



the new children's museum

Financial Statements

December 31, 2023 and 2022



Leaf & Cole, LLP  
*Certified Public Accountants*

**THE NEW CHILDREN'S MUSEUM  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 26



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*Certified Public Accountants*  
*A Partnership of Professional Corporations*

## **Independent Auditor's Report**

To the Board of Directors  
The New Children's Museum

### **Opinion**

We have audited the accompanying financial statements of The New Children's Museum (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New Children's Museum as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The New Children's Museum, 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The New Children's Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 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 The New Children's Museum's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The New Children's Museum's ability to continue as a going concern for a reasonable period of time.

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

*Leaf & Cole LLP*

San Diego, California  
September 20, 2024

**THE NEW CHILDREN'S MUSEUM  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022**

**ASSETS**

	<u>2023</u>	<u>2022</u>
<b><u>Current Assets:</u></b> (Notes 2, 4, 5, 8 and 9)		
Cash and cash equivalents	\$ 852,219	\$ 386,924
Grants and other receivables	188,783	525,611
Contributions receivable	172,993	178,917
Inventory	17,917	30,859
Prepaid expenses and other assets	22,170	21,385
Board designated funds:		
Cash and cash equivalents	517,494	31,170
Investments	1,342,195	2,558,542
Total Current Assets	<u>3,113,771</u>	<u>3,733,408</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 6, 7 and 8)		
Property and equipment, net	17,027,628	17,219,962
Collection	-	-
Total Noncurrent Assets	<u>17,027,628</u>	<u>17,219,962</u>
<b>TOTAL ASSETS</b>	<u>\$ 20,141,399</u>	<u>\$ 20,953,370</u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Notes 2, 7 and 8)		
Accounts payable and accrued expenses	\$ 541,757	\$ 625,309
Deferred revenue	36,451	22,718
Line-of-credit	-	500,000
Notes payable, current portion	24,208	72,194
Security deposits	2,500	2,500
Total Current Liabilities	<u>604,916</u>	<u>1,222,721</u>
<b><u>Noncurrent Liabilities:</u></b> (Note 8)		
Notes payable, net of current portion	<u>177,302</u>	<u>198,022</u>
Total Noncurrent Liabilities	<u>177,302</u>	<u>198,022</u>
Total Liabilities	<u>782,218</u>	<u>1,420,743</u>
<b><u>Commitments and Contingency</u></b> (Notes 7 and 11)		
<b><u>Net Assets:</u></b> (Notes 2, 9 and 10)		
Without Donor Restrictions:		
Undesignated	16,405,407	15,891,105
Board designated funds	1,859,689	2,589,712
Total Without Donor Restrictions	<u>18,265,096</u>	<u>18,480,817</u>
With Donor Restrictions	<u>1,094,085</u>	<u>1,051,810</u>
Total Net Assets	<u>19,359,181</u>	<u>19,532,627</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 20,141,399</u>	<u>\$ 20,953,370</u>

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

**THE NEW CHILDREN'S MUSEUM  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Operating Revenue and Support:</u></b>						
Contributions	\$ 1,024,911	\$ 1,330,036	\$ 2,354,947	\$ 1,450,776	\$ 453,476	\$ 1,904,252
Admissions	1,795,272	-	1,795,272	1,321,418	-	1,321,418
Auxiliary activities	706,225	-	706,225	867,205	-	867,205
Memberships	617,689	-	617,689	599,173	-	599,173
Government grants	538,784	-	538,784	2,119,541	-	2,119,541
In-kind contributions	95,775	-	95,775	79,072	-	79,072
Other income	45,040	-	45,040	67,793	-	67,793
Special events, net of direct related expenses	-	-	-	(62,257)	-	(62,257)
Net assets released from restrictions	1,330,367	(1,287,761)	42,606	335,256	(335,256)	-
Total Operating Revenue and Support	<u>6,154,063</u>	<u>42,275</u>	<u>6,196,338</u>	<u>6,777,977</u>	<u>118,220</u>	<u>6,896,197</u>
<b><u>Expenses:</u></b>						
<b>Program Services:</b>						
Programs and exhibits	4,272,850	-	4,272,850	4,406,572	-	4,406,572
<b>Supporting Services:</b>						
Management and general	1,244,020	-	1,244,020	986,119	-	986,119
Fundraising	1,071,961	-	1,071,961	1,123,281	-	1,123,281
Total Supporting Services	<u>2,315,981</u>	<u>-</u>	<u>2,315,981</u>	<u>2,109,401</u>	<u>-</u>	<u>2,109,401</u>
Total Expenses	<u>6,588,831</u>	<u>-</u>	<u>6,588,831</u>	<u>6,515,973</u>	<u>-</u>	<u>6,515,973</u>
Change in Net Assets Before Investment Income (Loss)	<u>(434,768)</u>	<u>42,275</u>	<u>(392,493)</u>	<u>262,004</u>	<u>118,220</u>	<u>380,224</u>

