



**Mississippi Children's Museum  
and Subsidiaries**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**May 31, 2021 and 2020**



	Page
<b>REPORT</b>	
Independent Auditors' Report .....	1
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities and Changes in Net Assets .....	5
Consolidated Statements of Functional Expenses.....	7
Consolidated Statements of Cash Flows.....	9
Notes to Consolidated Financial Statements.....	11
<b>SUPPLEMENTARY INFORMATION</b>	
Consolidating Statement of Consolidating Financial Position .....	32
Consolidating Statement of Activities and Changes in Net Assets .....	34



# REPORT





**Carr, Riggs & Ingram, LLC**

400 West Parkway Place

Suite 300

Ridgeland, MS 39157

Mailing Address:

PO Box 2418

Ridgeland, MS 39158

601.853.7050

601.853.9331 (fax)

CRlcpa.com

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Mississippi Children's Museum and subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of May 31, 2021 and 2020, 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 financial position of Mississippi Children's Museum and subsidiaries as of May 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Mississippi Children's Museum and subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the 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 Mississippi Children's Museum and subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Mississippi Children's Museum and subsidiaries' 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 Mississippi Children's Museum and subsidiaries' 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and the consolidating statements of activities and changes in net assets 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 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 aspects, in relation to the consolidated financial statements as a whole.

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

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi

November 17, 2021



# FINANCIAL STATEMENTS



**Mississippi Children’s Museum and Subsidiaries**  
**Consolidated Statements of Financial Position**

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,003,647	\$ 1,659,207
Promises to give, net	1,709,044	807,874
Other receivables	1,026,842	48,253
Inventory	28,833	22,482
Prepaid expenses	40,044	158,646
<b>Total current assets</b>	<b>4,808,410</b>	<b>2,696,462</b>
Non-current assets		
Restricted cash	920,352	10,791,904
Promises to give, net	6,385,959	7,445,363
Investments restricted for maintenance of property and equipment	105,357	16,672
Investments restricted for investment in property and equipment	904,835	815,576
Investments restricted for permanent endowment	400,000	400,000
Note receivable	12,049,700	12,049,700
Property and equipment, net	32,279,316	23,117,747
<b>Total non-current assets</b>	<b>53,045,519</b>	<b>54,636,962</b>
<b>Total assets</b>	<b>\$ 57,853,929</b>	<b>\$ 57,333,424</b>

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

**Mississippi Children’s Museum and Subsidiaries  
Consolidated Statements of Financial Position (Continued)**

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 1,588,965	\$ 920,244
Current portion of long-term debt	-	80,000
Deffered revenue	343,930	219,953
Refundable advances	692,339	-
Accrued expenses	159,813	103,280
Total current liabilities	<b>2,785,047</b>	1,323,477
Long-term liabilities		
Long-term debt, net of current portion	<b>20,755,463</b>	21,746,695
Total liabilities	<b>23,540,510</b>	23,070,172
Net assets		
Without donor restrictions	<b>16,467,620</b>	16,794,839
With donor restrictions	<b>17,845,799</b>	17,468,413
Total net assets	<b>34,313,419</b>	34,263,252
<b>Total liabilities and net assets</b>	<b>\$ 57,853,929</b>	<b>\$ 57,333,424</b>

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

**Mississippi Children’s Museum and Subsidiaries  
Consolidated Statements of Activities**

<i>Year ended May 31, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, and other support</b>			
Admissions	\$ 311,854	\$ -	\$ 311,854
Contributions	372,800	1,266,803	1,639,603
Educational programs/sponsorships	598,127	-	598,127
Events	240,864	-	240,864
Facility rental	31,805	-	31,805
Grants	220,565	764,643	985,208
Investment income	130,193	190,502	320,695
Memberships	186,613	-	186,613
Other income	157,961	-	157,961
Retail sales	118,277	-	118,277
Net assets released from restrictions	1,844,562	(1,844,562)	-
<b>Total revenues, and other support</b>	<b>4,213,621</b>	<b>377,386</b>	<b>4,591,007</b>
<b>Expenses</b>			
Program services	3,852,080	-	3,852,080
Management and general	473,544	-	473,544
Fundraising	215,216	-	215,216
<b>Total expenses</b>	<b>4,540,840</b>	<b>-</b>	<b>4,540,840</b>
<b>Change in net assets</b>	<b>(327,219)</b>	<b>377,386</b>	<b>50,167</b>
Net assets at beginning of year	16,794,839	17,468,413	34,263,252
Net assets at end of year	\$ 16,467,620	\$ 17,845,799	\$ 34,313,419

(Continued)

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

**Mississippi Children’s Museum and Subsidiaries  
Consolidated Statements of Activities (Continued)**

<i>Year ended May 31, 2020</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, and other support</b>			
Admissions	\$ 455,705	\$ -	\$ 455,705
Contributions	131,002	2,215,070	2,346,072
Educational programs/sponsorships	414,251	-	414,251
Events	333,657	-	333,657
Facility rental	80,445	-	80,445
Grants	389,225	150,000	539,225
Investment income	57,467	55,240	112,707
Memberships	237,300	-	237,300
Other income	47,282	-	47,282
Retail sales	193,663	-	193,663
Net assets released from restrictions	1,852,445	(1,852,445)	-
<b>Total revenues, and other support</b>	<b>4,192,442</b>	<b>567,865</b>	<b>4,760,307</b>
<b>Expenses</b>			
Program services	3,413,776	-	3,413,776
Management and general	528,477	-	528,477
Fundraising	207,718	-	207,718
<b>Total expenses</b>	<b>4,149,971</b>	<b>-</b>	<b>4,149,971</b>
<b>Change in net assets</b>	<b>42,471</b>	<b>567,865</b>	<b>610,336</b>
Net assets at beginning of year	17,660,076	15,992,840	33,652,916
Equity from transactions with entities under common control	(907,708)	907,708	-
<b>Net assets at end of year</b>	<b>\$ 16,794,839</b>	<b>\$ 17,468,413</b>	<b>\$ 34,263,252</b>

