

MISSISSIPPI CHILDREN'S MUSEUM
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

MAY 31, 2024 AND 2023

MISSISSIPPI CHILDREN'S MUSEUM
AND SUBSIDIARIES

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	4-5
Consolidated Statements of Activities	6-7
Consolidated Statements of Functional Expenses	8-9
Consolidated Statements of Cash Flows	10-11
Notes to Consolidated Financial Statements	12-36
SUPPLEMENTARY INFORMATION	
Consolidating Statement of Financial Position	37-38
Consolidating Statement of Activities	39-41

TANN, BROWN & RUSS CO., PLLC
CERTIFIED PUBLIC ACCOUNTANTS
1501 LAKE LAND DRIVE, SUITE 300
JACKSON, MISSISSIPPI 39216-4841
TELEPHONE (601) 354-4926
FACSIMILE (601) 354-4947

MEMBERS
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
MISSISSIPPI SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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, (non-profit organizations), which comprise the consolidated statement of financial position as of May 31, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year 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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 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.

(Continued)

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 misstatements, 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 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.

(Continued)

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of May 31, 2024, and consolidating statement of activities for the year ended are presented for purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such 2024 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The May 31, 2023 supplementary information was subjected to the auditing procedures applied in the May 31, 2023 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2023 consolidated financial statements as a whole before the correction of errors discussed in Note 18.

Prior Period Financial Statements and Correction of Errors

The consolidated financial statements of Mississippi Children's Museum and subsidiaries, as of May 31, 2023, and for the year then ended, were previously audited by other auditors whose report dated November 13, 2023, expressed an unmodified opinion on those consolidated financial statements before the correction of errors discussed in Note 18. The Mississippi Children's Museum and subsidiaries has restated the May 31, 2023, consolidated financial statements reflected herein to correctly reflect its net assets without donor restrictions and net assets with donor restrictions and to reflect the Internal Revenue Service Employee Retention Credit revenue in the correct year, as discussed in Note 18.

November 20, 2024

TANN, BROWN & RUSS CO.

CONSOLIDATED FINANCIAL STATEMENTS

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 2, 15 and 17)	\$ 1,308,284	\$ 1,982,223
Federal grants receivable:		
Internal Revenue Service Employee Retention Credit	673,265	673,265
Other	66,660	194,880
Other grants receivable	-	100,000
Other receivables	65,377	62,474
Inventory	27,209	30,727
Prepaid expenses	47,248	46,927
Total Current Assets	<u>2,188,043</u>	<u>3,090,496</u>
Non-Current Assets		
Cash and cash equivalents held for long-term purposes (Notes 2, 15 and 17)	233,595	300,594
Promises to give for long-term purposes, net (Notes 3 and 9)	3,433,988	4,542,618
Investments held for long-term purposes (Notes 4, 13 and 14)	1,619,595	2,029,790
Notes receivable (Note 5)	12,049,700	12,049,700
Operating lease right-of-use assets, net (Note 7)	782,216	807,815
Property and equipment, net (Notes 6 and 9)	29,407,841	30,206,346
Total Non-Current Assets	<u>47,526,935</u>	<u>49,936,863</u>
TOTAL ASSETS	<u>\$ 49,714,978</u>	<u>\$ 53,027,359</u>

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

(Continued)

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 602,994	\$ 584,183
Deferred revenue (Note 11)	540,648	890,437
Accrued expenses	127,490	120,188
Current portion of operating lease liabilities (Note 7)	5,306	4,720
Total Current Liabilities	<u>1,276,438</u>	<u>1,599,528</u>
Long-Term Liabilities		
Long-term debt, net of current portion (Note 9)	18,219,220	19,044,002
Operating lease liabilities, less current portion (Note 7)	3,664	7,107
Total Long-Term Liabilities	<u>18,222,884</u>	<u>19,051,109</u>
TOTAL LIABILITIES	<u>19,499,322</u>	<u>20,650,637</u>
NET ASSETS		
Without donor restrictions (Note 10)	12,868,074	13,921,961
With donor restrictions (Note 10)	17,347,582	18,454,761
Total Net Assets	<u>30,215,656</u>	<u>32,376,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 49,714,978</u>	<u>\$ 53,027,359</u>