(Continued)

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

**THE NEW CHILDREN'S MUSEUM  
STATEMENTS OF ACTIVITIES (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Investment Income (Loss):</u></b>						
Interest and dividend income	\$ 32,107	\$ -	\$ 32,107	\$ 93,304	\$ -	\$ 93,304
Net realized and unrealized gain (loss)	195,901	-	195,901	(526,915)	-	(526,915)
Investment fees	(8,961)	-	(8,961)	(15,190)	-	(15,190)
Total Investment Income (Loss)	<u>219,047</u>	<u>-</u>	<u>219,047</u>	<u>(448,801)</u>	<u>-</u>	<u>(448,801)</u>
Change in Net Assets	(215,721)	42,275	(173,446)	(186,797)	118,220	(68,577)
Net Assets at Beginning of Year	<u>18,480,817</u>	<u>1,051,810</u>	<u>19,532,627</u>	<u>18,667,614</u>	<u>933,590</u>	<u>19,601,204</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 18,265,096</u>	<u>\$ 1,094,085</u>	<u>\$ 19,359,181</u>	<u>\$ 18,480,817</u>	<u>\$ 1,051,810</u>	<u>\$ 19,532,627</u>

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

**THE NEW CHILDREN'S MUSEUM  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Supporting Services				Total
	Programs and Exhibits	Management and General	Fundraising	Total Supporting Services	
<b><u>Salaries and Related Expenses:</u></b>					
Salaries and wages	\$ 1,955,920	\$ 612,459	\$ 560,979	\$ 1,173,438	\$ 3,129,358
Payroll taxes	162,728	51,660	43,911	95,571	258,299
Employee benefits	282,359	72,295	50,899	123,194	405,553
Total Salaries and Related Expenses	<u>2,401,007</u>	<u>736,414</u>	<u>655,789</u>	<u>1,392,203</u>	<u>3,793,210</u>
<b><u>Nonsalary Related Expenses:</u></b>					
Administrative expenses	226,443	297,082	21,926	319,008	545,451
Advertising and marketing	55,663	-	28,675	28,675	84,338
Artist performance fee	92,616	-	6,971	6,971	99,587
Communications	39,855	4,689	2,344	7,033	46,888
Cost of goods sold	-	13,520	-	13,520	13,520
Dues and memberships	1,506	3,687	-	3,687	5,193
Equipment	14,725	669	669	1,338	16,063
Exhibitions	84,292	-	-	-	84,292
Information technology	51,671	34,322	15,692	50,014	101,685
In-kind expenses	24,999	1,078	67,898	68,976	93,975
Meetings and conferences	9,041	7,297	1,131	8,428	17,469
Miscellaneous	121,162	71,700	194,021	265,721	386,883
Occupancy	407,688	16,105	35,891	51,996	459,684
Supplies	114,603	7,474	2,491	9,965	124,568
Travel	44,800	17,508	5,988	23,496	68,296
Total Nonsalary Related Expenses	<u>1,289,064</u>	<u>475,131</u>	<u>383,697</u>	<u>858,828</u>	<u>2,147,892</u>
Depreciation	582,779	32,475	32,475	64,950	647,729
<b>TOTAL EXPENSES</b>	<u>\$ 4,272,850</u>	<u>\$ 1,244,020</u>	<u>\$ 1,071,961</u>	<u>\$ 2,315,981</u>	<u>\$ 6,588,831</u>

