



**Mississippi Children's Museum  
and Subsidiaries**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**May 31, 2023 and 2022**



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# 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)

CRIcpa.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, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mississippi Children's Museum and subsidiaries as of May 31, 2023 and 2022, 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 audit for the year ended May 31, 2023 in accordance with auditing standards generally accepted in the United States of America. We conducted our audit for the year ended May 31, 2022 in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards (for the year ended May 31, 2022)*, 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 13, 2023



# FINANCIAL STATEMENTS



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

<i>May 31,</i>	<b>2023</b>	2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,039,067	\$ 2,691,690
Promises to give, net	1,879,834	2,340,593
Other receivables	62,474	20,528
Inventory	30,727	36,941
Prepaid expenses	46,927	53,518
<b>Total current assets</b>	<b>4,059,029</b>	5,143,270
Non-current assets		
Restricted cash	243,750	310,750
Promises to give, net	3,630,929	4,304,597
Investments in marketable securities, designated	2,029,790	1,641,771
Note receivable	12,049,700	12,049,700
Operating lease right-of-use assets, net	807,815	-
Prepaid lease expense	-	818,730
Property and equipment, net	30,206,346	30,915,128
<b>Total non-current assets</b>	<b>48,968,330</b>	50,040,676
<b>Total assets</b>	<b>\$ 53,027,359</b>	<b>\$ 55,183,946</b>

(Continued)

*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>2023</b>	2022
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 584,183	\$ 213,539
Performance obligation liability	890,437	540,803
Refundable advances	-	442,500
Accrued expenses	120,188	116,555
Current portion of operating lease liabilities	4,720	-
Total current liabilities	1,599,528	1,313,397
Long-term liabilities		
Long-term debt, net of current portion	19,044,002	20,101,084
Operating lease liabilities, less current portion	7,107	-
Total long-term liabilities	19,051,109	20,101,084
Total liabilities	20,650,637	21,414,481
Net assets		
Without donor restrictions	16,854,583	16,868,319
With donor restrictions	15,522,139	16,901,146
Total net assets	32,376,722	33,769,465
<b>Total liabilities and net assets</b>	<b>\$ 53,027,359</b>	<b>\$ 55,183,946</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, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, and other support</b>			
Admissions	\$ 970,036	\$ -	\$ 970,036
Contributions	835,595	153,083	988,678
Contributions of non-financial assets	91,199	-	91,199
Educational programs/sponsorships	602,326	-	602,326
Events	569,888	-	569,888
Facility rental	190,764	-	190,764
Grants	256,803	706,871	963,674
Investment income	195,222	26,154	221,376
Memberships	379,485	-	379,485
Other income	303,051	-	303,051
Retail sales	338,203	-	338,203
Loss on investments	(23,271)	(39,062)	(62,333)
Net assets released from restrictions	2,226,053	(2,226,053)	-
<b>Total revenues, and other support</b>	<b>6,935,354</b>	<b>(1,379,007)</b>	<b>5,556,347</b>
<b>Expenses</b>			
Program services	6,040,225	-	6,040,225
Management and general	620,416	-	620,416
Fundraising	288,449	-	288,449
<b>Total expenses</b>	<b>6,949,090</b>	<b>-</b>	<b>6,949,090</b>
<b>Change in net assets</b>	<b>(13,736)</b>	<b>(1,379,007)</b>	<b>(1,392,743)</b>
Net assets at beginning of year	16,868,319	16,901,146	33,769,465
<b>Net assets at end of year</b>	<b>\$ 16,854,583</b>	<b>\$ 15,522,139</b>	<b>\$ 32,376,722</b>

(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, 2022</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, and other support</b>			
Admissions	\$ 1,023,120	\$ -	\$ 1,023,120
Contributions	507,454	560,700	1,068,154
Contributions of non-financial assets	47,726	-	47,726
Educational programs/sponsorships	560,265	-	560,265
Events	723,271	-	723,271
Facility rental	163,595	-	163,595
Grants	1,622,399	-	1,622,399
Investment income	132,369	15,655	148,024
Memberships	347,523	-	347,523
Other income	8,922	-	8,922
Retail sales	322,632	-	322,632
Loss on investments	(20,770)	(39,844)	(60,614)
Net assets released from restrictions	1,481,164	(1,481,164)	-
<b>Total revenues, and other support</b>	<b>6,919,670</b>	<b>(944,653)</b>	<b>5,975,017</b>
<b>Expenses</b>			
Program services	5,787,528	-	5,787,528
Management and general	456,671	-	456,671
Fundraising	274,772	-	274,772
<b>Total expenses</b>	<b>6,518,971</b>	<b>-</b>	<b>6,518,971</b>
<b>Change in net assets</b>	<b>400,699</b>	<b>(944,653)</b>	<b>(543,954)</b>
Net assets at beginning of year	16,467,620	17,845,799	34,313,419
<b>Net assets at end of year</b>	<b>\$ 16,868,319</b>	<b>\$ 16,901,146</b>	<b>\$ 33,769,465</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, 2023