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

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended May 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, OTHER SUPPORT, AND LOSSES			
Admissions	\$ 1,012,460	\$ -	\$ 1,012,460
Contributions	628,678	86,923	715,601
Contributions of non-financial assets	123,345	-	123,345
Educational programs and sponsorships	627,757	-	627,757
Events	825,057	-	825,057
Facility rental	158,786	-	158,786
Grants	71,615	913,953	985,568
Investment income	167,095	71,386	238,481
Memberships	386,775	-	386,775
Other income	2,779	-	2,779
Retail sales	402,802	-	402,802
Gain on investments	1,949	183,296	185,245
Loss on disposal of property and equipment	(350,875)	-	(350,875)
Net assets released from restrictions	2,362,737	(2,362,737)	-
Total Revenues, Other Support, and Losses	6,420,960	(1,107,179)	5,313,781
EXPENSES			
Program services	6,541,211	-	6,541,211
Supporting services:			
Management and general	642,218	-	642,218
Fundraising	291,418	-	291,418
Total Expenses	7,474,847	-	7,474,847
CHANGE IN NET ASSETS	(1,053,887)	(1,107,179)	(2,161,066)
NET ASSETS AT BEGINNING OF YEAR	13,921,961	18,454,761	32,376,722
NET ASSETS AT END OF YEAR	\$ 12,868,074	\$ 17,347,582	\$ 30,215,656

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

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended May 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, OTHER SUPPORT, AND LOSSES			
Admissions	\$ 970,036	\$ -	\$ 970,036
Contributions	667,967	153,083	821,050
Contributions of non-financial assets	91,199	-	91,199
Educational programs and 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	2,804	-	2,804
Retail sales	338,203	-	338,203
Loss on investments	(23,271)	(39,062)	(62,333)
Loss on disposal of property and equipment	(205,390)	-	(205,390)
Net assets released from restrictions	<u>2,226,053</u>	<u>(2,226,053)</u>	<u>-</u>
Total Revenues, Other Support, and Losses	<u>6,262,089</u>	<u>(1,379,007)</u>	<u>4,883,082</u>
EXPENSES			
Program services	6,040,225	-	6,040,225
Supporting services:			
Management and general	620,416	-	620,416
Fundraising	<u>288,449</u>	<u>-</u>	<u>288,449</u>
Total Expenses	<u>6,949,090</u>	<u>-</u>	<u>6,949,090</u>
CHANGE IN NET ASSETS	(687,001)	(1,379,007)	(2,066,008)
NET ASSETS AT BEGINNING OF YEAR	<u>14,608,962</u>	<u>19,833,768</u>	<u>34,442,730</u>
NET ASSETS AT END OF YEAR	<u>\$ 13,921,961</u>	<u>\$ 18,454,761</u>	<u>\$ 32,376,722</u>

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

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2024

	Program Services					Supporting Services		
	Education	Exhibits and Facilities	External Affairs	Retail	Special Events	Total Program Services	Management and General	Fund-Raising
Advertising and promotion	\$ -	\$ -	\$ 186,226	\$ -	\$ -	\$ 186,226	\$ -	\$ -
Cost of goods sold	-	-	-	258,193	-	258,193	-	-
Depreciation	-	1,608,186	-	23,118	-	1,631,304	57,662	-
Educational	453,340	98,879	-	1,192	-	553,411	-	-
Events	20	-	94	1,301	212,908	214,323	-	-
Facility costs	-	686,781	-	-	-	686,781	139	-
Fundraising	-	-	-	-	-	-	-	39,482
Insurance	-	104,464	-	-	-	104,464	11,607	-
Interest	-	360,581	-	-	-	360,581	-	-
Miscellaneous	1,128	189	274	333	19,712	21,636	-	-
Operational costs	-	-	-	71,585	-	71,585	34,393	-
Professional fees	115,144	159,184	23,392	50,578	4,989	353,287	87,565	-
Salaries and benefits	1,075,778	304,478	234,206	401,754	-	2,016,216	415,279	251,936
Supplies	26,715	46,393	1,327	8,769	-	83,204	35,573	-
Total Expenses	\$ 1,672,125	\$ 3,369,135	\$ 445,519	\$ 816,823	\$ 237,609	\$ 6,541,211	\$ 642,218	\$ 291,418
								\$ 7,474,847

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

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2023

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

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

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended May 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,161,066)	\$ (2,066,008)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,688,966	1,678,590
Amortization of debt issuance cost	28,418	28,418
(Gain) loss on investments	(185,245)	62,333
Contributions restricted for long-term purposes	(1,195,553)	(1,660,865)
Loss on disposal of property and equipment	350,875	205,169
(Increase) Decrease in:		
Federal grants receivable	128,220	(90)
Other grants receivable	100,000	300,000
Promises to give	1,108,630	1,507,782
Other receivables	(2,903)	(41,946)
Inventory	3,518	6,214
Prepaid expenses	(321)	6,591
Operating lease right-of-use assets	27,929	26,852
Increase (Decrease) in:		
Accounts payable	18,811	370,644
Deferred revenue	(349,789)	349,634
Refundable advances	-	(442,500)
Accrued expenses	7,302	3,633
Operating lease liabilities	(5,187)	(4,110)
Net cash provided by (used in) operating activities	<u>(437,395)</u>	<u>330,341</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,241,336)	(1,174,977)
Purchase of investments	(499,221)	(1,308,347)
Proceeds from sale of investments	1,094,661	857,995
Net cash used in investing activities	<u>(645,896)</u>	<u>(1,625,329)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	1,195,553	1,660,865
Payments on long-term debt	(853,200)	(1,085,500)
Net cash provided by financing activities	<u>342,353</u>	<u>575,365</u>