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



**THE NEW CHILDREN'S MUSEUM  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Supporting Services				Total
	Programs and Exhibits	Management and General	Fundraising	Total Supporting Services	
<b><u>Salaries and Related Expenses:</u></b>					
Salaries and wages	\$ 1,940,652	\$ 464,628	\$ 808,274	\$ 1,272,902	\$ 3,213,554
Payroll taxes	198,991	40,819	15,307	56,126	255,117
Employee benefits	266,666	41,026	34,188	75,214	341,880
Total Salaries and Related Expenses	<u>2,406,309</u>	<u>546,472</u>	<u>857,769</u>	<u>1,404,242</u>	<u>3,810,551</u>
<b><u>Nonsalary Related Expenses:</u></b>					
Administrative expenses	219,143	197,916	46,212	244,128	463,271
Advertising and marketing	160,793	-	-	-	160,793
Artist performance fee	32,034	-	-	-	32,034
Communications	25,434	7,267	3,633	10,900	36,334
Cost of goods sold	77,436	-	-	-	77,436
Dues and memberships	5,643	2,184	1,274	3,458	9,101
Equipment	17,709	1,771	197	1,968	19,677
Exhibitions	58,288	12,490	12,490	24,980	83,268
Information technology	43,521	59,841	5,440	65,281	108,802
Meetings and conferences	15,007	3,042	2,231	5,273	20,280
Miscellaneous	21,716	8,306	7,299	15,605	37,321
Occupancy	406,797	22,744	22,723	45,467	452,264
Program events	170,081	85,040	28,347	113,387	283,468
Special events	-	-	97,421	97,421	97,421
Supplies	157,925	4,156	4,156	8,312	166,237
Travel	14,831	3,006	2,205	5,211	20,042
Total Nonsalary Related Expenses	<u>1,426,358</u>	<u>407,763</u>	<u>233,628</u>	<u>641,391</u>	<u>2,067,749</u>
Depreciation	573,905	31,884	31,884	63,768	637,673
<b>TOTAL EXPENSES</b>	<u>\$ 4,406,572</u>	<u>\$ 986,119</u>	<u>\$ 1,123,281</u>	<u>\$ 2,109,401</u>	<u>\$ 6,515,973</u>

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

**THE NEW CHILDREN'S MUSEUM  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ (173,446)	\$ (68,577)
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
Depreciation	647,729	637,672
Net realized and unrealized (gain) loss on investments	(195,901)	526,915
Loss on disposal of property and equipment	30,538	-
<b>(Increase) Decrease in:</b>		
Grants and other receivables	336,828	(171,141)
Contributions receivable	5,924	(148,877)
Inventory	12,942	3,633
Prepaid expenses and other assets	(785)	8,051
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	(189,700)	260,735
Deferred revenue	13,733	(1,623,993)
Net Cash Provided by (Used in) Operating Activities	<u>487,862</u>	<u>(575,582)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment sales/maturities, net	1,412,248	165,742
Purchase of property and equipment	(379,785)	(121,012)
Net Cash Provided by Investing Activities	<u>1,032,463</u>	<u>44,730</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Line-of-credit advances	-	500,000
Line-of-credit payments	(500,000)	-
Proceeds from notes payable	-	83,322
Payments on notes payable	(68,706)	(118,662)
Net Cash (Used in) Provided by Financing Activities	<u>(568,706)</u>	<u>464,660</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	951,619	(66,192)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>418,094</u>	<u>484,286</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<b>\$ <u>1,369,713</u></b>	<b>\$ <u>418,094</u></b>
<b><u>Supplementary Disclosure of Cash Flow Information:</u></b>		
Cash paid for interest	<u>\$ 27,544</u>	<u>\$ 11,857</u>

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

**THE NEW CHILDREN’S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 1 - Organization:**

**Mission and Vision**

The New Children’s Museum (the “Museum”) in San Diego is an arts-based children’s museum whose mission is to stimulate imagination, creativity, and critical thinking in children and families through inventive, engaging experiences with contemporary art.

The Museum’s vision is to address a critical need in our society, and become a leader in engaging children through contemporary art in order to help develop the skills needed for the 21<sup>st</sup> century. Its virtual and onsite activities build on research about brain development, play, and engagement with art.