	Program Services					Supporting		2023 Total	
	Education	Exhibits and facilities	External affairs	Retail	Special Events	Total Program Service	Management and general		Fundraising Events
Advertising and promotion	\$ -	\$ -	\$ 175,685	\$ -	\$ -	\$ 175,685	\$ -	\$ -	\$ 175,685
Cost of goods sold	-	-	-	208,672	-	208,672	-	-	208,672
Depreciation	-	1,597,515	-	22,855	-	1,620,370	58,220	-	1,678,590
Educational	306,238	61,735	611	-	-	368,584	-	-	368,584
Events	59,433	-	108	-	155,970	215,511	-	-	215,511
Facility costs	-	648,107	-	-	-	648,107	767	-	648,874
Fundraising	-	-	-	-	-	-	-	19,135	19,135
Insurance	-	98,116	-	-	-	98,116	12,504	-	110,620
Interest	-	371,692	-	-	-	371,692	-	-	371,692
Miscellaneous	974	25	543	592	4,578	6,712	12,836	336	19,884
Operational costs	-	-	-	66,175	-	66,175	8,026	-	74,201
Professional fees	214,342	-	40,875	36,164	-	291,381	153,228	-	444,609
Salaries and benefits	1,026,251	202,181	267,478	392,248	-	1,888,158	340,588	268,978	2,497,724
Supplies	28,725	43,561	872	7,904	-	81,062	34,247	-	115,309
<b>Total expenses</b>	<b>\$ 1,635,963</b>	<b>\$ 3,022,932</b>	<b>\$ 486,172</b>	<b>\$ 734,610</b>	<b>\$ 160,548</b>	<b>\$ 6,040,225</b>	<b>\$ 620,416</b>	<b>\$ 288,449</b>	<b>\$ 6,949,090</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, 2022*

	Program Services					Supporting		2022 Total	
	Education	Exhibits and facilities	External affairs	Retail	Special Events	Total Program Service	Management and general		Fundraising events
Advertising and promotion	\$ -	\$ -	\$ 168,958	\$ -	\$ -	\$ 168,958	\$ -	\$ -	\$ 168,958
Cost of goods sold	-	-	-	188,339	-	188,339	-	-	188,339
Depreciation	-	1,561,880	-	722	-	1,562,602	52,832	-	1,615,434
Educational	335,310	45,247	-	402	-	380,959	244	-	381,203
Events	67,822	-	6,645	-	107,083	181,550	-	-	181,550
Facility costs	-	549,454	-	-	-	549,454	-	-	549,454
Insurance	79,929	13,929	-	-	-	93,858	10,403	-	104,261
Interest	-	414,583	-	-	-	414,583	-	-	414,583
Miscellaneous	338	-	142	312	6,662	7,454	14,065	806	22,325
Operational costs	-	-	-	69,637	-	69,637	2,670	32,904	105,211
Professional fees	229,771	-	24,312	42,825	-	296,908	54,014	-	350,922
Salaries and benefits	931,192	195,266	233,867	417,700	-	1,778,025	289,945	241,062	2,309,032
Supplies	41,683	47,224	277	5,784	233	95,201	32,498	-	127,699
<b>Total expenses</b>	<b>\$ 1,686,045</b>	<b>\$ 2,827,583</b>	<b>\$ 434,201</b>	<b>\$ 725,721</b>	<b>\$ 113,978</b>	<b>\$ 5,787,528</b>	<b>\$ 456,671</b>	<b>\$ 274,772</b>	<b>\$ 6,518,971</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>2023</b>	2022
<b>Operating activities</b>		
Change in net assets	\$ (1,392,743)	\$ (543,954)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,678,590	1,615,434
Amortization of right-of-use-assets	26,852	-
Amortization of debt issuance cost	28,418	28,418
Loss on investments	62,333	60,614
Loss on disposal of property and equipment	205,169	-
Changes in operating assets and liabilities		
Promises to give	1,134,427	1,449,813
Other receivables	(41,946)	1,006,314
Inventory	6,214	(8,108)
Prepaid expenses	6,591	9,269
Accounts payable	370,644	(1,375,426)
Performance obligation liability	349,634	196,873
Refundable advances	(442,500)	(249,839)
Accrued expenses	3,633	(43,259)
Operating lease liability	(4,110)	-
<b>Net cash provided by operating activities</b>	<b>1,991,206</b>	<b>2,146,149</b>
<b>Investing activities</b>		
Purchases of property and equipment	(1,174,977)	(1,092,719)
Purchase of investments	(1,308,347)	(837,547)
Proceeds from sale of investments	857,995	287,758
<b>Net cash used in investing activities</b>	<b>(1,625,329)</b>	<b>(1,642,508)</b>
<b>Financing activities</b>		
Proceeds from long-term debt	-	472,954
Payments on long-term debt	(1,085,500)	(1,155,750)
<b>Net cash used by financing activities</b>	<b>(1,085,500)</b>	<b>(682,796)</b>
<b>Net decrease in cash, cash equivalents, and restricted cash</b>	<b>(719,623)</b>	<b>(179,155)</b>
Cash, cash equivalents, and restricted cash - beginning of year	3,002,440	3,181,595
<b>Cash, cash equivalents, and restricted cash- end of year</b>	<b>\$ 2,282,817</b>	<b>\$ 3,002,440</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>May 31,</i>	<b>2023</b>	2022
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**Presented on Statement of Financial Position as:**

