

MISSISSIPPI CHILDREN'S MUSEUM
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

MAY 31, 2025 AND 2024

MISSISSIPPI CHILDREN'S MUSEUM
AND SUBSIDIARIES

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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 statements of financial position as of May 31, 2025 and 2024, 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, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits 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 audits. 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 Audits 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 audits, significant audit findings and certain internal control related matters that we identified during the audits.

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 statement of financial position as of May 31, 2025, and consolidating statement of activities for the year then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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 respects in relation to the consolidated financial statements as a whole.

Tann, Brown & Russ Co.

November 25, 2025

CONSOLIDATED FINANCIAL STATEMENTS

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 15 and 17)	\$ 1,979,358	\$ 1,308,284
Federal grants receivable:		
Internal Revenue Service Employee Retention Credit	151,639	673,265
Other	-	66,660
Other grants receivable	738,149	-
Other receivables	33,406	65,377
Inventory	35,955	27,209
Prepaid expenses	79,385	47,248
Total Current Assets	3,017,892	2,188,043
Non-Current Assets		
Cash and cash equivalents held for long-term purposes (Notes 9, 15 and 17)	242,748	233,595
Promises to give for long-term purposes, net (Notes 3 and 9)	2,413,311	3,433,988
Other grants receivable	390,000	-
Investments held for long-term purposes (Notes 4, 13 and 14)	1,649,120	1,619,595
Notes receivable (Note 5)	12,049,700	12,049,700
Operating lease right-of-use assets, net (Note 7)	755,815	782,216
Property and equipment, net (Notes 6 and 9)	28,294,069	29,407,841
Total Non-Current Assets	45,794,763	47,526,935
TOTAL ASSETS	\$ 48,812,655	\$ 49,714,978

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 437,954	\$ 602,994
Deferred revenue (Note 11)	1,214,629	540,648
Accrued expenses	150,113	127,490
Current portion of operating lease liabilities (Note 7)	<u>3,083</u>	<u>5,306</u>
Total Current Liabilities	<u>1,805,779</u>	<u>1,276,438</u>
Long-Term Liabilities		
Deferred revenue (Note 11)	390,000	-
Long-term debt, net of current portion (Note 9)	17,416,632	18,219,220
Operating lease liabilities, less current portion (Note 7)	<u>2,230</u>	<u>3,664</u>
Total Long-Term Liabilities	<u>17,808,862</u>	<u>18,222,884</u>
TOTAL LIABILITIES	<u>19,614,641</u>	<u>19,499,322</u>
NET ASSETS		
Without donor restrictions	12,297,298	12,868,074
With donor restrictions (Note 10)	<u>16,900,716</u>	<u>17,347,582</u>
Total Net Assets	<u>29,198,014</u>	<u>30,215,656</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 48,812,655</u>	<u>\$ 49,714,978</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, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Admissions	\$ 1,141,446	\$ -	\$ 1,141,446
Contributions	636,582	450,700	1,087,282
Contributions of non-financial assets	155,309	-	155,309
Educational programs and sponsorships	819,015	-	819,015
Events	733,208	-	733,208
Facility rental	184,673	-	184,673
Grants	66,409	859,370	925,779
Investment income	293,872	65,666	359,538
Memberships	441,138	-	441,138
Other income	15,990	-	15,990
Retail sales	393,166	-	393,166
Gain on investments	-	73,590	73,590
Net assets released from restrictions	<u>1,896,192</u>	<u>(1,896,192)</u>	<u>-</u>
Total Revenues and Other Support	<u>6,777,000</u>	<u>(446,866)</u>	<u>6,330,134</u>
EXPENSES			
Program services	6,102,931	-	6,102,931
Supporting services:			
Management and general	941,585	-	941,585
Fundraising	<u>303,260</u>	<u>-</u>	<u>303,260</u>
Total Expenses	<u>7,347,776</u>	<u>-</u>	<u>7,347,776</u>
CHANGE IN NET ASSETS	<u>(570,776)</u>	<u>(446,866)</u>	<u>(1,017,642)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>12,868,074</u>	<u>17,347,582</u>	<u>30,215,656</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,297,298</u>	<u>\$ 16,900,716</u>	<u>\$ 29,198,014</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	<u>6,420,960</u>	<u>(1,107,179)</u>	<u>5,313,781</u>
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	<u>7,474,847</u>	<u>-</u>	<u>7,474,847</u>
CHANGE IN NET ASSETS	<u>(1,053,887)</u>	<u>(1,107,179)</u>	<u>(2,161,066)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>13,921,961</u>	<u>18,454,761</u>	<u>32,376,722</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,868,074</u>	<u>\$ 17,347,582</u>	<u>\$ 30,215,656</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, 2025