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

(Continued)

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years Ended May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(740,938)</u>	<u>(719,623)</u>
Cash and cash equivalents at beginning of year	<u>2,282,817</u>	<u>3,002,440</u>
Cash and cash equivalents at end of year	<u>\$ 1,541,879</u>	<u>\$ 2,282,817</u>
CASH AND CASH EQUIVALENTS AT YEAR END CONSISTS OF THE FOLLOWING:		
Cash and cash equivalents	\$ 1,308,284	\$ 1,982,223
Cash and cash equivalents held for long-term purposes	<u>233,595</u>	<u>300,594</u>
Cash and cash equivalents, at end of year	<u>\$ 1,541,879</u>	<u>\$ 2,282,817</u>
SUPPLEMENTAL DATA:		
Lease liabilities arising from obtaining operating lease right-of-use assets	<u>\$ 2,330</u>	<u>\$ 2,790</u>
Interest paid	<u>\$ 360,581</u>	<u>\$ 371,692</u>

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

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2024 and 2023

NOTE 1. Summary of Significant Accounting Policies

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 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 non-profit corporation, was formed on 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.

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.

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

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 (ASU's).

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 Organization's program services consist of the following:

Education - The Organization provides educational experiences to children and their caregivers through programs focusing on early childhood literacy, Stem, Health and nutrition – helping children mature into healthy and productive adult learners.

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

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

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

Special Events – The Organization 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.

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 statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions when they are met (either a stipulated time periods ends, or a purpose restriction is accomplishments) in the reporting period in which the income and gains are recognized. Otherwise they are recorded as increases in net assets with donor restrictions.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for expected credit losses. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical 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.

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies – Continued

Promises to Give

Conditional promises to give are not recognized in the consolidated 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 indicates that payment is merely postponed.

Notes Receivable

Notes receivable are stated at the outstanding principal amount, net of loan allowance for expected credit 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 expected credit losses. At May 31, 2024 and 2023, no allowance for credit 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.

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for 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.

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 carrying value of the debt liability, consistent with the presentation of debt discount. Amortization of the debt issuance cost totaled \$28,418 for each of the years ended May 31, 2024 and 2023.

Leases

The Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognized a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. For leases of twelve months or less, the Organization has elected the option of not reflecting right-of-use lease assets and the related leases liabilities for those short-term leases. The Organization has elected to use the risk-free rate as the discount rate for leases. The lease liability is recognized based on the present value of the future lease payments. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 1. 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 restriction 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 purpose specified in its corporate documents and its application for tax-exempt status, and any limits resulting from the 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 restriction is satisfied, either by using the resources in manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the 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 ASC 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contract 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 deferred revenue within the consolidated statements of financial position.

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued

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 condition 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.

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 consolidated financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

Directly identifiable expenses are charged to program or supporting services. The consolidated 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 expense are allocated based on estimates of time and effort. The allocations to program expenses are allocated based on employee time and effort percentages.

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 1. Summary of Significant Accounting Policies - Continued

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, 2024 and 2023 advertising costs totalled \$186,226 and \$175,685, 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. The Organization files its Forms 990 information returns in the U.S. federal jurisdiction. The Organization is generally no longer subject to income tax examination for the fiscal years ended May 31, 2020, and prior.

Reclassifications

Certain reclassifications were made to prior year financial statement amounts to conform to the current year presentation.

NOTE 2. Liquidity and Financial Asset Availability

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>May 31, 2024</u>	<u>May 31, 2023</u>
Cash and cash equivalents	\$ 1,308,284	\$ 1,982,223
Federal grants receivable:		
Internal Revenue Service Employee		
Retention Credit	673,265	673,265
Other	66,660	194,880
Other grants receivable	-	100,000
Other receivables	65,377	62,474
	<u>\$ 2,113,586</u>	<u>\$ 3,012,842</u>

(Continued)

Notes to Consolidated Financial Statements – Continued

NOTE 3. Promises to Give

Promises to give are restricted for long-term purposes and consist of the following:

	May 31, 2024	May 31, 2023
Receivable in less than one year	\$ 1,185,269	\$ 911,689
Receivable after one year and less than five years	2,195,484	3,266,875
Receivable after five years	<u>225,325</u>	<u>535,238</u>
Total Promises to give	3,606,078	4,713,802
Less allowance for credit losses	(101,772)	(101,449)
Less discounts to net present value (discount rate of 0.75% to 5.00%)	<u>(70,318)</u>	<u>(69,735)</u>
	<u>\$ 3,433,988</u>	<u>\$ 4,542,618</u>

NOTE 4. Investments

Investments in marketable securities consist of the following:

	May 31, 2024	May 31, 2023
Common stock	\$ 283,455	\$ 231,603
Common stock – foreign	19,663	21,694
Corporate bonds	271,860	259,593
Government bonds	53,334	-
Mutual funds – equities	462,560	788,393
Mutual funds – fixed income	50,861	391,849
Brokered certificates of deposit	304,880	204,212
U.S Treasury bills	141,412	100,773
Exchange traded funds	<u>31,570</u>	<u>31,673</u>
Total Fair Value	<u>\$ 1,619,595</u>	<u>\$ 2,029,790</u>

(Continued)

Notes to Consolidated Financial Statements – Continued

NOTE 4. Investments – Continued

The investments are held for long-term purposes of endowments and board designations.

Maturities of debt securities as of May 31, 2024 and 2023 are as follows:

	Fair Value May 31, 2024	Fair Value May 31, 2023
Due in less than one year	\$ 600,728	\$ 404,658
Due after one year and less than five	130,550	133,934
Due after five years and less than ten	<u>40,208</u>	<u>25,986</u>
Total	<u>\$ 771,486</u>	<u>\$ 564,578</u>

NOTE 5. 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 a long-term loan with a financial institution for \$6,227,046 (see Note for additional information regarding this loan). MCM-M used the proceeds of the aforementioned loan along with its own funding of \$5,822,654 to make leveraged loans of \$12,049,700 to COCRF investor 160, LLX 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, 2024 and 2023 totaled \$12,049,700. Collection is fully expected and accordingly, no credit loss allowance has been provided.

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 5. New markets Tax Credit Transactions – Continued

Notes Payable

The Investments Fund used the leverage loan, along with tax credit equity provided, to make qualified equity investments ("QEI's") 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 (QILICI) 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 QILICI 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 QILICI loans, resulting in no outstanding debt at that point in time and a benefit of equity from the NMTC program may be recognized.

NOTE 6. Property and Equipment

The components of property and equipment as of May 31, 2024 and 2023, are as follows:

	<u>Estimated Useful Lives</u>	<u>2024</u>	<u>2023</u>
Building and improvements	10-50 yrs.	\$27,657,917	\$27,423,052
Leasehold improvements	10-20 yrs.	34,808	8,056
Exhibits	5-15 yrs.	12,478,766	12,390,674
Office equipment	3-5 yrs.	<u>1,366,299</u>	<u>1,320,215</u>
Total depreciable property and equipment		41,537,790	41,141,997
Less accumulated depreciation		<u>(13,227,822)</u>	<u>(12,192,717)</u>
Depreciable property and equipment, net		28,309,968	28,949,280

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 6. Property and Equipment – Continued

	<u>2024</u>	<u>2023</u>
Construction in progress	167,165	326,358
Land	930,708	930,708
Property and equipment, net	<u>\$29,407,841</u>	<u>\$30,206,346</u>

Depreciation expense for the years ended May 31, 2024 and 2023 totaled \$1,711,709 and \$1,678,590, respectively.

NOTE 7. Leases

The Organization has an operating ground lease for real estate and operating lease for office equipment. The ground lease, which has no remaining required payments, had a remaining lease term of 9 years as of May 31, 2024, with an option 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 as of May 31, 2024.

The components of lease expense for the years ended May 31, 2024 and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
Operating Lease Cost	<u>\$ 27,928</u>	<u>\$ 26,852</u>

Other information related to leases as of May 31, 2024 and 2023, is

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term	408 months	414 months
Weighted average discount rate on operating leases	3.07%	2.03%

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 7: Leases - Continued

Future minimum lease payments under non-cancellable leases as of May 31, 2024 were as follows:

<u>Year Ending May 31</u>	
2025	\$ 5,515
2026	2,786
2027	597
2028	<u>387</u>
Total future minimum lease payments	9,285
Less imputed interest	<u>(315)</u>
Present value of lease liabilities	<u>\$ 8,970</u>

NOTE 8. 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 the bank's prime rate. The credit line expires in March 2025, if not renewed. As of May 31, 2024 and 2023, there were no outstanding borrowings against the line of credit.