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

## Mississippi Children's Museum and Subsidiaries Consolidated Statements of Functional Expenses

For the year ended May 31, 2021

	Program Services						Supporting		Total
	Education	Exhibits and facilities	External affairs	Retail	Special Events	Total Program Service	General and administrative	Fundraising	
Advertising and promotion	\$ -	\$ -	\$ 107,441	\$ -	\$ -	\$ 107,441	\$ -	\$ -	\$ 107,441
Cost of goods sold	-	-	-	61,288	-	61,288	-	-	61,288
Depreciation	-	1,062,151	-	-	-	1,062,151	57,404	-	1,119,555
Educational	130,824	171,214	-	-	-	302,038	-	-	302,038
Events	50,783	-	130	-	38,597	89,510	-	-	89,510
Facility costs	-	309,299	-	-	-	309,299	-	-	309,299
Insurance	54,606	-	-	-	-	54,606	7,298	-	61,904
Interest	-	363,097	-	-	-	363,097	-	-	363,097
Miscellaneous	990	-	151	-	532	1,673	5,474	129	7,276
Operational costs	-	12,269	-	28,854	-	41,123	14,243	12,070	67,436
Professional fees	92,872	19,000	19,855	54,157	-	185,884	53,352	-	239,236
Salaries and benefits	604,962	143,622	186,205	270,617	-	1,205,406	304,786	203,017	1,713,209
Supplies	31,780	33,494	75	3,215	-	68,564	30,987	-	99,551
<b>Total expenses</b>	<b>\$ 966,817</b>	<b>\$ 2,114,146</b>	<b>\$ 313,857</b>	<b>\$ 418,131</b>	<b>\$ 39,129</b>	<b>\$ 3,852,080</b>	<b>\$ 473,544</b>	<b>\$ 215,216</b>	<b>\$ 4,540,840</b>

Continued

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

**Mississippi Children’s Museum and Subsidiaries**  
**Consolidated Statements of Functional Expenses (Continued)**

*For the year ended May 31, 2020*

	Program Services					Supporting		Total	
	Education	Exhibits and facilities	External affairs	Retail	Special Events	Total Program Service	General and administrative		Fundraising events
Advertising and promotion	\$ -	\$ -	\$ 137,955	\$ -	\$ -	\$ 137,955	\$ -	\$ -	\$ 137,955
Cost of goods sold	-	-	-	110,301	-	110,301	-	-	110,301
Depreciation	-	956,470	-	236	-	956,706	41,000	-	997,706
Educational	70,656	1,062	-	-	-	71,718	-	-	71,718
Events	36,060	-	4,560	-	103,885	144,505	-	-	144,505
Facility costs	-	320,704	-	-	-	320,704	-	-	320,704
Insurance	-	39,420	-	-	-	39,420	18,752	-	58,172
Interest	-	269,238	-	-	-	269,238	-	-	269,238
Miscellaneous	837	-	466	-	-	1,303	8,659	-	9,962
Operational costs	-	12,214	-	30,587	-	42,801	15,762	17,903	76,466
Professional fees	41,577	22,417	12,329	14,121	-	90,444	150,107	-	240,551
Salaries and benefits	564,203	149,356	186,093	273,220	-	1,172,872	265,755	188,565	1,627,192
Supplies	28,953	21,763	351	4,742	-	55,809	28,442	1,250	85,501
<b>Total expenses</b>	<b>\$ 742,286</b>	<b>\$ 1,792,644</b>	<b>\$ 341,754</b>	<b>\$ 433,207</b>	<b>\$ 103,885</b>	<b>\$ 3,413,776</b>	<b>\$ 528,477</b>	<b>\$ 207,718</b>	<b>\$ 4,149,971</b>

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

**Mississippi Children's Museum and Subsidiaries**  
**Consolidated Statements of Cash Flow**

<i>Years ended May 31,</i>	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Change in net assets	\$ 50,167	\$ 610,336
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,119,555	997,706
Amortization of debt issuance cost	28,348	18,865
Net realized and unrealized gain on investments	(156,916)	(16,306)
Gain on sale of property and equipment	-	(24,997)
Changes in operating assets and liabilities		
Promises to give	158,234	748,067
Other receivables	(978,589)	(40,211)
Inventory	(6,351)	569
Prepaid expenses	118,602	(23,066)
Accounts payable	668,721	734,606
Performance obligation liability	123,977	(33,148)
Refundable advances	692,339	-
Accrued expenses	56,532	48,602
<b>Net cash provided by operating activities</b>	<b>1,874,619</b>	<b>3,021,023</b>
<b>Investing activities</b>		
Purchases of property and equipment	(10,281,124)	(4,510,382)
Proceeds from sale of property and equipment	-	2,589,944
Purchase of investments	(146,812)	(857,670)
Proceeds from sale of investments	125,785	830,861
<b>Net cash used in investing activities</b>	<b>(10,302,151)</b>	<b>(1,947,247)</b>
<b>Financing activities</b>		
Proceeds from long-term debt	-	7,895,247
Payments on long-term debt	(1,099,580)	(781,547)
<b>Net cash provided (used) by financing activities</b>	<b>(1,099,580)</b>	<b>7,113,700</b>
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>(9,527,112)</b>	<b>8,187,476</b>
Cash, cash equivalents, and restricted cash - beginning of year	12,451,111	4,263,635
<b>Cash, cash equivalents, and retracted cash- end of year</b>	<b>\$ 2,923,999</b>	<b>\$ 12,451,111</b>
Cash and cash equivalents	\$ 2,003,647	\$ 1,659,207
Restricted cash	920,352	10,791,904
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 2,923,999</b>	<b>\$ 12,451,111</b>