	Program Services					Supporting Services		2025 Total	
	Education	Exhibits and Facilities	External Affairs	Retail	Special Events	Total Program Services	Management and General		Fund- Raising
Advertising and promotion	\$ -	\$ -	\$ 186,719	\$ -	\$ -	\$ 186,719	\$ -	\$ -	\$ 186,719
Cost of goods sold	-	-	-	202,901	-	202,901	-	-	202,901
Depreciation	-	1,595,759	-	22,396	-	1,618,155	60,819	-	1,678,974
Educational	303,389	30,924	-	1,319	-	335,632	-	-	335,632
Events	-	-	11	304	193,377	193,692	-	-	193,692
Facility costs	-	643,957	-	-	-	643,957	-	-	643,957
Fundraising	-	-	-	-	-	-	-	31,383	31,383
Insurance	-	112,319	-	-	-	112,319	12,480	-	124,799
Interest	-	317,060	-	-	-	317,060	-	-	317,060
Miscellaneous	318	141	178	275	17,853	18,765	-	-	18,765
Operational costs	-	-	-	88,242	-	88,242	27,632	-	115,874
Professional fees	227,626	14,684	29,332	57,165	5,785	334,592	102,036	-	436,628
Salaries and benefits	1,024,828	340,694	203,840	397,003	-	1,966,365	709,045	271,877	2,947,287
Supplies	30,705	46,615	385	6,827	-	84,532	29,573	-	114,105
Total Expenses	\$ 1,586,866	\$ 3,102,153	\$ 420,465	\$ 776,432	\$ 217,015	\$ 6,102,931	\$ 941,585	\$ 303,260	\$ 7,347,776

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		2024 Total	
	Education	Exhibits and Facilities	External Affairs	Retail	Special Events	Total Program Services	Management and General		Fund- Raising
Advertising and promotion	\$ -	\$ -	\$ 186,226	\$ -	\$ -	\$ 186,226	\$ -	\$ -	\$ 186,226
Cost of goods sold	-	-	-	258,193	-	258,193	-	-	258,193
Depreciation	-	1,608,186	-	23,118	-	1,631,304	57,662	-	1,688,966
Educational	453,340	98,879	-	1,192	-	553,411	-	-	553,411
Events	20	-	94	1,301	212,908	214,323	-	-	214,323
Facility costs	-	686,781	-	-	-	686,781	139	-	686,920
Fundraising	-	-	-	-	-	-	-	39,482	39,482
Insurance	-	104,464	-	-	-	104,464	11,607	-	116,071
Interest	-	360,581	-	-	-	360,581	-	-	360,581
Miscellaneous	1,128	189	274	333	19,712	21,636	-	-	21,636
Operational costs	-	-	-	71,585	-	71,585	34,393	-	105,978
Professional fees	115,144	159,184	23,392	50,578	4,989	353,287	87,565	-	440,852
Salaries and benefits	1,075,778	304,478	234,206	401,754	-	2,016,216	415,279	251,936	2,683,431
Supplies	26,715	46,393	1,327	8,769	-	83,204	35,573	-	118,777
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 STATEMENTS OF CASH FLOWS