**History and Achievements**

The Museum opened in a La Jolla shopping center in 1983 and moved to its current downtown location in 1993. Renaming itself the San Diego Children’s Museum/Museo de los Niños, it was among the first children’s museums to emphasize bilingual engagement and cross-border artist commissions. In 2003, the Museum closed its doors to function “without walls” while constructing a new home. For five years, community outreach, including to San Diego’s underserved communities and schools, was its entire focus.

In 2008, the Museum opened in its current, environmentally sustainable, three-story, 50,000 square-foot facility (designed by architect Rob Quigley). The Museum renamed itself The New Children’s Museum, with the word “new” signifying that it was a “new” model of children’s museum, focused on commissioning immersive contemporary art. The Museum is a community resource serving all of San Diego, and a “backyard” for urban families living downtown. The Museum provides a safe and engaging place to play and impacts the San Diego economy by providing work for artists, classes and camps, and a destination for local families as well as regional, national, and international tourists.

The Museum was one of only five museums awarded the 2019 National Medal for Museum and Library Service in recognition of its outstanding service to the community. Widespread access continues to be the cornerstone of the Museum’s philosophy; with over 30% of its annual visitors coming for free or at discounted rates each year through an array of community access initiatives and partnerships.

In May 2021, the Museum reopened to the public after a 14-month pandemic closure. After two months of being open, the Museum welcomed its 2,000,000th visitors in July 2021.

**Exhibitions, Studios and Virtual Opportunities**

The Museum is an arts-based children’s museum that serves as a community resource for early childhood creativity through contemporary art and open play. It invites families to “think, play, and create” in multiple ways:

Children touch, jump, climb, and crawl as they physically explore large-scale, interactive installations created by commissioned contemporary artists. Each is notable for its aesthetics, conceptual ideas, creativity, playability, and layered interactions. Recently commissioned installations (late 2020 – 2023) include: *The Breathing Room* by Michelle Montjoy; *Brian and the Bugs* by Katie Ruiz; *El Más Allá* by Panca Villaseñor; *Wondersound, Cavern Light* by Wes Bruce and *Teatro Piñata* by David Reynoso.

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 1 - Organization: (Continued)**

**Exhibitions, Studios and Virtual Opportunities (Continued)**

- The Museum offers art-making and educational themes in its studio spaces through drop-in activities and scheduled workshops that are free with admission. Studio spaces currently include *tikitiko* by Tanya Aguiñiga, where young visitors explore manipulatives that stimulate the senses; The *Rosso Family Foundation Innovators LAB*, the Museum's makerspace where children explore STEAM-based projects; *Clay Studio*, where visitors sculpt and take-home clay creations; *Paint Studio*, that lets children paint a full-sized object (currently a pickup truck); and *Toddler Time* workshops that include finger painting, movement, music, and story time.
- Distance learning offerings created during the pandemic through @thinkplaycreatefromhome continued the Museum's commitment to art exposure and engagement for children and families. In 2020, the Museum produced 137 videos and 30+ art-making prompts for use at home or in school situations. Conversations with its community partners in diverse neighborhoods serving low-income families identified the need for "low-tech" creative options as well. The Museum responded with 13,240 Arts/Learning Kits containing basic art supplies like paper, colored pens/pencils, safety scissors, and activity pages (sometimes bilingual). The Art/Learning Kits continue to be offered to community partners and schools, enabling them to choose from in-person or virtual creative engagement based on comfort level.

Community engagement is critical to our mission, and we continually evaluate the needs of underserved audiences. The imperative to meet the needs and provide access to all audiences has long been emphasized by the Board. The Museum has built relationships with hundreds of schools, social service agencies, and community organizations since opening in 2008. Fueled by research that students from low socio-economic backgrounds who are exposed to the arts make greater academic and professional increases than their more privileged peers, the Museum has developed a robust community access program to serve children and families (in order of attendance):

- ***Salute Our Troops*** – San Diego is home to the largest population of active-duty military, returning veterans, and military families in the nation. These families face unique challenges, including frequent moves, deployments, and readjustments to home life. The Museum's military access program focuses on providing military families with an affordable, enriching place to feel appreciated and at home. Partnerships include National Endowment for the Arts' Blue Star Museum's program (free admission to all military from Armed Forces Day to Labor Day); USO San Diego; and Support The Enlisted Program (STEP).