Cash and cash equivalents	\$ 2,039,067	\$ 2,691,690
Restricted cash	243,750	310,750
Cash and cash equivalents, at end of year	\$ 2,282,817	\$ 3,002,440

<i>For the years ended May 31,</i>	<b>2023</b>	2022
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**Schedule of Noncash Transactions:**

Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	\$ 2,790	\$ -

<i>For the years ended May 31,</i>	<b>2023</b>	2022
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**Schedule of Certain Cash Flow Information**

Cash paid for interest	\$ 371,692	\$ 414,583
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*The accompanying notes are an integral part of these consolidated financial statements.*

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

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

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

Mississippi Children’s Museum 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 Mississippi Children’s Museum is to create unparalleled experiences to inspire excellence and a lifelong joy of learning. 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, and FTC QALICB, Inc. (collectively referred to as the “Organization”). All significant intercompany accounts and transactions have been eliminated.

#### ***Basis of Accounting***

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 Statement

### 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. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for doubtful accounts, fair value of investments, and the allocation of functional expenses.

#### ***Program Services***

The Museum’s program services consist of the following:

*Education* – The Museum provides educational experiences to children and their caregivers through programs focusing on early childhood literacy, STEAM, health and nutrition – helping children mature into healthy and productive adult learners.

*Exhibits and facilities*- The Museum provides hands-on engaging exhibits in their two museum facilities as well as traveling exhibits to inspire the next generation of lifelong learners.

*External Affairs* – The Museum distributes educational materials that promote literacy and STEAM to educators and students statewide. The Museum has a robust website to allow parents and caregivers to interact in meaningful ways with their children.

*Retail* – The Museum’s retail areas allow children to take home educational resources, something to commemorate their visit, or to find a nutritious snack in their café.

*Special Events* – The Museum hosts several signature days focused on increasing awareness of their primary learning objectives for parents and caregivers.

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

Cash and cash equivalents include cash and highly liquid investments with an original maturity of 90 days or less.

#### ***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.

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

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

#### ***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. 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 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. Promises that remain uncollected more than a year after their due dates are written off unless the donor indicate that payment is merely postponed.

#### ***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, 2023 and 2022, 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.

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

### **Note 2: 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. 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 over the estimated useful lives of the assets. Interest and development cost incurred for the construction and development of assets are capitalized as part of the asset.

#### ***Debt Issuance Costs***

Expenditures for debt issuance costs related to debt were capitalized and are being amortized over the life of the respective loan (Note 10).

Debt issuance costs are amortized on the straight-line basis to interest expense over the term of the respective loan. The straight line method yields results substantially similar to those that would be produced under the effective interest rate method. Debt issuance costs are presented as a direct reduction from the carrying value of the debt liability, consistent with the presentation of debt discounts. Amortization of the debt issuance costs totaled \$28,418 for each of the years ended May 31, 2023 and 2022.

#### ***Leases***

The Organization leases real estate grounds on which certain museum facilities are located as well as certain office equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any advance lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

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

#### **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 limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, certain net assets for exhibit acquisition or maintenance.

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. Contributions received with donor-imposed restrictions that are met in the same period in which the contributions are received are classified as 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 removed the conditions. 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.

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

### 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.

#### ***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.

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

Directly identifiable expenses are charged to program or supporting services. 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, 2023 and 2022, advertising costs totaled \$108,049 and \$89,572, 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, 2023 and 2022, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

#### ***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 Statement

### 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 7, 2023. See Note 10 for relevant disclosures related to debt covenant waivers. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### ***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective June 1, 2022 and recognized and measured leases existing at, June 1, 2022, (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on June 1, 2022, a lease liability of \$13,147 which represents the present value of the remaining operating lease payments of \$13,780 and a right-of-use asset of \$831,877 which represents the lease liability of \$13,147 adjusted for prepaid rents and initial direct costs totaling \$818,730.