(Continued)

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

**Mississippi Children’s Museum and Subsidiaries  
Consolidated Statements of Cash Flow (Continued)**

<i>Years ended May 31,</i>	<b>2021</b>	2020
<b>Schedule of Certain Cash Flow Information</b>		
Interest paid, net of amounts capitalized of \$97,488 and \$54,782, respectively	<b>\$ 334,749</b>	\$ 216,696
<b>Non-cash investing and financing Activities</b>		
Note receivable in exchange from long-term debt borrowings	\$ -	\$ 12,049,700
Purchase of property and equipment with long term debt	\$ -	\$ 2,384,430

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

## Mississippi Children’s Museum and Subsidiaries Notes to Consolidated Financial Statements

### **Note 1: Description of the Organization**

#### ***Organization and Activities***

Mississippi Children’s Museum (MCM) 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.

In 2016, Mississippi Children’s Museum (MCM) formed Mississippi Children’s Museum – Meridian, LLC (MCM-M), a nonprofit organization, to provide unique and exciting educational experiences that enrich the lives of children in Meridian and East Mississippi. As the sole member of Mississippi Children’s Museum – Meridian, LLC, MCM’s liability is limited to the amount of capital contributions and shares of any assets and undistributed profits.

FTC QALICB, Inc. (FTC), a nonprofit corporation, was formed in August 7, 2019 in order to develop and construct a museum to benefit, support, perform the charitable functions of, or to carry out the charitable purposes, of the Mississippi Children’s Museum. FTC obtained the status of a Qualified Active Low-Income Community Business in order to construct, develop, and equip a children’s museum in Meridian, Mississippi through a New Markets Tax Credit (NMTC) transaction. MCM controls FTC by appointing the majority of its board of directors.

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Mississippi Children’s Museum, Mississippi Children’s Museum – Meridian, LLC (MCM-M), and FTC QALICB, Inc. (FTC) (collectively referred to as the “Organization”). All significant intercompany accounts and transactions have been eliminated.

#### ***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

## Mississippi Children's Museum and Subsidiaries Notes to Consolidated Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash and highly liquid investments with an original maturity of 90 days or less. Money market funds held in investment accounts are considered to be investments.

#### ***Restricted Cash***

Amounts included in restricted cash represent those required to be set aside by a contractual agreement. Restricted cash included in the statement of financial position represents disbursement accounts limited to use of the construction of the Meridian museum and for the purpose of reserve amounts for the payments of future tax and audit fees charged by lenders that will lapse upon the seven year compliance period of the New Markets Tax Credit transaction. Release of funds from the disbursement account (\$542,602 at May 31, 2021 and \$10,347,254 at May 31, 2020) for uses other than amounts specified in loan agreements are subject to approval by FTC's lenders.

#### ***Accounts Receivable***

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations. No allowance was considered necessary at May 31, 2021 or 2020. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

#### ***Promises to Give***

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

The Organization provides for uncollectible promises to give using the allowance method. The allowance is based on experience and inspection of outstanding promises to give, and other circumstances which may affect the ability of donors to meet their pledges. Promises that are specifically identified as uncollectible are written off.

## **Mississippi Children's Museum and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Note Receivable***

Note receivable are stated at the outstanding principal amount, net of loan allowance for loan losses, if applicable. Outstanding notes receivable accrue interest based on the terms of the respective loan agreement.

A note is considered impaired when it is probable, based on current information or events, that the Organization will be unable to collect all principal or interest due in accordance with the contractual terms of the loan agreement. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses. At May 31, 2021 and 2020, no allowance for loan losses was considered necessary.

##### ***Inventory***

Inventory consists of concession items and children's gift shop items and is carried at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

##### ***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. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Otherwise they are recorded as increases in net assets with donor restrictions.

##### ***Property and Equipment***

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Interest and development cost incurred for the construction and development of assets are capitalized as part of the asset.

##### ***Net Assets***

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any

## Mississippi Children's Museum and Subsidiaries Notes to Consolidated Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Net Assets (continued)***

limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

#### ***Revenue Recognition***

Memberships, program fees and sponsorships, event fees, retail sales, and payments under various contracts are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Income from membership dues and certain member service fees received in advance are deferred and recognized over the periods to which the dates and fees relate. These amounts are included in performance obligation liabilities within the statements of financial position.

Contributions and grants are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the condition. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Certain grants received by the Organization are from government agencies. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

#### ***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

## Mississippi Children's Museum and Subsidiaries Notes to Consolidated Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Donated Assets***

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

#### ***Functional Allocation of Expenses***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee benefits and office operations expenses are allocated on the basis of estimates of time and effort. The allocations to program expenses are allocated based on employee time and effort percentages.

#### ***Advertising***

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended May 31, 2021 and 2020, advertising costs totaled \$28,826 and \$62,355, respectively.

#### ***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).

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2021 and 2020, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

#### ***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.

#### ***Reclassifications***

Certain reclassifications were made to prior year balances to conform to current year presentation.

## Mississippi Children’s Museum and Subsidiaries Notes to Consolidated Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Subsequent Events*

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 17, 2021. See Note 21 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

### Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>May 31,</i>	<b>2021</b>	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 2,003,647	\$ 1,659,207
Promises to give	8,095,003	8,253,237
Investments	1,410,192	1,232,248
Other receivables	1,026,842	48,253
Restricted cash	920,352	10,791,904
Note receivable	12,049,700	12,049,700
Total financial assets at year end	<b>25,505,736</b>	34,034,549
Adjustments for availability to be used within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	<b>(17,845,799)</b>	(17,468,413)
Restricted by contractual time restrictions	<b>(6,474,292)</b>	(15,382,082)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 1,185,645</b>	\$ 1,184,054

The Organization is principally supported by contributions, grants, and fees charged for services provided. In addition to the financial assets available to meet general expenditures over the next twelve months, continued support is expected to meet operating needs. The Organization’s liquidity management plan includes adopting balanced operating and capital budgets annually. Additionally, the Organization has a line of credit of \$250,000 to support operating needs.