***School Visits/Title I*** – The New Children's Museum offers both in-person and virtual tours for schools and other groups from pre-kindergarten through high school. Students, teachers, and chaperones from dozens of schools throughout San Diego come for free or at discounted rates; approximately 60% of all school visits are from Title I schools and Head Start programs. Most school and group visits include participatory, hands-on experiences that encourage inquiry-based learning inspired by the Museum's art installations; interdisciplinary applications in the classroom of the following subjects: visual arts, reading, writing, social studies and science and grade level, age-appropriate and standards-aligned activities.

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 1 - Organization: (Continued)**

**Exhibitions, Studios and Virtual Opportunities (Continued)**

- ***Library Access Program: Discover and Go*** – The Museum has had a long-running relationship with San Diego County and City libraries, offering free admission to library pass holders. After the pandemic, the San Diego Public Library introduced Discover and Go, which provides cardholders the ability to reserve a free pass to visit the Museum. The pass covers admission for 2 adults and up to 6 children (8 people total).
- ***Museums for All*** – This collaborative initiative between the Association of Children's Museums and the Institute for Museums and Library Services encourages families of all backgrounds to visit museums regularly and build lifelong museum habits. Visitors that use an EBT card (food benefits/WIC) can get up to four people into the Museum for \$2/per person. The Museum also offers an Access for All Membership for EBT card holders for \$40 (25% of the regular price). Museums for All admissions accounted for 17% of visitors in 2022 and 15% for 2023 year to date.
- ***pARTners in Creativity*** – Children and chaperones come from 12 social service agencies working with abuse/neglect, homelessness, low literacy, mental and physical disabilities, substance abuse, and migrant issues. Groups enjoy free visits in a safe environment with activities geared to their needs. The Museum also assembles and creates kits with programming and supplies to bring to the organizations if their families prefer an at-home experience.
- ***Accessibility Mornings*** – Children with disabilities and their family/caretakers can enjoy the Museum's installations and programming for free on designated mornings once a month, prior to the Museum opening to the public.
- ***Other*** – Kids Free October, Museum month in February, cross-membership promotions, and other initiatives provide additional opportunities to visit the Museum for free or deeply discounted each year.
- ***Mass Creativity Day and Workshops*** – Since 2013, the Mass Creativity program has impacted more than 20 diverse community groups, including Barrio Logan College Institute, Barrio Logan; Casa Familiar; San Ysidro; City Heights/Weingart Library, City Heights; Paradise Hills/Skyline Hills Library, Paradise Hills; The San Diego LGBT Community Center, Hillcrest; Solutions for Change, Vista; and South Bay Community Services, Chula Vista. The workshop series culminates each June on Mass Creativity Day, when participants and the public come to the Museum and its park for a free festival of artmaking, music, and fun. Mass Creativity workshops were held virtually in 2020 and 2021 and resumed in person in 2022.

Feedback from evaluations, observations, and community partners consistently supports the Museum's theory of change: that small successes experienced during open play and art activities reinforce the development of crucial skills like confidence, optimism, creativity, problem-solving, collaboration, critical thinking, and resilience. These skills encompass the overarching impact the Museum strives to have, and align with the identified needs of various community partners.

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 1 - Organization: (Continued)**

**Why the Emphasis on Play and Art?**

Children's need for play is fundamental and basic. Infants begin playing almost immediately after birth, and continue even in dire circumstances, like in prisons or extreme poverty. Through play, children learn about the world and social relationships; they can test out ideas and build skills like resiliency. It is how children learn best when young and is an expression of joy and good health. The Museum's emphasis on open-ended play is one way to combat today's trend of declining playtime due to reduced school funding that has cancelled recess and art/music electives, various screens, time constraints that favor structured playdates, or test-prep classes.

Similarly, children need art. Artmaking boosts critical thinking as children problem-solve through different media and processes. The arts also provide contact with varied cultures, ideas, and historical periods. As noted by *Americans for the Arts*, the positive, well-documented impact of art on children includes children being more engaged and motivated at school; art giving students a voice in learning and telling their stories; and art nurturing collaboration, flexibility, hope, and resiliency.