The standard has a material impact on the Organization's consolidated statement of financial position, but did not have an impact on the consolidated statements of activities or cash flows. The most significant impact was the recognition or reclassification of ROU assets and lease liabilities for operating leases.

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

### 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, 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>2023</b>	<b>2022</b>
Total assets at year end	\$ <b>53,027,359</b>	\$ 55,183,946
Less non-financial assets		
Inventory	<b>(30,727)</b>	(36,941)
Prepaid expense	<b>(46,927)</b>	(53,518)
Operating lease right-of-use assets, net	<b>(807,815)</b>	-
Prepaid lease expense	-	(818,730)
Property and equipment	<b>(30,206,346)</b>	(30,915,128)
Financial assets at year end	<b>21,935,544</b>	23,359,629
Less those not available for general expenditures within one year due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	<b>(15,522,139)</b>	(16,901,146)
Board designations and contractual restrictions	<b>(1,115,113)</b>	(1,650,513)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 5,298,292</b>	\$ 4,807,970

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. In the event of unanticipated liquidity needs, the Organization has a line of credit with available borrowings of \$250,000.

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

**Note 4: PROMISES TO GIVE**

Promises to give consisted of the following:

<i>May 31,</i>	<b>2023</b>	2022
Receivable in less than one year	\$ <b>1,879,834</b>	\$ 2,340,593
Receivable after one year and less than five years	<b>3,266,875</b>	2,720,433
Receivable after five years	<b>535,238</b>	1,717,320
Total promises to give	<b>5,681,947</b>	6,778,346
Less allowance for uncollectible promises to give	<b>(101,449)</b>	(93,899)
Less discounts to net present value (discount rate of .75% to 5%)	<b>(69,735)</b>	(39,257)
	<b>\$ 5,510,763</b>	\$ 6,645,190

**Note 5: INVESTMENTS**

Investments in marketable securities consist of the following:

<i>May 31,</i>	<b>2023</b>	2022
Common stock	\$ <b>231,603</b>	\$ 237,090
Common stock - foreign	<b>21,694</b>	23,491
Corporate bonds	<b>259,593</b>	348,082
Mutual funds - equities	<b>788,393</b>	614,620
Mutual funds - fixed income	<b>391,849</b>	333,660
Brokered certificates of deposit	<b>204,212</b>	-
U.S treasury bills	<b>100,773</b>	-
Exchange traded funds - other	<b>31,673</b>	84,828
Total	<b>\$ 2,029,790</b>	\$ 1,641,771

The investments are designated for use in certain endowments and Board designations.

Maturities of debt securities as of May 31, 2023 are as follows:

	<b>Estimated Fair Value</b>
Due in less than one year	\$ 404,658
Due after one year and less than five	133,934
Due after five years and less than ten	25,986
Total	<b>\$ 564,578</b>



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

### **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, 2023 and 2022 totaled \$12,049,700. Collection is fully expected and accordingly, no allowance has been provided.

#### 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 used 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.

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

**Note 7: PROPERTY AND EQUIPMENT**

The components of property and equipment at May 31, 2023 and 2022, are as follows:

	<i>Estimated Useful Lives</i>	<b>2023</b>	2022
Building and improvements	10-50 yrs.	\$ <b>27,423,052</b>	\$ 26,516,072
Leasehold improvements	10-20 yrs.	<b>8,056</b>	1,145,181
Exhibits	5-15 yrs.	<b>12,390,674</b>	12,622,914
Office equipment	3-5 yrs.	<b>1,320,215</b>	1,268,314
Total depreciable property and equipment		<b>41,141,997</b>	41,552,481
Less accumulated depreciation		<b>(12,192,717)</b>	(11,710,079)
Depreciable property and equipment, net		<b>28,949,280</b>	29,842,402
Construction in progress		<b>326,358</b>	142,018
Land		<b>930,708</b>	930,708
Property and equipment, net		<b>\$ 30,206,346</b>	\$ 30,915,128

Depreciation expense for the years ended May 31, 2023 and 2022 totaled \$1,678,590 and \$1,615,434, respectively.

**Note 8: LEASES**

The Organization has an operating ground lease for real estate and operating leases for office equipment. The ground lease which has no remaining required payments has a remaining lease term of 10 years with options to extend for 25 years which is expected to be exercised by the Organization. The other operating leases have remaining lease terms of 2 to 4 years.