Years Ended May 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,017,642)	\$ (2,161,066)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,678,974	1,688,966
Amortization of debt issuance cost	26,667	28,418
Gain on investments	(73,590)	(185,245)
Contributions restricted for long-term purposes	(140,500)	(1,195,553)
Loss on disposal of property and equipment	-	350,875
(Increase) decrease in:		
Federal grants receivable	588,286	128,220
Other grants receivable	(1,128,149)	100,000
Promises to give	1,020,677	1,108,630
Other receivables	31,971	(2,903)
Inventory	(8,746)	3,518
Prepaid expenses	(32,137)	(321)
Operating lease right-of-use assets	26,401	27,929
Increase (decrease) in:		
Accounts payable	(165,040)	18,811
Deferred revenue	1,063,981	(349,789)
Accrued expenses	22,623	7,302
Operating lease liabilities	(3,657)	(5,187)
Net cash provided by (used in) operating activities	1,890,119	(437,395)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(565,202)	(1,241,336)
Purchase of investments	(581,982)	(499,221)
Proceeds from sale of investments	626,047	1,094,661
Net cash used in investing activities	(521,137)	(645,896)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	140,500	1,195,553
Payments on long-term debt	(829,255)	(853,200)
Net cash provided by (used in) financing activities	(688,755)	342,353

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, 2025 and 2024

	2025	2024
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	680,227	(740,938)
Cash and cash equivalents at beginning of year	1,541,879	2,282,817
Cash and cash equivalents at end of year	\$ 2,222,106	\$ 1,541,879
CASH AND CASH EQUIVALENTS AT YEAR END CONSISTS OF THE FOLLOWING:		
Cash and cash equivalents	\$ 1,979,358	\$ 1,308,284
Cash and cash equivalents held for long-term purposes	242,748	233,595
Cash and cash equivalents, at end of year	\$ 2,222,106	\$ 1,541,879
SUPPLEMENTAL DATA:		
Lease liabilities arising from obtaining operating lease right-of-use assets	\$ 1,515	\$ 2,330
Interest paid	\$ 290,393	\$ 332,163

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, 2025 and 2024

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 STEM 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, 2025 and 2024, 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 \$26,667 and \$28,418 for the years ended May 31, 2025 and 2024.

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 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, 2025 and 2024 advertising costs totaled \$186,719 and \$186,226, 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, 2021, and prior.

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, 2025</u>	<u>May 31, 2024</u>
Cash and cash equivalents	\$ 1,979,358	\$ 1,308,284
Federal grants receivable:		
Internal Revenue Service Employee Retention Credit	151,639	673,265
Other	-	66,660
Other grants receivable	738,149	-
Other receivables	<u>33,406</u>	<u>65,377</u>
	<u>\$ 2,902,552</u>	<u>\$ 2,113,586</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:

	<u>May 31, 2025</u>	<u>May 31, 2024</u>
Receivable in less than one year	\$ 1,057,569	\$ 1,185,269
Receivable after one year and less than five years	1,509,342	2,195,484
Receivable after five years	<u>-</u>	<u>225,325</u>
Total Promises to give	2,566,911	3,606,078
Less allowance for credit losses	(58,316)	(101,772)
Less discounts to net present value (discount rate of 0.75% to 5.00%)	(95,284)	(70,318)
	<u>\$ 2,413,311</u>	<u>\$ 3,433,988</u>

NOTE 4. Investments

Investments in marketable securities consist of the following:

	<u>May 31, 2025</u>	<u>May 31, 2024</u>
Common stock – domestic	\$ 284,438	\$ 283,455
Common stock – foreign	33,040	19,663
Corporate bonds	175,064	185,541
Government bonds	10,044	9,996
Mutual funds – fixed income	88,256	50,861
Brokered certificates of deposit	354,755	304,880
U.S Treasury bills	-	141,412
Exchange traded funds – equities	529,562	494,130
Exchange traded funds – fixed income	173,961	129,657
Total Fair Value	<u>\$ 1,649,120</u>	<u>\$ 1,619,595</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, 2025 and 2024 are as follows:

	Fair Value <u>May 31, 2025</u>	Fair Value <u>May 31, 2024</u>
Due in less than one year	\$ 279,520	\$ 466,013
Due after one year and less than five	233,944	135,608
Due after five years and less than ten	<u>26,400</u>	<u>40,208</u>
Total	<u>\$ 534,864</u>	<u>\$ 641,829</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 9 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, LLC and COCRF investor, LLC (collectively referred to as the “Investment Fund”). The loans require quarterly interest only payments 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, 2025 and 2024 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 (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 investor will put their options and MCM-M would then own the QEI funds. MCM-M would then forgive FTC’s QLICI 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, 2025 and 2024, are as follows:

	<u>Estimated Useful Lives</u>	<u>2025</u>	<u>2024</u>
Building and improvements	10-50 yrs.	\$27,775,453	\$27,657,917
Leasehold improvements	10-20 yrs.	34,808	34,808
Exhibits	5-15 yrs.	12,815,705	12,478,766
Office equipment	3-5 yrs.	<u>1,452,252</u>	<u>1,366,299</u>
Total depreciable property and equipment		42,078,218	41,537,790
Less accumulated depreciation		<u>(14,906,796)</u>	<u>(13,227,822)</u>
Depreciable property and equipment, net		27,171,422	28,309,968

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 6. Property and Equipment – Continued

	<u>2025</u>	<u>2024</u>
Construction in progress	191,939	167,165
Land	<u>930,708</u>	<u>930,708</u>
Property and equipment, net	<u>\$28,294,069</u>	<u>\$29,407,841</u>

Depreciation expense for the years ended May 31, 2025 and 2024 totaled \$1,678,974 and \$1,688,966, 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, 2025, 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, 2025.

The components of lease expense for the years ended May 31, 2025 and 2024, consist of the following:

	<u>2025</u>	<u>2024</u>
Operating Lease Cost	<u>\$ 28,051</u>	<u>\$ 27,928</u>

Other information related to leases as of May 31, 2025 and 2024, is

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term	396 months	408 months
Weighted average discount rate on operating leases	3.22%	3.07%

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 7: Leases - Continued

Future minimum lease payments under non-cancellable leases as of May 31, 2025 were as follows:

<u>Year Ending May 31</u>	
2026	\$ 3,189
2027	1,131
2028	922
2029	<u>267</u>
Total future minimum lease payments	5,509
Less imputed interest	<u>(196)</u>
Present value of lease liabilities	<u>\$ 5,313</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 2026, if not renewed. As of May 31, 2025 and 2024, 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,</u> <u>2025</u>	<u>May 31,</u> <u>2024</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.	\$ 1,320,168	\$ 2,149,423
<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

	<u>May 31,</u> <u>2025</u>	<u>May 31,</u> <u>2024</u>
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 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.	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 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.	1,861,300	1,861,300

(Continued)

Notes to Consolidated Financial Statements – Continued

NOTE 9: Long-Term Debt – Continued

	<u>May 31,</u> <u>2025</u>	<u>May 31,</u> <u>2024</u>
QLICI note payable (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.	<u>947,700</u>	<u>947,700</u>
Total long-term debt	18,110,168	18,939,423
Less: Unamortized debt issuance cost	<u>(693,536)</u>	<u>(720,203)</u>
Long-term debt, net	<u>\$17,416,632</u>	<u>\$18,219,220</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, 2025 the financial institutions waived this specific requirement.

Future maturities of long-term debt as of May 31, 2025 were as follows:

Year Ending May 31

2026	\$ -
2027	1,641,371
2028	647,788
2029	655,031
2030	662,354
Thereafter	<u>14,503,624</u>
	<u>\$18,110,168</u>

(Continued)

Notes to Consolidated Financial Statements - Continued

NOTE 10. Net Assets - Continued

A summary of net assets with donor restrictions follows:

	<u>May 31,</u> <u>2025</u>	<u>May 31,</u> <u>2024</u>
Time restricted	\$ 18,000	\$ 85,750
Purpose restricted:		
Exhibit maintenance endowment	462,754	439,378
Forget-me-not Fund (exhibit maintenance quasi-endowment)	1,022,775	969,078
Playing for Keeps (exhibit maintenance quasi-endowment)	296,589	267,982
The LIFT capital campaign	350,000	-
Meridian capital campaign	14,557,857	15,425,580
Literacy Garden	50,000	100,000
Other specific programs	<u>142,741</u>	<u>59,814</u>
	<u>\$ 16,900,716</u>	<u>\$ 17,347,582</u>