**Mississippi Children’s Museum and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Note 4: PROMISES TO GIVE**

Promises to give consisted of the following:

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
Receivable in less than one year	\$ 1,709,044	\$ 807,874
Receivable after one year and less than five years	5,240,274	4,195,420
Receivable after five years	1,285,360	3,432,717
<b>Total promises to give</b>	<b>8,234,678</b>	<b>8,436,011</b>
Less allowance for uncollectible promises to give	(81,885)	(78,395)
Less discounts to net present value (.75%)	(57,790)	(104,379)
	<b>\$ 8,095,003</b>	<b>\$ 8,253,237</b>

At May 31, 2021, promises to give based conditional awards totaled \$467,339. The awards are subject to the occurrence of future events including qualifying expenditures and development of a program.

Bad debt expense totaled \$12,000 for the year ended May 31, 2020.

**Note 5: INVESTMENTS**

Investments in marketable securities consist of the following:

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
Money market funds	\$ 257,596	\$ 153,031
Common stock	213,134	167,387
Common stock - foreign	21,742	14,975
Corporate bonds	393,311	457,659
Mutual funds - equities	328,856	224,905
Mutual funds - fixed income	155,272	175,296
Exchange traded funds	40,281	38,995
<b>Total</b>	<b>\$ 1,410,192</b>	<b>\$ 1,232,248</b>

**Mississippi Children’s Museum and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Note 5: INVESTMENTS (Continued)**

Investments are classified on the accompanying balance sheets as follows:

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
Investments restricted for maintenance of property and equipment	\$ <b>105,357</b>	\$ 16,672
Investments restricted for investment in property and equipment	<b>904,835</b>	815,576
Investments restricted for permanent endowment	<b>400,000</b>	400,000
<b>Total</b>	<b>\$ 1,410,192</b>	<b>\$ 1,232,248</b>

Maturities of corporate bonds as of May 31, 2021 are as follows:

	<b>Estimated Fair Value</b>
Due in less than one year	\$ -
Due after one year and less than five	<b>368,682</b>
Due after five years and less than ten	<b>24,629</b>
<b>Total</b>	<b>\$ 393,311</b>

**Note 6: NEW MARKETS TAX CREDIT TRANSACTIONS**

On October 29, 2019, MCM-M and FTC entered into a New Markets Tax Credit (NMTC) transaction to provide funding for the construction of a children’s museum (the “Project”) in Meridian, Mississippi. The NMTC program was created by the Community Renewal Tax Relief Act of 2000 and is regulated by section 45D of the IRC. The program is designed to make investment capital available to businesses in qualifying low-income communities to create jobs and spur economic development. Privately managed investment institutions, or Community Development Entities, make loans and capital investments in businesses in underserved areas.

*Note Receivable*

MCM-M entered into long-term loans with a financial institution totaling \$6,227,046 (see Note 9 for additional information regarding this loan). MCM-M used the proceeds of the aforementioned term-loan along with its own funding of \$5,832,131 to make leveraged loans of \$12,049,700 to COCRF Investor 160, LLC and COCRF Investor, LLC (collectively referred to as the “Investment Fund”). The loans require quarterly payments of interest-only accruing interest between 1% and 1.46% commencing in December 2019 through September 2026. Quarterly payments of principal and interest will commence in December 2026 with the final payment due in October 2043. The principal balance of the note as of May 31, 2021 and 2020 totaled \$12,049,700. Collection is fully expected and accordingly, no allowance has been provided.

## Mississippi Children’s Museum and Subsidiaries Notes to Consolidated Financial Statements

### **Note 6: NEW MARKETS TAX CREDIT TRANSACTIONS (Continued)**

#### Notes Payable

The Investment Fund used the leverage loan, along with tax credit equity provided, to make qualified equity investment in the Community Development Entities which include Enhanced Capital New Market Development Fund 62, LLC, Hope New Markets 14, LLC and COCRF SubCDE 55, LLC (collectively referred to as “CDEs”).

The CDEs made Qualified Low-Income Community Investment (QLICI) loans in the amount of \$16,790,000 to FTC. Repayment of these loans, including terms, is discussed in Note 9. FTC is using these funds for the construction of the new museum while the CDEs provide income tax credits to the Investment Fund. As guarantor of the QLICI loans, MCM-M is required to pay to FTC any amounts needed to complete the construction and equipping of the Project.

#### Option agreement

The taxpayers who invested in the QEI funds may claim tax credits related to their investment over the seven year compliance period. Once the compliance period ends, there is a put and call agreement between the NMTC investors and FTC. The NMTC investors may put their ownership interests in the QEI funds to MCM-M for \$1,000. If the NMTC investors do not exercise their put option, MCM-M has the ability to call the ownership interest in the QEI funds for the fair market value. It is anticipated that the NMTC will put their options and MCM-M would then own the QEI funds. MCM-M would then forgive FTC’s QLICI loan, resulting in no outstanding debt at that point in time and a benefit of equity from the NMTC program may be recognized.

#### Other Transactions

As part of the NMTC transaction, MCM-M entered into an agreement with FTC to lease the facility which commenced on January 1, 2021. The terms of the lease call for quarterly lease payments from MCM-M of \$37,500 from 2021 through 2023, \$55,000 in 2024, \$70,000 in 2025, \$112,500 in 2026, and additional graduating quarterly payments beginning January 1, 2027 through termination of the lease on December 31, 2050.