The components of lease expense consist of the following:

For the years ended May 31,	<b>2023</b>
Operating Lease Cost	<b>\$ 26,852</b>

Other information related to leases was as follows:

For the years ended May 31,	<b>2023</b>
Weighted average remaining lease term	414 months
Weighted average discount rate on operating leases	2.03%

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

**Note 8: LEASES (Continued)**

Future minimum lease payments under non-cancellable leases as of May 31, 2023, were as follows:

For the years ended May 31,	
2024	\$ 4,999
2025	4,999
2026	2,270
2027	81
<hr/>	
Total future minimum lease payments	12,349
Less imputed interest	(522)
<hr/>	
Present Value of lease liabilities	\$ 11,827

During the year ended May 31, 2022, the Organization incurred lease expense of \$27,113. Future minimum lease payments of operating leases were as follows:

For the years ended May 31,	
2023	\$ 5,331
2024	5,263
2025	5,263
2026	1,104
<hr/>	
Total future minimum lease payments	\$ 16,961

**Note 9: LINE OF CREDIT**

The Organization maintains a line of credit agreement with a financial institution with available borrowings up to \$250,000. Interest accrues on outstanding borrowings at a rate of the LIBOR based index. The credit line expires March 2024, if not renewed. As of May 31, 2023 and 2022, there were no outstanding borrowings against the line of credit.

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

**Note 10: LONG-TERM DEBT**

Long-term debt at May 31, 2023 and 2022, consists of the following:

<u>May 31,</u>	<b>2023</b>	<b>2022</b>
<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>\$ 3,002,623</b>	\$ 4,088,123
<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 bank (loan A) to Hope New Markets 14, LLC 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 Statement**

**Note 10: LONG-TERM DEBT (Continued)**

<i>May 31,</i>	<b>2023</b>	<b>2022</b>
QLICI note payable to bank (loan B) to Enhanced Capital New Market Development Fund 62, LLC 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 bank (loan B) to COCRF SubCDE 55, LLC 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 bank (loan B) to Hope New Markets 14, LLC 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
Total long-term debt	<b>19,792,623</b>	20,878,123
Less Unamortized debt issuance cost	<b>(748,621)</b>	(777,039)
Long-term debt, net	<b>\$ 19,044,002</b>	\$ 20,101,084

The QLICI note payable agreements include certain administrative and compliance debt covenants. Management believes the Organization is in compliance with these covenants except that audited financial statements were not delivered by the required timeline. Subsequent to the year ended May 31, 2023, the financial institutions waived this specific requirement.

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

**Note 10: LONG-TERM DEBT (Continued)**

Future maturities of long-term debt as of May 31, 2023 were as follows:

<i>May 31,</i>		
2024 to 2026	\$	-
2027		3,325,816
2028 and thereafter		16,466,807
	\$	19,792,623

**Note 11: NET ASSETS**

A summary of net assets without donor restrictions follows:

<i>May 31,</i>	<b>2023</b>	2022
Undesignated	\$ 15,983,220	\$ 15,971,056
Board designated		
Exhibit reserves	871,363	897,263
Total net assets without donor restrictions	\$ 16,854,583	\$ 16,868,319

A summary of net assets with donor restriction follows:

<i>May 31,</i>	<b>2023</b>	2022
Time restricted	\$ 383,911	\$ 103,047
Purpose restricted		
Exhibit maintenance	427,367	435,596
Forget-me-not Fund	914,757	913,871
Playing for Keeps	227,971	163,536
Meridian capital campaign	12,962,089	14,808,757
Literacy Garden	150,000	250,000
Program specific	456,044	-
Geer grant	-	183,839
Talk from the Start	-	42,500
	\$ 15,522,139	\$ 16,901,146

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

**Note 11: NET ASSETS (Continued)**

A summary of the release of donor restrictions follows:

<i>Years ended May 31,</i>	<b>2023</b>	2022
Time restrictions	\$ 43,047	\$ 50,010
Purpose restricted		
Meridian capital campaign	1,856,667	1,081,626
Lucky Day	-	38,000
IMLS grant	-	28,028
Literacy Garden	100,000	-
Talk from the Start	42,500	
Geer grant	183,839	283,500
	<b>\$ 2,226,053</b>	<b>\$ 1,481,164</b>

**Note 12: REVENUE**

The Organization is recognizing revenue over time for its membership revenues. As of May 31, 2023 and 2022, there are performance obligations to be satisfied of \$889,437 and \$540,803, respectively. At May 31, 2023, management expects to recognize all of the performance obligations as revenue as of May 2024. 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.

A summary of disaggregated revenues information follows:

<i>For the years ended May 31,</i>	<b>2023</b>	2022
Contracts with customer		
Recognized over time	\$ 379,485	\$ 347,523
Recognized at a point in time	2,671,217	2,792,883
Grants and contributions	2,043,551	2,738,279
Other revenues	303,051	8,922
Investment income	159,043	87,410
	<b>\$ 5,556,347</b>	<b>\$ 5,975,017</b>

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.