NOTE 9. Long-Term Debt

Long-term debt consists of the following:

	<u>May 31, 2024</u>	<u>May 31, 2023</u>
<u>MCM-M</u>		
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.	\$ 2,149,423	\$ 3,002,623
<u>FTC</u>		
QLICI note payable (loan A) to Enhanced Capital New Market Development Fund 62, LLC 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.	5,068,700	5,068,700

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 9. Long-Term Debt – Continued

	May 31, 2024	May 31, 2023
QLICI note payable (loan A) to COCRF SubCDE 55, LLC 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.	2,052,300	2,052,300
QLICI note payable (loan A) to Hope New Markets 14, LLC in quarterly interest only payments through September, 2026 and quarterly interest and principle 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	4,928,700	4,928,700
QLICI note payable (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, and guaranty of MCM-M.	1,931,300	1,931,300
QLICI note payable (loan B) to COCRF SubCDE 5S, 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.	1,861,300	1,861,300

(Continued)

Notes to Consolidated Financial Statements - Continued

Note 9: Long-Term Debt – Continued

	May 31, 2024	May 31, 2023
QLICI note payable (loan B) to Hope New Markets 14, LLC in quarterly interest only payments Through September 2026 and quarterly interest and Principle 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.	<u>947,700</u>	<u>947,700</u>
Total long-term debt	18,939,423	19,792,623
Less: Unamortized debt issuance cost	<u>(720,203)</u>	<u>(748,621)</u>
Long-term debt, net	<u>\$18,219,220</u>	<u>\$19,044,002</u>

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, 2024 the financial institutions waived this specific requirement.

Future maturities of long-term debt as of May 31, 2024 were as follows:

<u>Year Ending May 31</u>	
2025	\$ -
2026	-
2027	2,470,626
2028	647,788
2029	655,031
Thereafter	<u>15,165,978</u>
	<u>\$18,939,423</u>

NOTE 10. Net Assets

A summary of net assets without donor restrictions follows:

	May 31, 2024	May 31, 2023
Undesignated	\$ 12,868,074	\$ 13,050,598
Board designated exhibit reserves	<u>-</u>	<u>871,363</u>
Total net assets without donor restrictions	<u>\$ 12,868,074</u>	<u>\$ 13,921,961</u>

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 10. Net Assets - Continued

A summary of net assets with donor restrictions follows:

	May 31, 2024	May 31, 2023
Time restricted	\$ 85,750	\$ 383,911
Purpose restricted:		
Exhibit maintenance endowment	439,378	427,367
Forget-me-not Fund		
(exhibit maintenance quasi-endowment)	969,078	914,757
Playing for Keeps		
(exhibit maintenance quasi-endowment)	267,982	227,971
Meridian capital campaign	15,425,580	15,894,711
Literacy Garden	100,000	150,000
Other specific programs	59,814	456,044
	<u>\$ 17,347,582</u>	<u>\$ 18,454,761</u>

NOTE 11. Revenue

The Organization is recognizing revenue over time for its membership revenues. As of May 31, 2024 and 2023, there are performance obligations to be satisfied of \$540,648 and \$890,437, respectively. At May 31, 2024 management expects to recognize all of the performance obligations as revenue during the year ending May 2025. 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 for the years ended May 31, 2024 and 2023 are as follows:

	2024	2023
Contracts with customer:		
Recognized over time	\$ 386,775	\$ 379,485
Recognized at a point in time	2,675,987	2,577,026
Grants and contributions	1,824,514	1,784,724
Other revenues	2,779	2,804
Investment income	423,726	159,043
	<u>\$ 5,313,781</u>	<u>\$ 4,883,082</u>

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 11. Revenue – Continued

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

A summary of performance obligations as the beginning and end of the years ended May 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Contract liabilities, beginning of year	\$ 890,437	\$ 540,803
Contract liabilities, end of year	540,648	890,437

NOTE 12: 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, 2024:

	<u>Donated Services</u>	<u>Donated Goods</u>	<u>Total</u>
Program Services:			
Education	\$14,910	\$ -	\$ 14,910
Special events	<u>-</u>	<u>108,435</u>	<u>108,435</u>
Total contributed space, services and goods	<u>\$14,910</u>	<u>\$ 108,435</u>	<u>\$123,345</u>

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 12. Contributions In-Kind - Continued

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

	<u>Donated Services</u>	<u>Donated Goods</u>	<u>Total</u>
Program Services:			
Education	\$ 35,795	\$ -	\$35,795
Special events	<u>-</u>	<u>55,404</u>	<u>55,404</u>
Total contributed space, services and goods	<u>\$ 35,795</u>	<u>\$ 55,404</u>	<u>\$ 91,199</u>