Additionally, FTC entered into a ground lease with MCM-M requiring annual payments of \$20,016 for the years ending 2021, 2022, and 2023, \$90,016 in 2024, and \$150,016 in 2025.

## Mississippi Children’s Museum and Subsidiaries Notes to Consolidated Financial Statements

### Note 7: PROPERTY AND EQUIPMENT

The components of property and equipment at May 31, 2021 and 2020, are as follows:

	<i>Estimated Useful Lives</i>	<b>2021</b>	2020
Building and improvements	10-40 yrs.	\$ <b>26,814,685</b>	\$ 15,599,010
Leasehold improvements	10-20 yrs.	<b>1,145,181</b>	1,145,181
Exhibits	5-15 yrs.	<b>11,988,659</b>	8,577,786
Office equipment	3-5 yrs.	<b>1,135,052</b>	802,576
		<b>41,083,577</b>	26,124,553
Less accumulated depreciation		<b>(10,071,901)</b>	(8,952,347)
		<b>31,011,676</b>	17,172,206
Construction in progress		<b>336,932</b>	5,014,833
Land		<b>930,708</b>	930,708
		<b>\$ 32,279,316</b>	\$ 23,117,747

Depreciation expense for the years ended May 31, 2021 and 2020 totaled \$1,119,555 and \$997,706, respectively.

### Note 8: LINE OF CREDIT

The Organization maintains a line of credit agreement with a financial institution. Available borrowings related to the agreement are \$250,000 with an interest rate of the LIBOR based index. The credit line expires in March 2022 if not renewed. There was no outstanding balance as of May 31, 2021 or 2020.

## Mississippi Children’s Museum and Subsidiaries Notes to Consolidated Financial Statements

### Note 9: LONG-TERM DEBT

Long-term debt at May 31, 2021 and 2020, consists of the following:

<u>May 31,</u>	<b>2021</b>	<b>2020</b>
<b><u>MCM</u></b>		
Note payable to bank in quarterly payments of \$20,000 including interest of 4.5%, with balance due at maturity in November 2019, secured by promises to give, equipment and fixtures (including museum exhibits), and general intangibles.	\$ -	\$ 125,000
<b><u>MCM-M</u></b>		
Note payable to bank with monthly interest payments at 5% with balance due at maturity in September 2026, secured by real estate deed of trust and security agreement to include chattel paper, general intangibles and accounts of MCM-M.	<b>4,770,919</b>	5,745,499
<b><u>FTC</u></b>		
QLICI note payable to Enhanced Capital New Market Development Fund 62, LLC (loan A) in quarterly interest only payments through September 2026 and quarterly interest and principal payments of \$62,678 commencing in December 2026, accruing interest at 1.138%, maturing October 2049, and secured by deed of trust in Meridian museum, cash reserve accounts, and guaranty of MCM-M.	<b>5,068,700</b>	5,068,700
QLICI note payable to COCRF SubCDE 55, LLC (loan A) in quarterly interest only payments through September 2026 and quarterly interest and principal payments of \$24,999 commencing in December 2026, accruing interest at 1%, maturing October 2049, and secured by deed of trust in Meridian museum, cash reserve accounts, and guaranty of MCM-M.	<b>2,052,300</b>	2,052,300
QLICI note payable to Hope New Markets 14, LLC (loan A) in quarterly interest only payments through September 2026 and quarterly interest and principal payments of \$60,968 commencing in December 2026, accruing interest at 1.138%, maturing October 2049, and secured by deed of trust in Meridian museum, cash reserve accounts, and guaranty of MCM-M.	<b>4,928,700</b>	4,928,700

**Mississippi Children’s Museum and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Note 9: LONG-TERM DEBT (Continued)**

<i>May 31,</i>	<b>2021</b>	2020
QLICI note payable to Enhanced Capital New Market Development Fund 62, LLC (loan B) in quarterly interest only payments through September 2026 and quarterly interest and principal payments of \$23,890 commencing in December 2026, accruing interest at 1.138%, maturing October 2049, and secured by deed of trust in Meridian museum, cash reserve accounts, and guaranty of MCM-M.	<b>1,931,300</b>	1,931,300
QLICI note payable to COCRF SubCDE 55, LLC (loan B) in quarterly interest only payments through September 2026 and quarterly interest and principal payments of \$11,544 commencing in December 2026, accruing interest at 1%, maturing October 2049, and secured by deed of trust in Meridian museum, cash reserve accounts, and guaranty of MCM-M.	<b>1,861,300</b>	1,861,300
QLICI note payable to Hope New Markets 14, LLC (loan B) in quarterly interest only payments through September 2026 and quarterly interest and principal payments of \$23,024 commencing in December 2026, accruing interest at 1.138%, maturing October 2049, and secured by deed of trust in Meridian museum, cash reserve accounts, and guaranty of MCM-M.	<b>947,700</b>	947,700
Long-term debt	<b>21,560,919</b>	22,660,499
Less unamortized debt issuance cost	<b>(805,456)</b>	(833,804)
Long-term debt, less unamortized debt issuance cost	<b>20,755,463</b>	21,826,695
Less current portion	-	(80,000)
Long-term debt, less current portion	<b>\$ 20,755,463</b>	\$ 21,746,695

The QLICI note payable agreements include certain administrative and compliance debt covenants. Management believes the organization is in compliance with these covenants.