**Note 2 - Significant Accounting Policies:**

**Accounting Method**

The financial statements of the Museum have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Financial Statement Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions. The governing board has designated net assets without donor restrictions as described in Note 9.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Estimates**

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

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 2 - Significant Accounting Policies:**

**Risks and Uncertainties**

The Museum invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term, and such changes could materially affect the amounts reported in the statements of financial position.

**Fair Value Measurements**

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Museum's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual, index and exchanged traded funds are considered Level 1 assets, and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in U.S. Treasury bills are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.

**Inventory**

Inventory consists of merchandise valued at the lower of average cost or net realizable value.

**Allowance for Credit Losses**

The Museum recognizes an allowance for credit losses on accounts receivable to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statement of financial position date, aging reports and historical information. Accounts receivable are written off when the Museum determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Management believes that all accounts receivable were fully collectible; therefore, no allowance for credit losses on accounts receivable were recorded at December 31, 2023 and 2022.

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 2 - Significant Accounting Policies: (Continued)**

**Allowance for Uncollectible Contributions Receivable**

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of contributions receivables. Management believes that all contributions receivable were fully collectible; therefore, no allowance for uncollectible contributions receivable was recorded at December 31, 2023 and 2022.

**Capitalization and Depreciation**

The Museum capitalizes all expenditures for property and equipment in excess of \$5,000 at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Museum reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Building and improvements	10 - 50 years
Parking garage	50 years
Furniture and fixtures	2 - 10 years
Exhibits	2 - 5 years
Equipment	5 years
Vehicles	5 years

Depreciation totaled \$647,729 and \$637,672 for the years ended December 31, 2023 and 2022, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

**Collections**

In conformity with the practice followed by many museums, art objects purchased by or donated to the Museum are not capitalized in the statement of financial position. The Museum's collection is made up of works of art that are held for exhibition and various other program activities. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Purchased collection items are recorded as decreases in net assets without restriction in the year in which the items are acquired, or in net assets with restrictions if the net assets used to purchase the items are restricted by the donor. Contributed collection items are excluded from the financial statements. The collection is subject to a policy that requires proceeds from their sales to be used to acquire other items for collections, or to support the direct care of collections. Direct care of collections is defined by the Museum as costs that prolong the life and usefulness of the collection, costs providing benefits that enhance the quality and protection of the collection, and costs that make a physical impact on collections objects, increasing or restoring their cultural or scientific value. Routine and ongoing expenditures are not considered direct care of collections. There were no collection items donated for the years ended December 31, 2023 and 2022.



**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 2 - Significant Accounting Policies: (Continued)**

**Collections (Continued)**

Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The Museum did not purchase collection items during the years ended December 31, 2023 and 2022.

**Impairment of Real Estate**

The Museum reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2023 and 2022.

**Compensated Absences**

Accumulated unpaid vacation is accrued when incurred. Accrued vacation totaled \$118,514 and \$118,322 at December 31, 2023 and 2022, respectively, and is included in accounts payable and accrued expenses.

**Revenue Recognition**

**Admissions**

The Museum recognizes revenue from admissions upon sale or date of service, as applicable.

**Auxiliary Activities**

Revenue from auxiliary activities includes parking and retail sales totaling \$292,467 and \$340,414 for the years ended December 31, 2023 and 2022, respectively. The Museum recognizes revenue from these sources upon sale. Revenue from auxiliary activities also include education programs, facility rental, program events, and traveling exhibitions totaling \$413,758 and \$526,791 for the years ended December 31, 2023 and 2022, respectively. The Museum recognizes this revenue as performance obligations are satisfied, and the non-refundable portions of the contract are recorded as revenue upon receipt.

Deferred revenue from facility rentals totaled \$36,451 and \$22,718 at December 31, 2023 and 2022, respectively.

**Memberships**

The Museum offers memberships of various categories that typically last for a term of one year. The Museum divides fees from these memberships between contributions and exchange transactions, and recognizes revenue for the contribution upon sale. The exchange portion is also recognized upon sale since fees are non-refundable and used to fund the Museum's mission and access program.