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

### Note 12: REVENUE (Continued)

A summary of performance obligations as of the beginning and ending of 2023 and 2022 are as follows:

<i>May 31,</i>	<b>2023</b>	2022
Contract liabilities, beginning of year	\$ 540,803	\$ 343,930
Contract liabilities, end of year	<b>890,437</b>	540,803

### Note 13: CONTRIBUTIONS IN-KIND

All donated space, services, and goods were utilized by the Organization’s program and supporting services. There were no donor imposed restrictions associated with the contributed space, services, or goods.

The components of donated space, services and goods contributed to the Organization consists of the following for the year ended May 31, 2023:

<b>For the year ended May 31, 2023</b>	Donated Service	Donated Goods	Total
Program Services			
Education	\$ 35,795	\$ -	\$ 35,795
Events	-	55,404	55,404
<b>Total contributed space, services and goods</b>	<b>\$ 35,795</b>	<b>\$ 55,404</b>	<b>\$ 91,199</b>

The components of donated space, services and goods contributed to the Organization consists of the following for the year ended May 31, 2022:

<b>For the year ended May 31, 2022</b>	Donated Service	Donated Goods	Total
Program Services			
Education	\$ 30,300	\$ -	\$ 30,300
Exhibits and facilities	-	1,197	1,197
Events	2,500	13,729	16,229
<b>Total contributed space, services and goods</b>	<b>\$ 32,800</b>	<b>\$ 14,926</b>	<b>\$ 47,726</b>

Donated space is valued at the fair value of similar properties. Donated goods are valued at the wholesale prices that would be received for selling similar products.



## Mississippi Children's Museum and Subsidiaries

### Notes to Consolidated Financial Statement

#### Note 14: ENDOWMENT

The Organization's endowments consists of three donor-restricted funds to be used restricted for maintenance and refurbishment of "The Mississippi Map" interactive exhibit and a quasi-endowments restricted for the use on maintaining and improving the building and exhibits of the museum. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as an endowment (Quasi – endowment) are classified and reported based on the existence or absence of donor-imposed restrictions.

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 endowment funds that are 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.

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.

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

**Note 14: ENDOWMENT (Continued)**

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of May 31, 2023, an endowment with original gift values of \$235,000 had a fair value of \$227,971. During 2023, there were no amounts appropriated for expenditures from the underwater endowment.

Endowment net asset composition by type of fund follows:

May 31,	2023	2022
Endowment funds with donor restrictions	\$ 427,367	\$ 435,596
Quasi-endowment restricted for purpose	1,142,728	1,077,407
<b>Total endowment funds with donor restrictions</b>	<b>\$ 1,570,095</b>	<b>\$ 1,513,003</b>

Changes in endowment net assets follow:

**May 31, 2023**

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,513,003	\$ 1,513,003
Contributions	-	70,000	70,000
Interest and dividend income, net of fees	-	26,154	26,154
Net realized and unrealized gain	-	(39,062)	(39,062)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 1,570,095</b>	<b>\$ 1,570,095</b>

**May 31, 2022**

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,410,192	\$ 1,410,192
Contributions	-	165,000	165,000
Draws for maintenance of fixed assets	-	(38,000)	(38,000)
Interest and dividend income	-	15,655	15,655
Net realized and unrealized gain	-	(39,844)	(39,844)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 1,513,003</b>	<b>\$ 1,513,003</b>

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

### Note 15: 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 May 31, 2022 and 2022.

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

*Corporate Bonds and Board Certificates of Deposit:* 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 and closed end 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 Statement**

**Note 15: FAIR VALUE MEASUREMENTS (Continued)**

Assets and liabilities measured at fair value on a recurring basis, consists of the following:

<b>May 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Common stock	\$ 253,297	\$ -	\$ -	\$ 253,297
Brokered certificates of deposit	204,212	-	-	204,212
Corporate bonds	235,457	24,136	-	259,593
U.S. treasury bills	100,773	-	-	100,773
Mutual funds	1,180,242	-	-	1,180,242
Exchange traded funds	31,673	-	-	31,673
	<b>\$ 2,005,654</b>	<b>\$ 24,136</b>	<b>\$ -</b>	<b>\$ 2,029,790</b>

  

<b>May 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Common stock	\$ 260,581	\$ -	\$ -	260,581
Corporate bonds	323,361	24,721	-	348,082
Mutual funds	948,280	-	-	948,280
Exchange traded funds	84,828	-	-	84,828
	<b>\$ 1,617,050</b>	<b>\$ 24,721</b>	<b>\$ -</b>	<b>\$ 1,641,771</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 years ended May 31, 2023 and 2022, there were no significant transfers in or out of Levels 1, 2 or 3.