**Mississippi Children’s Museum and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Note 9: LONG-TERM DEBT (Continued)**

Future maturities of long-term debt as of May 31, 2021 were as follows:

<i>May 31,</i>		
2021	\$	-
2022		-
2023		-
2024		-
2025		-
Thereafter		21,560,919
	\$	21,560,919

**Note 10: NET ASSETS**

A summary of net assets without donor restrictions follows:

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
Undesignated	<b>\$ 16,467,620</b>	\$ 16,794,839

A summary of net assets with donor restriction follows:

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
Time restricted	<b>\$ 139,843</b>	\$ 391,021
Purpose restricted		
Exhibit maintenance	<b>105,357</b>	16,673
Forget-me-not Fund	<b>904,835</b>	815,576
Meridian capital campaign	<b>15,550,397</b>	15,289,843
Endowment for Mississippi Map maintenance	<b>400,000</b>	400,000
Literacy Garden	<b>250,000</b>	300,000
IMLS grant	<b>28,028</b>	60,300
Kellogg grant	-	120,000
Geer grant	<b>467,339</b>	-
Hearst grant	-	75,000
	<b>\$ 17,845,799</b>	\$ 17,468,413

**Mississippi Children’s Museum and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Note 10: NET ASSETS (Continued)**

A summary of the release of donor restrictions follows:

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
Time restrictions	\$ 469,892	\$ 346,042
Purpose restricted		-
Meridian capital campaign	800,094	1,379,703
Literacy Garden	50,000	50,000
IMLS grant	229,432	76,700
Kellogg grant	120,000	-
Geer grant	100,144	-
Hearst grant	75,000	-
	<b>\$ 1,844,562</b>	<b>\$ 1,852,445</b>

**Note 11: REVENUE**

The Organization is recognizing revenue over time for its membership revenues. As of May 31, 2021 and 2020, there were \$343,930 and \$219,503 of performance obligations to be satisfied. The performance obligations are expected to be recognized in revenue within one year. The Organization’s method of recognizing these revenues is the input method for performance obligations to be utilized over time. Membership dues are recognized ratably over the membership term as benefits are provided over the entire membership period and events and sponsorships are recognized as occurred.

**Disaggregated Revenues**

A summary of disaggregated revenues information follows:

<i>For the years ended May 31,</i>	<b>2021</b>	<b>2020</b>
Contracts with customer		
Recognized over time	\$ 186,613	\$ 237,300
Recognized at a point in time	1,300,927	1,477,721
Grants and contributions	2,624,811	2,885,297
Other revenues	157,961	47,282
Investment income	320,695	112,707
	<b>\$ 4,591,007</b>	<b>\$ 4,760,307</b>

## Mississippi Children’s Museum and Subsidiaries Notes to Consolidated Financial Statements

### Note 11: REVENUE (Continued)

The Organization primarily receive program service revenues from residents of Mississippi. Support is primarily derived from individuals, other nonprofit organizations, and corporate donors within Mississippi and the Southeast United States or grants from government agencies.

#### Contract Balances

A summary of contract balances as of the beginning and ending of 2021 and 2020 are as follows:

<u>May 31,</u>	<u>2021</u>	<u>2020</u>
Contract liabilities, beginning of year	\$ 219,953	\$ 253,101
Contract liabilities, end of year	<b>343,930</b>	219,953

### Note 12: ENDOWMENT

The Organization’s endowment fund consists of donor-restricted fund restricted for maintenance and refurbishment of “The Mississippi Map” interactive exhibit and a quasi-endowment restricted for the use on maintaining and improving the building, exhibits and Literacy Garden of the museum. 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. 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

Absent explicit donor stipulations to the contrary, the Board of Directors of 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 fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual 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 retained in perpetuity are subject to appropriation 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: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies:* 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. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. In order to improve the earnings capability of the endowment assets, the Organization has established an investment account at a local bank.

**Mississippi Children’s Museum and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Note 12: ENDOWMENT (Continued)**

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

*Spending Policy.* The Organization has a policy of appropriating for distribution as needed for the maintenance and refurbishment as needed for the exhibit not exceed accumulated earnings from the endowment. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Endowment net asset composition by type of fund follows:

May 31,	2021	2020
Endowment funds with donor restrictions	\$ 505,357	\$ 416,672
Quasi-endowment restricted for purpose	904,835	815,576
<b>Total endowment funds with donor restrictions</b>	<b>\$ 1,410,192</b>	<b>\$ 1,232,248</b>

Changes in endowment net assets follow:

**May 31, 2021**

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,232,248	\$ 1,232,248
Interest and dividend income, net of fees	-	21,021	21,021
Net realized and unrealized gain	-	156,923	156,923
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 1,410,192</b>	<b>\$ 1,410,192</b>

**May 31, 2020**

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,189,132	\$ 1,189,132
Interest and dividend income	-	26,810	26,810
Net realized and unrealized gain	-	16,306	16,306
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 1,232,248</b>	<b>\$ 1,232,248</b>

## Mississippi Children's Museum and Subsidiaries Notes to Consolidated Financial Statements

### Note 13: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

*Common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Mutual funds and exchange-traded funds:* Valued at the daily closing price as reported by the fund. The funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The funds held by the Organization are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

## Mississippi Children's Museum and Subsidiaries Notes to Consolidated Financial Statements

### Note 13: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis, are summarized for the years ended May 31, 2021 and 2020:

<i>May 31, 2021</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 257,596	\$ -	\$ -	\$ 257,596
Common stock	234,876	-	-	234,876
Corporate bonds	368,682	24,629	-	393,311
Mutual funds	484,128	-	-	484,128
Exchange traded funds	40,281	-	-	40,281
	<b>\$ 1,385,563</b>	<b>\$ 24,629</b>	<b>\$ -</b>	<b>\$ 1,410,192</b>

<i>May 31, 2020</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 153,031	\$ -	\$ -	\$ 153,031
Common stock	182,362	-	-	182,362
Corporate bonds	434,334	23,325	-	457,659
Mutual funds	400,201	-	-	400,201
Exchange traded funds	38,995	-	-	38,995
	<b>\$ 1,208,923</b>	<b>\$ 23,325</b>	<b>\$ -</b>	<b>\$ 1,232,248</b>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended May 31, 2021, there were no significant transfers in or out of Levels 1, 2 or 3.