NOTE 11. Revenue

The Organization is recognizing revenue over time for its membership revenues. As of May 31, 2025 and 2024, there are performance obligations to be satisfied of \$1,604,629 and \$540,648, respectively. Management expects to recognize \$1,214,629 and \$390,000 of the performance obligations as revenue during the years ending May 2026 and May 2027, respectively. 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, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Contracts with customers:		
Recognized over time	\$ 441,138	\$ 386,775
Recognized at a point in time	3,271,508	2,675,987
Grants and contributions	2,168,370	1,824,514
Other revenues	15,990	2,779
Investment income	<u>433,128</u>	<u>423,726</u>
	<u>\$ 6,330,134</u>	<u>\$ 5,313,781</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, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Contract liabilities, beginning of year	\$ 540,648	\$ 890,437
Contract liabilities, end of year	1,604,629	540,648

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, 2025:

	<u>Donated Services</u>	<u>Donated Goods</u>	<u>Total</u>
Program Services:			
Education	\$32,060	\$ -	\$ 32,060
Special events	<u>-</u>	<u>123,249</u>	<u>123,249</u>
Total contributed space, services and goods	<u>\$32,060</u>	<u>\$ 123,249</u>	<u>\$ 155,309</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, 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>

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 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 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:

	<u>May 31, 2025</u>	<u>May 31, 2024</u>
Endowment funds donor-restricted as an endowment	\$ 462,754	\$ 439,378
Quasi-endowment donor-restricted for exhibit maintenance and also board-designated as an endowment	<u>1,319,364</u>	<u>1,237,060</u>
Total endowment funds with donor restrictions	<u>\$ 1,782,118</u>	<u>\$ 1,676,438</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, 2025 and 2024.

	Quasi Endowments Donor Restricted for <u>Purpose</u>	Donor Restricted as Endowments	<u>Total</u>
<u>2025:</u>			
Endowment net assets, beginning of year	\$ 1,237,060	\$ 439,378	\$1,676,438
Contributions	79,500	-	79,500
Investment income	42,022	6,383	48,405
Gain on investments	40,796	32,993	73,789
Amounts appropriated for expenditure	<u>(80,014)</u>	<u>(16,000)</u>	<u>(96,014)</u>
Endowment net assets, end of year	<u>\$ 1,319,364</u>	<u>\$ 462,754</u>	<u>\$1,782,118</u>
	Quasi Endowments Donor Restricted for <u>Purpose</u>	Donor Restricted as Endowments	<u>Total</u>
<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>

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, 2025 and 2024.

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, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Common stock	\$ 317,478	\$ -	\$ 317,478
Brokered certificates of deposit	-	354,755	354,755
Corporate bonds	-	175,064	175,064
Government bonds	10,044	-	10,044
Mutual funds	88,256	-	88,256
Exchange traded funds	<u>703,523</u>	<u>-</u>	<u>703,523</u>
Total Investments	<u>\$1,119,301</u>	<u>\$529,819</u>	<u>\$1,649,120</u>

May 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Common stock	\$ 303,118	\$ -	\$ 303,118
Brokered certificates of deposit	-	304,880	304,880
Corporate bonds	-	185,541	185,541
Government bonds	9,996	-	9,996
U.S. Treasury bills	141,412	-	141,412
Mutual funds	50,861	-	50,861
Exchange traded funds	<u>623,787</u>	<u>-</u>	<u>623,787</u>
Total Investments	<u>\$1,129,174</u>	<u>\$490,421</u>	<u>\$1,619,595</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, 2025 and 2024, 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, 2025 and 2024, deposits in excess of federally insured amounts totaled \$912,431 and \$10,945.

At May 31, 2025, promises to give totaling \$2,150,000 were due from two donors, and other grants receivable totaling \$780,000 were due from one grantor. At May 31, 2024, promises to give totaling \$3,000,000 were due from two 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, 2025 and 2024, is \$53,027 and \$47,081, respectively.

NOTE 17. Related Party Transactions

The Organization has bank account balances totaling \$1,010,269 and \$158,866 at May 31, 2025 and 2024, 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. Subsequent Events

The Organization began the LIFT Capital Campaign (LIFT) in order to raise funds to construct a new building. As of November 25, 2025, LIFT had pledges totaling \$6,427,500 and had received payments totaling \$571,500 on these pledges.