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

NOTE 13. Endowment

The Organization's endowments consist of three donor-restricted funds restricted for maintenance and refurbishment of "the Mississippi Map" interactive exhibit and quasi-endowments board-designated for use in 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, 2021, 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 as 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

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 13. Endowment - Continued

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 condition, (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 as 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 for the exhibits not exceeding 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, 2024	May 31, 2023
Endowment funds donor-restricted as an endowment	\$ 439,378	\$ 427,367
Quasi-endowment donor-restricted for exhibit maintenance and also board-designated as an endowment	<u>1,237,060</u>	<u>1,142,728</u>
Total endowment funds with donor restrictions	<u>\$ 1,676,438</u>	<u>\$ 1,570,095</u>

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 13. Endowment – Continued

Following are details of the changes in the Organization's endowment net assets for the years ended May 31, 2024 and 2023.

	Quasi Endowments Donor Restricted for Purpose	Donor Restricted as Endowments	Total
<u>2024:</u>			
Endowment net assets, beginning of year	\$1,142,728	\$ 427,367	\$1,570,095
Contributions	21,303	-	21,303
Investment income	32,289	8,262	40,551
Gain on investments	65,740	53,749	119,489
Amounts appropriated for expenditure	<u>(25,000)</u>	<u>(50,000)</u>	<u>(75,000)</u>
Endowment net assets, end of year	<u>\$1,237,060</u>	<u>\$ 439,378</u>	<u>\$1,676,438</u>
	Quasi Endowments Donor Restricted for Purpose	Donor Restricted as Endowments	Total
<u>2023:</u>			
Endowment net assets, beginning of year	\$1,077,407	\$ 435,596	\$1,513,003
Contributions	70,000	-	70,000
Investment income	20,216	5,938	26,154
Loss on investments	(24,895)	(14,167)	(39,062)
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$1,142,728</u>	<u>\$ 427,367</u>	<u>\$1,570,095</u>

NOTE 14. 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 principle 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:

(Continued)

Notes to Consolidated Financial Statements – Continued

NOTE 14. Fair Value Measurements – Continued

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

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:

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, 2024 and 2023.

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 in comparable securities of issuers with similar credit ratings.

(Continued)

Notes to Consolidated Financial Statements – Continued

NOTE 14. Fair Value Measurements – Continued

Mutual fund 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 measurement at the reporting date.

Assets measured at fair value on a recurring basis, consist of the following:

May 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Common stock	\$ 303,118	\$ -	\$ 303,118
Brokered certificate of deposit	-	304,880	304,880
Corporate bonds	86,319	185,541	271,860
Government bonds	53,334	-	53,334
U.S. Treasury bills	141,412	-	141,412
Mutual funds	513,421	-	513,421
Exchange traded funds	31,570	-	31,570
Total Investments	<u>\$1,129,174</u>	<u>\$490,421</u>	<u>\$1,619,595</u>

May 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Common stock	\$ 253,297	\$ -	\$ 253,297
Brokered certificate 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
Total Investments	<u>\$1,801,442</u>	<u>\$228,348</u>	<u>\$2,029,790</u>

(Continued)

Notes to Consolidated Financial Statements – Continued

NOTE 14. Fair Value Measurements – Continued

The availability of observable market data is monitored to access 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, 2024 and 2023, there were no significant transfers in or out of Levels 1, 2 or 3.

NOTE 15. Concentration of Credit Risk

The Organization maintains cash deposits with financial institutions on excess of federally insured limits. At May 31, 2024 and 2023, deposits in excess of federally insured amounts totaled \$10,945 and \$559,865.

At May 31, 2024, promises to give totaling \$3,000,000 were due from two donors. At May 31, 2023, promises to give totaling \$3,850,000 were due from four donors.

NOTE 16. Defined Contribution Plan

The Organization provided 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, 2024 and 2023, is \$47,081 and \$39,022, respectively.

NOTE 17. Related Party Transactions

The Organization has bank account balances totaling \$158,866 and \$635,612 at May 31, 2024 and 2023, respectively, at a local bank that is considered to be a related party because one of the Organization's board members is an officer of the bank.