### Note 14: DONATED MATERIALS AND SERVICES

The organization pays for most services requiring specific expertise; however individuals volunteer their time and perform a variety of tasks to assist the Organization which do not require specific expertise. During the years ended May 31, 2021 and 2020, no amounts have been reflected the financial statements for volunteer services. The Organization received in-kind contributions of materials, supplies and other assets totaling \$137,318 and \$161,325 for the years ended May 31, 2021 and 2020, respectively.

## Mississippi Children’s Museum and Subsidiaries Notes to Consolidated Financial Statements

### Note 15: CONCENTRATION OF CREDIT RISK

The Organization maintains cash deposits with financial institutions in excess of federally insured limits. At May 31, 2021 and 2020, deposits in excess of federally insured amounts totaled \$2,036,356 and \$11,433,000.

At May 31, 2021 and 2020, promises to give of \$5,600,000 and \$6,200,000 were due from two donors.

### Note 16: COMMITMENTS

The Organization has two non-cancellable operating leases for certain office equipment. Rental expense under these leases was \$2,483 for each of the years ended May 31, 2021 and 2020.

Future minimum lease payments under this agreement at May 31, 2021 are as follows:

*Year ending May 31,*

---

2022	\$	1,035
------	----	-------

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.

The Organization entered into contracts for the construction, development and design of a new museum facility in Meridian, Mississippi. The contracted construction, design, and other services related to the facility totaled \$13,760,000. As of May 31, 2021, the remaining unbilled contract under these agreements totaled \$365,575. Under the provisions of the contract agreements, the contracting parties may terminate the agreement for convenience upon notice of termination with the payment required for work performed, reimbursable costs, and applicable terminations costs.

### Note 17: DEFINED CONTRIBUTION 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 2021 and 2020, is \$28,908 and \$29,022, respectively.

## **Mississippi Children’s Museum and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **Note 18: RELATED PARTY TRANSACTIONS**

The Organization has bank accounts at a local bank with balances totaling approximately \$1,068,615 and \$671,841 at May 31, 2021 and 2020, respectively. In addition, the Organization owed \$125,000 on a note payable to a local bank as of May 31, 2020, respectively. This note payable was paid off during the current year. The bank is considered to be a related party because one of the Organization’s board members is an officer of the bank.

#### **Note 19: PAYCHECK PROTECTION PROGRAM**

In 2020, in response to the global pandemic, the Organization applied for and received loans of \$299,050 through the Paycheck Protection Program under the CARES Act. Under the terms of the Program, the Organization applied for and received loan forgiveness equal to the payroll and certain occupancy costs within the criteria and timeframe established by the Program. The Organization has met the required criteria to apply for loan forgiveness and accordingly, has recognized the full loan amounts as grant income during the year ended May 31, 2020.

In 2021, the Organization received a second loan of \$262,108 through the Paycheck Protection Program under the CARES Act. The loan accrued interest at 1% and matures in 2023. Under the terms of the Program, the Organization may apply for loan forgiveness equal to the payroll and certain occupancy costs within the criteria and timeframe established by the Program. The Organization met the required criteria to apply for loan forgiveness and accordingly, recognized the full loan amounts as grant income during the year ended May 31, 2021.

#### **Note 20: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be categorized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Company. As of the financial statement reporting date, the Company does not expect to close any business locations or to terminate any employees; there are no supply or worker shortages. However, impacts to the Company’s operations will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects of the Company’s access to federal and state legislative actions and programs enacted to promote business stabilization due to the pandemic, all of which are uncertain. While this matter may have a negative impact on the business and its operations, the related financial impacts cannot be reasonably estimated at this time.

#### **Note 21: SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after May 31, 2021 through November 17, 2021, the date the Organization’s financial statements were available to be issued. The following items occurred:

In the construction of the Meridian campus, the Organization drew \$472,000 against its line of credit and incurred an additional \$522,000 in construction costs.



## SUPPLEMENTARY INFORMATION



**Mississippi Children's Museum and Subsidiaries**  
**Consolidating Statements of Consolidating Financial Position**

<i>May 31,</i>	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2021	2020
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 1,070,778	\$ 927,865	\$ 5,004	\$ -	\$ 2,003,647	1,659,207
Promises to give, net	127,870	1,113,835	-	-	1,241,705	807,874
Other receivables	957,984	68,858	25,000	(25,000)	1,026,842	48,253
Inventory	23,299	5,534	-	-	28,833	22,482
Prepaid expenses	36,150	3,894	-	-	40,044	158,646
<b>Total current assets</b>	<b>2,216,081</b>	<b>2,119,986</b>	<b>30,004</b>	<b>(25,000)</b>	<b>4,341,071</b>	<b>2,696,462</b>
Non-current assets						
Restricted cash	-	-	920,352	-	920,352	10,791,904
Promises to give, net	283,892	6,102,067	-	-	6,385,959	7,445,363
Investments restricted for maintenance of property and equipment	105,357	-	-	-	105,357	16,672
Investments restricted for investment in property and equipment	904,835	-	-	-	904,835	815,576
Investments restricted for permanent endowment	400,000	-	-	-	400,000	400,000
Notes receivable	-	12,049,700	-	-	12,049,700	12,049,700
Property and equipment, net	16,675,479	394,482	15,309,355	(100,000)	32,279,316	23,117,747
<b>Total non-current assets</b>	<b>18,369,563</b>	<b>18,546,249</b>	<b>16,229,707</b>	<b>(100,000)</b>	<b>53,045,519</b>	<b>54,636,962</b>
<b>Total assets</b>	<b>\$ 20,585,644</b>	<b>\$ 20,666,235</b>	<b>\$ 16,259,711</b>	<b>\$ (125,000)</b>	<b>\$ 57,386,590</b>	<b>\$ 57,333,424</b>