Subsequent events have been evaluated by management of the Organization through November 25, 2025, 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, 2025
(With Comparative Totals for May 31, 2024)

	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2025	2024
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,576,074	\$ 365,019	\$ 38,265	\$ -	\$ 1,979,358	\$ 1,308,284
Federal grants receivable:						
Internal Revenue Service Employee Retention Credit	-	151,639	-	-	151,639	673,265
Other	-	-	-	-	-	66,660
Other grants receivable	414,400	323,749	-	-	738,149	-
Other receivables	6,556	38,263	290,554	(301,967)	33,406	65,377
Inventory	30,534	5,421	-	-	35,955	27,209
Prepaid expenses	79,385	-	-	-	79,385	47,248
Total current assets	2,106,949	884,091	328,819	(301,967)	3,017,892	2,188,043
Non-Current Assets						
Cash and cash equivalents held for long-term purposes	119,872	13,126	109,750	-	242,748	233,595
Promises to give, net	103,059	2,310,252	-	-	2,413,311	3,433,988
Other grants receivable	390,000	-	-	-	390,000	-
Investments	1,365,657	283,463	-	-	1,649,120	1,619,595
Notes receivable	-	12,049,700	-	-	12,049,700	12,049,700
Operating lease right-of-use assets	753,442	384,087	-	(381,714)	755,815	782,216
Property and equipment, net	14,094,784	498,916	13,800,369	(100,000)	28,294,069	29,407,841
Total non-current assets	16,826,814	15,539,544	13,910,119	(481,714)	45,794,763	47,526,935
TOTAL ASSETS	\$ 18,933,763	\$ 16,423,635	\$ 14,238,938	\$ (783,681)	\$ 48,812,655	\$ 49,714,978

(Continued)

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

May 31, 2025

(With Comparative Totals for May 31, 2024)

	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2025	2024
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable	\$ 353,474	\$ 130,893	\$ -	\$ (46,413)	\$ 437,954	\$ 602,994
Deferred revenue	912,489	302,140	-	-	1,214,629	540,648
Accrued expenses	103,107	13,328	33,678	-	150,113	127,490
Current portion of operating lease liabilities	<u>1,657</u>	<u>306,556</u>	<u>-</u>	<u>(305,130)</u>	<u>3,083</u>	<u>5,306</u>
Total current liabilities	<u>1,370,727</u>	<u>752,917</u>	<u>33,678</u>	<u>(351,543)</u>	<u>1,805,779</u>	<u>1,276,438</u>
Long-term liabilities						
Deferred revenue	390,000	-	-	-	390,000	-
Long-term debt, net of current portion	-	1,320,168	16,096,464	-	17,416,632	18,219,220
Operating lease liabilities, less current portion	<u>1,282</u>	<u>333,086</u>	<u>-</u>	<u>(332,138)</u>	<u>2,230</u>	<u>3,664</u>
Total liabilities	<u>1,762,009</u>	<u>2,406,171</u>	<u>16,130,142</u>	<u>(683,681)</u>	<u>19,614,641</u>	<u>19,499,322</u>
Net assets						
Without donor restrictions	15,125,484	(836,982)	(1,891,204)	(100,000)	12,297,298	12,868,074
With donor restrictions	<u>2,046,270</u>	<u>14,854,446</u>	<u>-</u>	<u>-</u>	<u>16,900,716</u>	<u>17,347,582</u>
Total net assets	<u>17,171,754</u>	<u>14,017,464</u>	<u>(1,891,204)</u>	<u>(100,000)</u>	<u>29,198,014</u>	<u>30,215,656</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,933,763</u>	<u>\$ 16,423,635</u>	<u>\$ 14,238,938</u>	<u>\$ (783,681)</u>	<u>\$ 48,812,655</u>	<u>\$ 49,714,978</u>

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended May 31, 2025

(With Comparative Totals for the Year Ended May 31, 2024)

