and enhanced disclosures regarding cost allocations. The new guidance is effective for fiscal years beginning after December 15, 2017; however, early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-14 may have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases*", which establishes a comprehensive lease standard under GAAP for virtually all industries. The new standard requires lessees to recognize a right of use asset and a lease liability for virtually all of their leases, other than leases that meet the definition of short term leases and will apply for annual periods beginning after December 15, 2018, including interim periods therein. Early adoption is permitted. The Organization is still evaluating the potential impact the adoption of this new standard will have on its financial statements.

NOTE 2: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of promises to give and cash deposits in excess of insured limits.

The promises to give receivable credit risk is somewhat reduced by the number of contributors, however most of those contributors are located in the State of Mississippi.

The bank balance of cash deposits with a local bank exceeded Federal Deposit Insurance Corporation (FDIC) limits at May 31, 2018 and 2017, by approximately \$633,000 and \$781,000, respectively.

Shares of money market mutual funds (reflected as cash equivalents) totaled \$260 and \$239 at May 31, 2018 and 2017. These funds are insured by the Securities Investor Protection Corporation which provides certain coverage up to \$500,000. The securities within the funds also serve as collateral for long-term debt.

**Mississippi Children’s Museum
Notes to Financial Statements**

NOTE 3: INVESTMENTS

The valuation of investments is based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs using appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

All of the Organization’s investments at May 31, 2018 and 2017, were valued using a Level 1 fair value measurement based on quoted market prices from brokers.

Investments consist of the following types of investments at fair market value:

<i>May 31,</i>	2018	2017
Common stock	\$ 295,657	\$ -
Corporate bonds	73,421	-
ETF - international	72,277	-
Money market funds	17,535	595,270
Fixed income mutual fund shares	146,609	238,670
Mutual fund	637,963	531,025
Total	\$ 1,243,462	\$ 1,364,965

Investments are classified on the accompanying balance sheets in other assets as follows:

<i>May 31,</i>	2018	2017
Investments restricted for maintenance of property and equipment	\$ 31,637	\$ 11,877
Investments restricted for investment in property and equipment	811,825	953,088
Investments restricted for permanent endowment	400,000	400,000
Total	\$ 1,243,462	\$ 1,364,965

**Mississippi Children's Museum
Notes to Financial Statements**

NOTE 3: INVESTMENTS (Continued)

The following schedule summarizes the investment return included in the statement of activities for:

<i>Years ended May 31,</i>	2018	2017
Interest income, unrestricted	\$ 582	\$ 391
Interest and divided income	29,765	22,962
Net realized and unrealized gains	6,685	31,958
Total	\$ 37,032	\$ 55,311

NOTE 4: PROMISES TO GIVE

Promises to give consisted of the following:

<i>May 31,</i>	2018	2017
Receivable in less than one year	\$ 591,118	\$ 743,806
Receivable in one to five years	8,751,335	4,660,236
Total promises to give	9,342,453	5,404,042
Less discounts to net present value related to:		
Receivables in one to five years	(122,881)	(54,411)
Less allowance for uncollectible promises to give		
Receivable in less than one year	(46,527)	(26,324)
Receivable in one to five years	(20,876)	(11,651)
	\$ 9,152,169	\$ 5,311,656

When estimating the value of promises to give, management utilizes valuation techniques that consider the historical trends of collection, the type of donor (individual or corporation/foundation), and general economic conditions in the geographic area in which the majority of the Organization's donors live. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue.

Promises to give which are collectible in future years are discounted at 0.25% for both 2018 and 2017.

**Mississippi Children's Museum
Notes to Financial Statements**

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<i>May 31,</i>	<i>Depreciable Lives</i>	2018	2017
Building	10-30 yrs	\$ 15,592,159	\$ 15,592,159
Construction-in-process	N/A	165,168	108,330
Land	N/A	805,708	-
Leasehold and improvements	10-30 yrs	1,145,181	1,145,181
Exhibits	5-10 yrs	8,382,242	8,146,671
Office equipment	3-5 yrs	709,786	680,198
		26,800,244	25,672,539
Less accumulated depreciation		(6,967,227)	(5,982,443)
		\$ 19,833,017	\$ 19,690,096

NOTE 6: LONG-TERM DEBT

A summary of long-term debt follows:

<i>May 31,</i>	2018	2017
Note payable to a bank; quarterly principal and interest payments of \$20,000 with a fixed 4.5% interest; balloon at maturity in November 2019 secured by promises to give, equipment, furniture and fixtures (including but not limited to museum exhibits), and general intangibles.	\$ 340,000	\$ 420,000
Note payable to a bank; with quarterly interest payments at a rate of 4.1%; one balloon payment of principal amount of \$515,708 in November 2018 secured by deed of trust on real property located in Lauderdale County, State of Mississippi	315,708	-
Long-term debt	655,708	420,000
Less current portion of long-term debt	(395,708)	(80,000)
Long-term debt, net of current maturities	\$ 260,000	\$ 340,000

Mississippi Children's Museum
Notes to Financial Statements

NOTE 6: LONG-TERM DEBT (Continued)

Future maturities of long-term debt as of May 31, 2018 were as follows:

<i>May 31,</i>			
2019		\$	395,708
2020			260,000
		\$	655,708

NOTE 7: MUSEUM GIFT SHOP AND CONCESSION STORE

The Museum operates a gift shop, which sells various educational items, and a concession store.

Income and expenses for the gift shop were as follows:

<i>Years ended May 31,</i>		2018	2017
Sales	\$	157,341	\$ 183,419
Cost of sales		(83,490)	(97,488)
Gross profit	\$	73,851	\$ 85,931

Income and expenses for the concession store were as follows:

<i>Years ended May 31,</i>		2018	2017
Sales	\$	128,552	\$ 130,677
Cost of sales		(66,363)	(64,161)
Gross profit	\$	62,189	\$ 66,516

NOTE 8: DONATED MATERIALS AND SERVICES

No amounts have been reflected in the financial statements for donated services. The organization pays for most services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs. The Organization received non-cash contributions of materials with estimated values totaling \$128,205 and \$112,318 for the years ended May 31, 2018 and 2017, respectively, and these amounts are included in the revenues and expenses reported in the statement.

NOTE 9: OPERATING LEASES

The Organization has a non-cancellable operating lease for a certain piece of office equipment. Rental expense under this lease was \$1,944 and \$2,363 for the years ended May 31, 2018 and 2017, respectively.

Future minimum lease payments under this agreement at May 31, 2018 are as follows:

<i>Year ending May 31,</i>		
2019	\$	1,944
2020		1,944
2021		1,944
2022		1,458
Total future lease payments		\$ 7,290

The Mississippi Children’s Museum facility is located at Lefleur’s Bluff State Park in Jackson, Mississippi. On May 21, 2008, the Organization entered into a fifty-year sub-lease for the use of the property. As part of the consideration for entering into this lease, the Organization paid \$1,137,125 to the Mississippi Department of Wildlife Fisheries and Parks/Wildlife Heritage Fund. This payment amount was determined as the value of the property to be utilized by the Mississippi Children’s Museum and was required by the Land and Water Conservation Fund which is administered by the U.S. Department of the Interior. This amount has been capitalized as leasehold cost and is being amortized over the life of the lease.

**Mississippi Children’s Museum
Notes to Financial Statements**

NOTE 10: RETIREMENT PLAN

The Organization provides retirement benefits to salaried employees through a 403(b) plan. The Organization matches employee contributions to the plan up to 3 percent of gross wages. The retirement contribution expense included in salaries and benefits expense for the years ended May 31, 2018 and 2017, is \$22,789 and \$15,604, respectively.

NOTE 11: NET ASSETS

Temporarily restricted net assets as of May 31, 2018 and 2017, are available for the following purposes or periods:

<i>May 31,</i>	2018	2017
Property and equipment:		
Exhibit design and construction	\$ 3,496	\$ 3,496
Donated facility usage, restricted over lease term	6,111,697	6,299,747
	6,115,193	6,303,243
Exhibit maintenance	31,637	11,877
Forget-me-not Fund	811,824	953,088
Meridian campaign	9,990,859	5,302,758
Literacy garden	400,000	450,000
Kellogg Grant	-	184,000
	\$ 17,349,513	\$ 13,204,966

The museum facility is owned by the State of Mississippi and is leased to the Organization over 50 years. The donated facility usage over the life of the lease has been capitalized as additional building cost based on the construction costs paid by the State of Mississippi. The facility is being depreciated over the life of the building.