**Mississippi Children's Museum and Subsidiaries**  
**Consolidating Statements of Consolidating Financial Position (Continued)**

<i>May 31,</i>	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2021	2020
<b>Liabilities and Net Assets</b>						
Current liabilities						
Accounts payable	\$ 1,004,479	\$ 70,186	\$ 539,300	\$ (25,000)	\$ 1,588,965	920,244
Current portion of long-term debt	-	-	-	-	-	80,000
Performance obligation liability	191,661	152,269	-	-	343,930	219,953
Refundable advances	225,000	-	-	-	225,000	-
Accrued expenses	113,534	12,601	33,678	-	159,813	103,280
<b>Total current liabilities</b>	<b>1,534,674</b>	<b>235,056</b>	<b>572,978</b>	<b>(25,000)</b>	<b>2,317,708</b>	<b>1,323,477</b>
Long-term liabilities						
Long-term debt, net of current portion	-	4,770,919	15,984,544	-	20,755,463	21,746,695
<b>Total liabilities</b>	<b>1,534,674</b>	<b>5,005,975</b>	<b>16,557,522</b>	<b>(25,000)</b>	<b>23,073,171</b>	<b>23,070,172</b>
Net assets						
Without donor restrictions	16,755,568	109,863	(297,811)	(100,000)	16,467,620	16,794,839
With donor restrictions	2,295,402	15,550,397	-	-	17,845,799	17,468,413
<b>Total net assets</b>	<b>19,050,970</b>	<b>15,660,260</b>	<b>(297,811)</b>	<b>(100,000)</b>	<b>34,313,419</b>	<b>34,263,252</b>
<b>Total liabilities and net assets</b>	<b>\$ 20,585,644</b>	<b>\$ 20,666,235</b>	<b>\$ 16,259,711</b>	<b>\$ (125,000)</b>	<b>\$ 57,386,590</b>	<b>\$ 57,333,424</b>

## Mississippi Children's Museum and Affiliate Consolidating Statement of Activities

<i>Years ended May 31,</i>	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2021	2020
<b>Without donor restrictions</b>						
Revenues, other support, and reclassifications:						
Admissions	\$ 218,201	\$ 93,653	\$ -	\$ -	\$ 311,854	\$ 455,705
Contributions	369,209	3,591	68,164	(68,164)	372,800	131,002
Educational programs/sponsorships	598,127	-	-	-	598,127	414,251
Events	219,124	21,740	-	-	240,864	333,657
Facility rental	23,374	8,431	-	-	31,805	80,445
Grants	186,176	34,389	-	-	220,565	389,225
Interest income	219	129,974	-	-	130,193	57,467
Memberships	167,357	19,256	-	-	186,613	237,300
Other income (loss)	360,247	12,714	-	(215,000)	157,961	47,282
Retail sales	105,829	12,448	-	-	118,277	193,663
Leasing income	-	-	62,500	(62,500)	-	-
Net assets released from restriction	1,044,468	800,094	-	-	1,844,562	1,852,445
<b>Total revenues, and other support without donor restrictions</b>	<b>3,292,331</b>	<b>1,136,290</b>	<b>130,664</b>	<b>(345,664)</b>	<b>4,213,621</b>	<b>4,192,442</b>
Expenses and losses:						
Advertising and promotion	76,807	30,634	-	-	107,441	137,955
Cost of goods sold	55,521	5,767	-	-	61,288	110,301
Depreciation	1,019,283	16,132	84,140	-	1,119,555	997,706
Educational	290,001	142,701	-	(130,664)	302,038	71,718
Events	42,062	47,448	-	-	89,510	144,505
Facility costs	248,463	60,836	-	-	309,299	320,704
Insurance	60,673	-	1,231	-	61,904	58,172
Interest	3,847	241,406	117,844	-	363,097	269,238
Miscellaneous	5,936	1,340	-	-	7,276	9,962
Operational costs	52,635	182,532	12,269	(180,000)	67,436	76,466
Professional fees	199,877	20,359	19,000	-	239,236	240,551
Salaries and benefits	1,451,522	261,687	-	-	1,713,209	1,627,192
Supplies	60,467	39,084	-	-	99,551	85,501
<b>Total expenses</b>	<b>3,567,094</b>	<b>1,049,926</b>	<b>234,484</b>	<b>(310,664)</b>	<b>4,540,840</b>	<b>4,149,971</b>
Increase (decrease) in net assets without donor restrictions	(274,763)	86,364	(103,820)	(35,000)	(327,219)	42,471
<b>Changes in net assets with donor restrictions:</b>						
Contributions	206,155	1,060,648	-	-	1,266,803	2,215,070
Grants	764,643	-	-	-	764,643	150,000
Investment income, net	190,502	-	-	-	190,502	55,240
Net assets released from restrictions	(1,044,468)	(800,094)	-	-	(1,844,562)	(1,852,445)
<b>Increase (decrease) in nets assets with donor restrictions</b>	<b>116,832</b>	<b>260,554</b>	<b>-</b>	<b>-</b>	<b>377,386</b>	<b>567,865</b>
<b>Increase (decrease) in net assets</b>	<b>(157,931)</b>	<b>346,918</b>	<b>(103,820)</b>	<b>(35,000)</b>	<b>50,167</b>	<b>610,336</b>
Net assets at beginning of year	19,208,901	15,313,342	(193,991)	(65,000)	34,263,252	33,652,916
<b>Net assets at end of year</b>	<b>\$ 19,050,970</b>	<b>\$ 15,660,260</b>	<b>\$ (297,811)</b>	<b>\$ (100,000)</b>	<b>\$ 34,313,419</b>	<b>\$ 34,263,252</b>