**Note 16: CONCENTRATION OF CREDIT RISK**

The Organization maintains cash deposits with financial institutions in excess of federally insured limits. At May 31, 2023 and 2022, deposits in excess of federally insured amounts totaled \$559,865 and \$1,770,623.

At May 31, 2023, promises to give of \$3,850,000 were from two donors. At May 31 2022, promises to give of \$5,400,000 were due from four donors.

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

### **Notes to Consolidated Financial Statement**

#### **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 May 31, 2023 and 2022, is \$39,022 and \$34,038, respectively.

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

The Organization has bank accounts at a local bank with balances totaling approximately \$635,612 and \$918,776 at May 31, 2023 and 2022, 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 19: EMPLOYEE RETENTION CREDIT**

During the year end May 31, 2023, the Organization claimed \$505,637, net of costs of recovery of \$126,409, in Employee Retention Credits attributable to eligible compensation incurred during 2020 and 2021. Since such amounts were funded under the CARES ACT and received by the Organization in 2023, the credits received are recorded as other income on the consolidated statements of income as of and for the year ended May 31, 2023. Qualified wages of eligible Organization employers were determined in accordance with program criteria, which are subject to interpretation by governmental agencies. As a result, amounts claimed are subject to changes in the event of regulatory examination or review.



## SUPPLEMENTARY INFORMATION



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

<i>May 31,</i>	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2023	2022
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 1,441,257	\$ 592,045	\$ 5,765	\$ -	\$ 2,039,067	\$ 2,691,690
Promises to give, net	876,548	1,003,286	-	-	1,879,834	2,340,593
Other receivables	1,810	60,664	25,000	(25,000)	62,474	20,528
Inventory	24,397	6,330	-	-	30,727	36,941
Prepaid expenses	46,927	-	-	-	46,927	53,518
<b>Total current assets</b>	<b>2,390,939</b>	<b>1,662,325</b>	<b>30,765</b>	<b>(25,000)</b>	<b>4,059,029</b>	<b>5,143,270</b>
Non-current assets						
Restricted cash	-	-	243,750	-	243,750	310,750
Promises to give, net	122,685	3,508,244	-	-	3,630,929	4,304,597
Investments in marketable securities	1,811,112	218,678	-	-	2,029,790	1,641,771
Notes receivable	-	12,049,700	-	-	12,049,700	12,049,700
Operating lease right-of-use assets	805,025	987,347	-	(984,557)	807,815	-
Prepaid lease expense	-	-	-	-	-	818,730
Property and equipment, net	15,030,642	428,251	14,847,453	(100,000)	30,206,346	30,915,128
<b>Total non-current assets</b>	<b>17,769,464</b>	<b>17,192,220</b>	<b>15,091,203</b>	<b>(1,084,557)</b>	<b>48,968,330</b>	<b>50,040,676</b>
<b>Total assets</b>	<b>\$ 20,160,403</b>	<b>\$ 18,854,545</b>	<b>\$ 15,121,968</b>	<b>\$ (1,109,557)</b>	<b>\$ 53,027,359</b>	<b>\$ 55,183,946</b>

(Continued)

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

<i>May 31,</i>	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2023	2022
<b>Liabilities and Net Assets</b>						
Current liabilities						
Accounts payable	\$ 503,404	\$ 105,779	\$ -	\$ (25,000)	\$ 584,183	\$ 213,539
Current portion of operating lease liabilities	3,819	138,134	-	(137,233)	4,720	-
Performance obligation liability	739,323	151,114	-	-	890,437	540,803
Refundable advances	-	-	-	-	-	442,500
Accrued expenses	77,169	9,341	33,678	-	120,188	116,555
<b>Total current liabilities</b>	<b>1,323,715</b>	<b>404,368</b>	<b>33,678</b>	<b>(162,233)</b>	<b>1,599,528</b>	<b>1,313,397</b>
Long-term liabilities						
Long-term debt, net of current portion	-	3,002,623	16,041,379	-	19,044,002	20,101,084
Operating lease liabilities, less current portion	5,218	849,213	-	(847,324)	7,107	-
<b>Total liabilities</b>	<b>1,328,933</b>	<b>4,256,204</b>	<b>16,075,057</b>	<b>(1,009,557)</b>	<b>20,650,637</b>	<b>21,414,481</b>
Net assets						
Without donor restrictions	16,499,392	1,478,280	(953,089)	(100,000)	16,924,583	16,868,319
With donor restrictions	2,332,078	13,120,061	-	-	15,452,139	16,901,146
<b>Total net assets</b>	<b>18,831,470</b>	<b>14,598,341</b>	<b>(953,089)</b>	<b>(100,000)</b>	<b>32,376,722</b>	<b>33,769,465</b>
<b>Total liabilities and net assets</b>	<b>\$ 20,160,403</b>	<b>\$ 18,854,545</b>	<b>\$ 15,121,968</b>	<b>\$ (1,109,557)</b>	<b>\$ 53,027,359</b>	<b>\$ 55,183,946</b>