NOTE 11: NET ASSETS (Continued)

Permanently restricted net assets as of May 31, 2018 and 2017, are restricted for the following purpose:

<i>May 31,</i>	2018	2017
Permanent endowment for the maintenance and refurbishment of "The Climbing Map" interactive exhibit	\$ 400,000	\$ 400,000

The Organization’s endowment fund consists of donor-restricted funds. As required by accounting principles generally accepted in the United States, net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization’s donors have placed restrictions of the use of the investment income and net appreciation resulting from the donor-restricted endowment funds to be used for maintenance and refurbishment of “The Climbing Map” interactive exhibit.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which became effective July 1, 2012, as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of the Organization and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Organization, and
- The investment policies of the Organization

Mississippi Children's Museum
Notes to Financial Statements

NOTE 11: NET ASSETS (Continued)

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for the endowment purpose while also maintaining the purchasing power of these endowment assets over the long-term. In order to improve the earnings capability of the endowment assets, the Organization has established an investment account at a local bank.

Endowment net asset composition by type of fund as of May 31, 2018 and 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
May 31, 2018 Donor-restricted	\$ -	\$ 31,637	\$ 400,000	\$ 431,637
May 31, 2017 Donor-restricted	\$ -	\$ 27,297	\$ 400,000	\$ 427,297

Changes in endowment net assets for the years ended May 31, 2018 and 2017, are as follows:

May 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 11,877	\$ 400,000	\$ 411,877
Interest and dividend income	-	13,458	-	13,458
Net realized and unrealized gain	-	6,302	-	6,302
Endowment net assets, end of year	\$ -	\$ 31,637	\$ 400,000	\$ 431,637

**Mississippi Children’s Museum
Notes to Financial Statements**

NOTE 11: NET ASSETS (Continued)

May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 34,700	\$ 400,000	\$ 434,700
Draws for maintenance of fixed assets	-	(48,100)	-	(48,100)
Interest and dividend income	-	15,737	-	15,737
Net realized loss	-	9,540	-	9,540
Endowment net assets, end of year	\$ -	\$ 27,297	\$ 400,000	\$ 427,297

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net assets.

NOTE 12: RELATED PARTY TRANSACTIONS

The Organization has bank accounts at a local bank with balances totaling approximately \$476,000 and \$562,000 at May 31, 2018 and 2017, respectively. In addition, the Organization owed \$340,000 and \$420,000 on a note payable to a local bank as of May 31, 2018 and 2017, respectively. The bank is considered to be a related party because one of the Organization’s board members is an officer of the bank.

NOTE 13: MANAGEMENT REVIEW

In preparing these financial statements, management of the Organization has evaluated events and transactions through November 13, 2018, the date that the financial statements were available to be issued.

Supplementary Information

Mississippi Children's Museum Statements of Functional Expenses

<i>Years ended May 31,</i>	Supporting Services			Totals	
	Program Services	Management and General	Fundraising	2018	2017
Education/exhibits	\$ 205,313	\$ -	\$ -	\$ 205,313	\$ 272,707
Events	172,138	-	-	172,138	150,179
Facility costs	267,177	-	-	267,177	248,558
Insurance	-	60,643	-	60,643	56,589
Interest	-	27,423	-	27,423	27,064
Membership	3,561	-	-	3,561	6,822
Miscellaneous	44,894	206,285	18,128	269,307	213,148
Office	-	24,352	-	24,352	29,749
Professional fees	-	37,402	-	37,402	17,877
Promotions	142,514	-	-	142,514	132,414
Retail - cost of sales	149,853	-	-	149,853	161,649
Salaries and benefits	981,422	190,667	156,896	1,328,985	1,263,295
Supplies	34,237	-	-	34,237	31,086
Total expenses before depreciation	2,001,109	546,772	175,024	2,722,905	2,611,137
Depreciation	956,666	28,120	-	984,786	981,205
Total expenses	\$ 2,957,775	\$ 574,892	\$ 175,024	\$ 3,707,691	\$ 3,592,342