(Continued)

Notes to Consolidated Financial Statements – Continued

NOTE 18. Correction of Errors

During the current year, the Organization discovered errors in the previously issued consolidated financial statements regarding the classification of net assets without donor restrictions and net assets with donor restrictions and the period in which the Internal Revenue Service Employee Retention Credit revenue was recognized. These errors have been corrected in the accompanying consolidated financial statements for the year ended May 31, 2023, and following is a summary of the effects of the error corrections on the consolidated financial statements:

	<u>As Previously Reported</u>	<u>Correction of Errors</u>	<u>As Restated</u>
NET ASSETS AT BEGINNING OF YEAR			
Without donor restrictions	\$16,868,319	\$(2,259,357)	\$14,608,962
With donor restrictions	16,901,146	2,932,622	19,833,768
Total Net Assets	33,769,465	673,265	34,442,730
NET ASSETS AT END OF YEAR			
Without donor restrictions	16,854,583	(2,932,622)	13,921,961
With donor restrictions	15,522,139	2,932,622	18,454,761
Total Net Assets	32,376,722	-	32,376,722
REVENUES, OTHER SUPPORT AND LOSSES WITHOUT DONOR RESTRICTIONS			
Contributions	988,678	(167,628)	821,050
Other income	303,051	(300,247)	2,804
Loss on disposal of Property and equipment	-	(205,390)	(205,390)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(13,736)	(673,265)	(687,001)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
	1,991,206	(1,660,865)	330,341
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions restricted for long-term purposes	-	1,660,865	1,660,865
Net cash provided by (used in) financing activities	(1,085,500)	1,660,865	575,365

(Continued)

Notes to Consolidated Financial Statements – Continued

NOTE 19. Subsequent Events

Subsequent events have been evaluated by management of the Organization through November 20, 2024, which is the date that the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

May 31, 2024

(with Comparative Totals for May 31, 2023)

	MCM	MCM -		FTC	Eliminations	Totals	
		Meridian				2024	2023
ASSETS							
Current assets							
Cash and cash equivalents	\$ 1,026,947	\$ 238,056	\$ 43,281	\$ -	\$ 1,308,284	\$ 1,982,223	
Federal grants receivable:							
Internal Revenue Service Employee Retention Credit	505,637	167,628	-	-	673,265	673,265	
Other	59,814	6,846	-	-	66,660	194,880	
Other grants receivable	-	-	-	-	-	100,000	
Other receivables	3,705	61,672	235,000	(235,000)	65,377	62,474	
Inventory	17,624	9,585	-	-	27,209	30,727	
Prepaid expenses	47,248	-	-	-	47,248	46,927	
Total current assets	1,660,975	483,787	278,281	(235,000)	2,188,043	3,090,496	
Non-Current Assets							
Cash and cash equivalents held for long-term purposes	49,969	6,876	176,750	-	233,595	300,594	
Promises to give, net	143,773	3,310,231	-	(20,016)	3,433,988	3,630,929	
Other receivables	-	-	57,222	(57,222)	-	-	
Investments	1,358,488	261,107	-	-	1,619,595	2,029,790	
Notes receivable	-	12,049,700	-	-	12,049,700	12,049,700	
Operating lease right-of-use assets	778,464	595,521	-	(591,769)	782,216	807,815	
Property and equipment, net	14,630,682	553,248	14,323,911	(100,000)	29,407,841	30,206,346	
Total non-current assets	16,961,376	16,776,683	14,557,883	(769,007)	47,526,935	49,025,174	
TOTAL ASSETS	\$ 18,622,351	\$ 17,260,470	\$ 14,836,164	\$ (1,004,007)	\$ 49,714,978	\$ 52,115,670	

(Continued)

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

May 31, 2024

(with Comparative Totals for May 31, 2023)

	MCM	MCM -		FTC	Eliminations	Totals	
		Meridian				2024	2023
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable	\$ 518,715	\$ 120,946	\$ -	\$ (36,667)	\$ 602,994	\$ 584,183	
Deferred revenue	408,908	131,740	-	-	540,648	890,437	
Contribution pledges payable	-	-	20,016	(20,016)	-	-	
Accrued expenses	82,900	10,912	33,678	-	127,490	120,188	
Current portion of operating lease liabilities	3,928	211,434	-	(210,056)	5,306	4,720	
Total current liabilities	1,014,451	475,032	53,694	(266,739)	1,276,438	1,599,528	
Long-term liabilities							
Long-term debt, net of current portion	-	2,149,423	16,069,797	-	18,219,220	19,044,002	
Operating lease liabilities, less current portion	1,290	639,642	-	(637,268)	3,664	7,107	
Total liabilities	1,015,741	3,264,097	16,123,491	(904,007)	19,499,322	20,650,637	
Net assets							
Without donor restrictions	15,952,590	(1,697,189)	(1,287,327)	(100,000)	12,868,074	13,921,961	
With donor restrictions	1,654,020	15,693,562	-	-	17,347,582	18,454,761	
Total net assets	17,606,610	13,996,373	(1,287,327)	(100,000)	30,215,656	32,376,722	
TOTAL LIABILITIES AND NET ASSETS	\$ 18,622,351	\$ 17,260,470	\$ 14,836,164	\$ (1,004,007)	\$ 49,714,978	\$ 53,027,359	