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

<i>Years ended May 31,</i>	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2023	2022
<b>Without donor restrictions</b>						
Revenues, other support, and reclassifications:						
Admissions	\$ 725,912	\$ 244,124	\$ -	\$ -	\$ 970,036	\$ 1,023,120
Contributions	618,110	237,501	11,102	(31,118)	835,595	507,454
Contributions of non-financial assets	88,174	3,025	-	-	91,199	47,726
Educational programs/sponsorships	540,357	61,969	-	-	602,326	560,265
Events	388,167	181,721	-	-	569,888	723,271
Facility rental	124,611	66,153	-	-	190,764	163,595
Grants	216,178	40,625	-	-	256,803	1,622,399
Interest income	22,401	172,821	-	-	195,222	132,369
Memberships	263,607	115,878	-	-	379,485	347,523
Other income (loss)	483,001	50	-	(180,000)	303,051	8,922
Retail sales	306,531	31,672	-	-	338,203	322,632
Leasing income	-	-	150,000	(150,000)	-	-
Gain (loss) on investments	(23,271)	-	-	-	(23,271)	(20,770)
Net assets released from restriction	369,386	1,856,667	-	-	2,226,053	1,481,164
<b>Total revenues, and other support without donor restrictions</b>	<b>4,123,164</b>	<b>3,012,206</b>	<b>161,102</b>	<b>(361,118)</b>	<b>6,935,354</b>	<b>6,919,670</b>
Expenses and losses:						
Advertising and promotion	108,733	66,952	-	-	175,685	168,958
Cost of goods sold	183,783	24,889	-	-	208,672	188,339
Depreciation	1,072,426	82,622	523,542	-	1,678,590	1,615,434
Educational	352,948	176,738	-	(161,102)	368,584	381,203
Events	165,064	50,447	-	-	215,511	181,550
Facility costs	426,740	222,134	-	-	648,874	549,454
Fundraising	12,852	6,283	-	-	19,135	-
Insurance	95,089	13,929	1,602	-	110,620	104,261
Interest	-	156,290	215,402	-	371,692	414,583
Miscellaneous	14,536	5,348	-	-	19,884	22,325
Operational costs	57,907	196,294	20,016	(200,016)	74,201	105,211
Professional fees	350,138	74,971	19,500	-	444,609	350,922
Salaries and benefits	1,868,192	629,532	-	-	2,497,724	2,309,032
Supplies	87,933	27,376	-	-	115,309	127,699
<b>Total expenses</b>	<b>4,796,341</b>	<b>1,733,805</b>	<b>780,062</b>	<b>(361,118)</b>	<b>6,949,090</b>	<b>6,518,971</b>
<b>Increase (decrease) in net assets without donor restrictions</b>	<b>(673,177)</b>	<b>1,278,401</b>	<b>(618,960)</b>	<b>-</b>	<b>(13,736)</b>	<b>400,699</b>
<b>Changes in net assets with donor restrictions:</b>						
Contributions	73,083	80,000	-	-	153,083	560,700
Grants	706,871	-	-	-	706,871	-
Investment income, net	23,209	2,945	-	-	26,154	15,655
Gain (loss) on investments	(30,552)	(8,510)	-	-	(39,062)	(39,844)
Net assets released from restrictions	(369,386)	(1,856,667)	-	-	(2,226,053)	(1,481,164)
<b>Increase (decrease) in nets assets with donor restrictions</b>	<b>403,225</b>	<b>(1,782,232)</b>	<b>-</b>	<b>-</b>	<b>(1,379,007)</b>	<b>(944,653)</b>
<b>Increase (decrease) in net assets</b>	<b>(269,952)</b>	<b>(503,831)</b>	<b>(618,960)</b>	<b>-</b>	<b>(1,392,743)</b>	<b>(543,954)</b>
Net assets at beginning of year	19,101,422	15,102,172	(334,129)	(100,000)	33,769,465	34,313,419
<b>Net assets at end of year</b>	<b>\$ 18,831,470</b>	<b>\$ 14,598,341</b>	<b>\$ (953,089)</b>	<b>\$ (100,000)</b>	<b>\$ 32,376,722</b>	<b>\$ 33,769,465</b>