Mississippi Children's Museum
Combining Statements of Financial Position

<i>May 31,</i>	Jackson	Meridian	Totals	
			2018	2017
Assets				
Current assets				
Cash and cash equivalents	\$ 478,218	\$ 675,221	\$ 1,153,439	\$ 1,257,684
Promises to give, net	81,930	462,661	544,591	717,482
Other receivables	15,570	4,487	20,057	8,925
Inventory	25,132	-	25,132	25,931
Prepaid expenses	104,921	-	104,921	124,016
Total current assets	705,771	1,142,369	1,848,140	2,134,038
Property and equipment, net	18,865,906	967,111	19,833,017	19,690,096
Other assets				
Investments restricted for maintenance of property and equipment	31,637	-	31,637	11,877
Investments restricted for investment in property and equipment	811,825	-	811,825	953,088
Investments restricted for permanent endowment	400,000	-	400,000	400,000
Promises to give, net	389,952	8,217,626	8,607,578	4,594,174
Total other assets	1,633,414	8,217,626	9,851,040	5,959,139
Total assets	\$ 21,205,091	\$ 10,327,106	\$ 31,532,197	\$ 27,783,273

Mississippi Children's Museum
Combining Statements of Financial Position

<i>May 31,</i>	Jackson	Meridian	Totals	
			2018	2017
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 71,321	\$ 19,944	\$ 91,265	\$ 167,966
Current portion of long-term debt	80,000	315,708	395,708	80,000
Deferred revenue	315,381	-	315,381	471,310
Accrued expenses	33,925	595	34,520	54,782
Total current liabilities	500,627	336,247	836,874	774,058
Long-term liabilities				
Long-term debt, net of current portion	260,000	-	260,000	340,000
Total liabilities	760,627	336,247	1,096,874	1,114,058
Net assets				
Unrestricted	12,685,810	-	12,685,810	13,064,249
Temporarily restricted	7,358,654	9,990,859	17,349,513	13,204,966
Permanently restricted	400,000	-	400,000	400,000
Total net assets	20,444,464	9,990,859	30,435,323	26,669,215
Total liabilities and net assets	\$ 21,205,091	\$ 10,327,106	\$ 31,532,197	\$ 27,783,273

Mississippi Children's Museum
Combining Statements of Activities
and Changes in Net Assets

<i>Years ended May 31,</i>	Jackson	Meridian	Totals	
			2018	2017
Unrestricted Net Assets				
Revenues, Other Support and Reclassifications:				
Admissions	\$ 531,091	\$ -	\$ 531,091	\$ 538,751
Contributions	175,360	32,631	207,991	124,594
Educational programs/sponsorships	401,568	-	401,568	348,272
Events	356,090	390	356,480	342,520
Facility rental	98,255	-	98,255	102,280
Grants	286,687	-	286,687	120,360
Proceeds	11	-	11	-
Interest income	526	56	582	391
Memberships	257,484	-	257,484	265,280
Other income	102,423	-	102,423	423,085
Retail sales	281,588	4,305	285,893	314,096
Tourism sales tax rebates	12,824	-	12,824	13,842
Total unrestricted revenues and other support	2,503,907	37,382	2,541,289	2,593,471
Net assets released from restrictions	610,134	177,829	787,963	945,205
Total support, revenues and reclassifications	3,114,041	215,211	3,329,252	3,538,676
Expenses				
Program services	2,857,983	99,792	2,957,775	2,915,081
Supporting service:				
Management and general	464,100	110,792	574,892	507,233
Fundraising	170,397	4,627	175,024	170,028
Total expenses	3,492,480	215,211	3,707,691	3,592,342
Decrease in unrestricted net assets	(378,439)	-	(378,439)	(53,666)
Temporarily Restricted Net Assets				
Contributions	30,130	4,865,930	4,896,060	5,664,580
Interest and dividend income	29,765	-	29,765	22,962
Net realized and unrealized loss on investments	6,685	-	6,685	31,958
Net assets released from restrictions	(610,134)	(177,829)	(787,963)	(945,205)
Increase (decrease) in temporarily restricted net assets	(543,554)	4,688,101	4,144,547	4,774,295
Increase (decrease) in net assets	(921,993)	4,688,101	3,766,108	4,720,629
Net assets at beginning of year	21,366,457	5,302,758	26,669,215	21,948,586
Net assets at end of year	\$ 20,444,464	\$ 9,990,859	\$ 30,435,323	\$ 26,669,215