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 2 - Significant Accounting Policies: (Continued)**

**Revenue Recognition (Continued)**

**Contributions**

Contributions are recognized when the donor makes a promise to give in writing to the Museum that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional—that is, when the conditions on which they depend are substantially met. Contributions are recorded as without donor restriction or with donor restriction, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**Shuttered Venue Operators Grant**

On July 21, 2021, the Museum was awarded a Shuttered Venue Operators Grant (“SVOG”) from the U.S. Small Business Administration (“SBA”) in the amount of \$870,908, and received the funding on July 29, 2021. On October 11, 2021, the Museum was awarded a supplemental SVOG from the SBA in the amount of \$776,348 and received the funding on December 7, 2021. This cost-reimbursement federal grant is eligible to cover expenses for the period of March 20, 2020 through June 30, 2022. As a condition to receiving distributions, grant recipients must agree to certain terms and conditions, including, among other things, that the funds are being used for eligible expenses as defined by the SBA. SVOG payments are recorded as deferred revenue upon receipt of the SVOG funding from the SBA. Grant revenue is recognized to the extent that eligible expenses have been incurred. The Museum incurred \$-0- and \$943,374 of eligible expenses during the years ended December 31, 2023 and 2022, respectively, and thus recognized the \$-0- and \$943,374 as grant revenue during the years ended December 31, 2023 and 2022, respectively, which is included in government grants.

**Donated Services and Materials**

The Museum utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Museum received donated advertising and professional services totaling \$14,281 and \$2,000 for the years ended December 31, 2023 and 2022, respectively which are included in in-kind expenses. Donations of catering and food for program events totaled \$9,568 and \$-0- for the years ended December 31, 2023 and 2022, respectively, which are included in in-kind expenses. Donations of auction items, catering and other items for special events totaled \$70,126 and \$-0- for the years ended December 31, 2023 and 2022, respectively, which are included in in-kind expenses. Donations of auction items, catering and other items for special events totaled \$-0- and \$77,072 for the years ended December 31, 2023 and 2022, respectively, which are included in special events, net of direct related expenses.

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 2 - Significant Accounting Policies: (Continued)**

**Donated Services and Materials**

The Museum received the following in-kind contributions which are recorded at fair value for the years ended December 31:

<b>2023</b>				
<b>Items Donated</b>	<b>Revenue Recognized</b>	<b>Utilization in Programs/Activities</b>	<b>Donor Restrictions</b>	<b>Valuation Techniques and Inputs</b>
Gala auction items	\$51,092	Fundraising	No associated donor restrictions	Donated auction items are valued at the gross selling price received.
Gala production services	\$13,690	Fundraising	No associated donor restrictions	Donated services from professionals are valued at the estimated fair value based on current rates for similar professional services.
Professional services	\$12,431	General and administrative	No associated donor restrictions	Donated services from professionals are valued at the estimated fair value based on current rates for similar professional services.
Food and catering	\$9,568	Programs	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Equipment rentals	\$5,344	Fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Advertising	\$3,650	Program services	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 2 - Significant Accounting Policies: (Continued)**

**Donated Services and Materials**

2022				
Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Food and catering	\$46,862	Fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Production equipment	\$22,000	Fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Equipment rentals	\$7,500	Fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Professional services	\$2,000	Fundraising	No associated donor restrictions	Donated services from attorneys are valued at the estimated fair value based on current rates for similar professional services.
Other	\$710	Fundraising	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.

**Allocated Expenses**

The Museum allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Museum's management.

**THE NEW CHILDREN’S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 2 - Significant Accounting Policies: (Continued)**

**Income Taxes**

The Museum is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Museum believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Museum is not a private foundation.

The Museum’s Return of Organization Exempt from Income Tax for the years ended December 31, 2023, 2022, 2021 and 2020 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

**Concentration of Credit Risk**

The Museum maintains its cash in bank accounts and brokerage accounts which, at times, may exceed federally insured limits. The Museum has not experienced any losses in such accounts. The Museum believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Cash and Cash Equivalents and Restricted Cash**

For purposes of the statements of cash flows, the Museum considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The following is a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position that sum to the total in the statements of cash flows at December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 852,219	\$ 386,924
Cash and cash equivalents – Board-designated funds	517,494	31,170
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 1,369,713</u>	<u>\$ 418,094</u>

**Subsequent Events**

The Museum has evaluated subsequent events through September 20, 2024, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

**Reclassification**

The Museum has reclassified certain prior year information to conform with the current year presentation.