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended May 31, 2024

(with Comparative Totals for the Year Ended May 31, 2023)

	MCM	MCM -		FTC	Eliminations	Totals	
		Meridian				2024	2023
CHANGES IN NET ASSETS							
WITHOUT DONOR RESTRICTIONS							
Revenues, other support, losses and reclassifications:							
Admissions	\$ 763,125	\$ 249,335	\$ -	-	\$ -	\$ 1,012,460	\$ 970,036
Contributions	442,066	206,628	11,602	(31,618)		628,678	667,967
Contributions of non-financial assets	107,420	15,925	-	-	-	123,345	91,199
Educational programs and sponsorships	567,187	60,570	-	-	-	627,757	602,326
Events	509,636	315,421	-	-	-	825,057	569,888
Facility rental	97,599	61,187	-	-	-	158,786	190,764
Grants	49,000	22,615	-	-	-	71,615	256,803
Investment income	32,637	134,458	-	-	-	167,095	195,222
Memberships	277,416	109,359	-	-	-	386,775	379,485
Other income	176,523	6,256	-	(180,000)		2,779	2,804
Retail sales	358,474	44,328	-	-	-	402,802	338,203
Lease income	-	-	233,333	(233,333)		-	-
Gain (loss) on investments	1,949	-	-	-	-	1,949	(23,271)
Loss on disposal of property and equipment	(350,875)	-	-	-	-	(350,875)	(205,390)
Net assets released from restrictions	1,706,115	656,622	-	-	-	2,362,737	2,226,053
TOTAL REVENUES, OTHER SUPPORT, AND LOSSES							
WITHOUT DONOR RESTRICTIONS	4,738,272	1,882,704	244,935	(444,951)		6,420,960	6,262,089

(Continued)

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED

Year Ended May 31, 2024

(with Comparative Totals for the Year Ended May 31, 2023)

	MCM -			Eliminations	Totals	
	MCM	Meridian	FTC		2024	2023
EXPENSES:						
Advertising and promotion	116,161	70,065	-	-	186,226	175,685
Contributions	-	11,602	20,016	(31,618)	-	-
Cost of goods sold	234,552	23,641	-	-	258,193	208,672
Depreciation	1,095,233	70,191	523,542	-	1,688,966	1,678,590
Educational	515,227	271,517	-	(233,333)	553,411	368,584
Events	136,913	77,410	-	-	214,323	215,511
Facility costs	464,942	221,978	-	-	686,920	648,874
Fundraising	15,606	23,876	-	-	39,482	19,135
Insurance	96,071	20,000	-	-	116,071	110,620
Interest	208	144,971	215,402	-	360,581	371,692
Miscellaneous	15,225	6,411	-	-	21,636	19,884
Operational costs	97,586	186,790	1,602	(180,000)	105,978	74,201
Professional fees	400,144	20,708	20,000	-	440,852	444,609
Salaries and benefits	2,010,362	673,069	-	-	2,683,431	2,497,724
Supplies	86,844	31,933	-	-	118,777	115,309
Total expenses	5,285,074	1,854,162	780,562	(444,951)	7,474,847	6,949,090
INCREASE (DECREASE) IN NET ASSETS						
WITHOUT DONOR RESTRICTIONS	(546,802)	28,542	(535,627)	-	(1,053,887)	(687,001)

(Continued)

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED

Year Ended May 31, 2024

(with Comparative Totals for the Year Ended May 31, 2023)

	MCM	MCM -		FTC	Eliminations	Totals	
		Meridian				2024	2023
CHANGES IN NET ASSETS WITH							
DONOR RESTRICTIONS							
Contributions	75,000	11,923	-	-	-	86,923	153,083
Grants	736,277	177,676	-	-	-	913,953	706,871
Investment income	63,319	8,067	-	-	-	71,386	26,154
Gain (loss) on investments	153,461	29,835	-	-	-	183,296	(39,062)
Net assets released from restrictions	(1,706,115)	(656,622)	-	-	-	(2,362,737)	(2,226,053)
INCREASE (DECREASE) IN NET ASSETS WITH							
DONOR RESTRICTIONS	(678,058)	(429,121)	-	-	-	(1,107,179)	(1,379,007)
DECREASE IN NET ASSETS	(1,224,860)	(400,579)	(535,627)	-	-	(2,161,066)	(2,066,008)
Net assets (deficit) at beginning of year	18,831,470	14,396,952	(751,700)	(100,000)	(100,000)	32,376,722	34,442,730
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 17,606,610	\$ 13,996,373	\$ (1,287,327)	\$ (100,000)	\$ (100,000)	\$ 30,215,656	\$ 32,376,722