	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2025	2024
CHANGES IN NET ASSETS						
WITHOUT DONOR RESTRICTIONS						
Revenues, other support, losses and reclassifications:						
Admissions	\$ 912,774	\$ 228,672	\$ -	\$ -	\$ 1,141,446	\$ 1,012,460
Contributions	420,053	309,045	12,155	(102,171)	639,082	628,678
Contributions of non-financial assets	134,706	18,103	-	-	152,809	123,345
Educational programs and sponsorships	769,861	49,154	-	-	819,015	627,757
Events	407,144	326,064	-	-	733,208	825,057
Facility rental	121,029	63,644	-	-	184,673	158,786
Grants	44,000	22,409	-	-	66,409	71,615
Investment income	159,939	133,933	-	-	293,872	167,095
Memberships	335,229	105,909	-	-	441,138	386,775
Other income	119,862	27,128	-	(131,000)	15,990	2,779
Retail sales	359,105	34,061	-	-	393,166	402,802
Lease income	-	-	233,333	(233,333)	-	-
Gain on investments	-	-	-	-	-	1,949
Loss on disposal of property and equipment	-	-	-	-	-	(350,875)
Net assets released from restrictions	637,593	1,258,599	-	-	1,896,192	2,362,737
TOTAL REVENUES, OTHER SUPPORT, AND LOSSES WITHOUT DONOR RESTRICTIONS	4,421,295	2,576,721	245,488	(466,504)	6,777,000	6,420,960

(Continued)

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED

Year Ended May 31, 2025

(With Comparative Totals for the Year Ended May 31, 2024)

	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2025	2024
EXPENSES:						
Advertising and promotion	128,317	58,402	-	-	186,719	186,226
Contributions	-	12,155	90,016	(102,171)	-	-
Cost of goods sold	182,073	20,828	-	-	202,901	258,193
Depreciation	1,099,367	56,065	523,542	-	1,678,974	1,688,966
Educational	319,226	249,739	-	(233,333)	335,632	553,411
Events	145,723	47,969	-	-	193,692	214,323
Facility costs	444,615	199,342	-	-	643,957	686,920
Fundraising	13,485	17,898	-	-	31,383	39,482
Insurance	102,799	22,000	-	-	124,799	116,071
Interest	599	102,809	213,652	-	317,060	360,581
Miscellaneous	13,229	5,536	-	-	18,765	21,636
Operational costs	97,161	148,111	1,602	(131,000)	115,874	105,978
Professional fees	358,786	57,289	20,553	-	436,628	440,852
Salaries and benefits	2,254,040	693,247	-	-	2,947,287	2,683,431
Supplies	88,981	25,124	-	-	114,105	118,777
Total expenses	<u>5,248,401</u>	<u>1,716,514</u>	<u>849,365</u>	<u>(466,504)</u>	<u>7,347,776</u>	<u>7,474,847</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS						
	<u>(827,106)</u>	<u>860,207</u>	<u>(603,877)</u>	<u>-</u>	<u>(570,776)</u>	<u>(1,053,887)</u>

(Continued)

MISSISSIPPI CHILDREN'S MUSEUM AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED

Year Ended May 31, 2025

(With Comparative Totals for the Year Ended May 31, 2024)

	MCM	MCM - Meridian	FTC	Eliminations	Totals	
					2025	2024
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS						
Contributions	445,000	5,700	-	-	450,700	86,923
Grants	466,818	392,552	-	-	859,370	913,953
Investment income	56,747	8,919	-	-	65,666	71,386
Gain on investments	61,278	12,312	-	-	73,590	183,296
Net assets released from restrictions	<u>(637,593)</u>	<u>(1,258,599)</u>	<u>-</u>	<u>-</u>	<u>(1,896,192)</u>	<u>(2,362,737)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>392,250</u>	<u>(839,116)</u>	<u>-</u>	<u>-</u>	<u>(446,866)</u>	<u>(1,107,179)</u>
DECREASE IN NET ASSETS	(434,856)	21,091	(603,877)	-	(1,017,642)	(2,161,066)
Net assets (deficit) at beginning of year	<u>17,606,610</u>	<u>13,996,373</u>	<u>(1,287,327)</u>	<u>(100,000)</u>	<u>30,215,656</u>	<u>32,376,722</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 17,171,754</u>	<u>\$ 14,017,464</u>	<u>\$ (1,891,204)</u>	<u>\$ (100,000)</u>	<u>\$ 29,198,014</u>	<u>\$ 30,215,656</u>