**Accounting Pronouncements Adopted**

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-13, *Financial Instruments – Credit Losses (“Topic 326”)* to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. FASB ASU 2016-13 affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 2 - Significant Accounting Policies: (Continued)**

**Accounting Pronouncements Adopted (Continued)**

The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

FASB ASU 2016-13 was adopted January 1, 2023 on a prospective transition approach. With respect to accounts receivables, ASU 2016-13 did not have a material impact on the financial statements.

**Note 3 - Liquidity and Availability:**

The Museum regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. The Museum considers appropriated earnings and distributions from board-designated funds, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Museum's fiscal year.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use except as described above, within one year, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 852,219	\$ 386,924
Grants and other receivables	188,783	525,611
Contributions receivable	172,993	178,917
Board-designated funds	1,859,689	2,589,712
Distributions from board-designated funds	<u>500,000</u>	<u>500,000</u>
Total financial assets	<u>3,573,684</u>	<u>4,181,164</u>
Less assets unavailable for general expenditures:		
Restricted by governing body requiring approval for disbursement	<u>(1,859,689)</u>	<u>(2,589,712)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,713,995</u>	<u>\$ 1,591,452</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Museum has a line-of-credit agreement with available borrowings totaling \$250,000 as described in Note 7. In addition, the Museum operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Museum's governing board has designated a portion of funds without donor restrictions. These funds are subject to a spending policy and are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Directors, as described in Note 9.

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 4 - Contributions Receivable:**

Contributions receivable are due in less than one year and total \$172,993 and \$178,917 at December 31, 2023 and 2022, respectively.

**Note 5 - Investments and Fair Value Measurements:**

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31:

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
U.S. Treasury bills	\$ -	\$ 1,342,195	\$ -	\$ 1,342,195
	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
Mutual, index and exchange traded funds	\$ 2,558,542	\$ -	\$ -	\$ 2,558,542

The following schedule summarizes the investment income (loss) for the years ended December 31:

	2023	2022
Net realized and unrealized gain (loss)	\$ 32,107	\$ (526,915)
Interest and dividend income	195,901	93,304
Investment fees	(8,961)	(15,190)
Total Investment Income (Loss)	\$ 219,047	\$ (448,801)

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 6 - Property and Equipment:**

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,232,286	\$ 2,232,286
Building and improvements	19,347,363	19,266,790
Parking garage	1,320,000	1,320,000
Furniture and fixtures	321,416	338,673
Exhibits	1,028,436	1,146,225
Equipment	110,010	181,113
Vehicles	16,588	25,808
Construction-in-progress	329,204	164,005
Subtotal	<u>24,705,303</u>	<u>24,674,900</u>
Less: Accumulated depreciation	<u>(7,677,675)</u>	<u>(7,454,938)</u>
Property and Equipment, Net	<u>\$ 17,027,628</u>	<u>\$ 17,219,962</u>

**Note 7 - Line-of-Credit:**

The Museum has a line-of-credit with First Republic Bank in the amount of \$500,000, with interest at the U.S. prime rate as published in the Wall Street Journal plus .50% (8.00% at December 31, 2022). The line-of-credit matured on July 31, 2023 and was secured by real property. The outstanding advances under the line-of-credit totaled \$-0- and \$500,000 at December 31, 2023 and 2022, respectively.

The Museum has a revolving line-of-credit which originated on October 17, 2023 with City National Bank in the amount of \$250,000, with interest at the U.S prime rate as published in the Wall Street Journal (8.50% at December 31, 2023). The line-of-credit matures on October 17, 2053 and was secured by property, receivables and inventory. There was no outstanding balance on the line-of-credit at December 31, 2023.

**Note 8 - Notes Payable:**

Notes payable consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Note payable to MDF Fund I, LP in the original amount of \$200,000. The note is noninterest-bearing. Principal payments of \$5,555 monthly begin on May 2021 for twelve (12) months. Principal payments of \$11,111 monthly, begin on May 2022 for remaining twelve (12) months of note. The loan was paid off in April 2023. Secured by property and receivables.	\$ -	\$ 44,444
Note payable to U.S. Small Business Administration, in the original amount of \$150,000, bears interest at 2.75% with payments of principal and interest of \$641 monthly, beginning May 2021. The note is due May 2050. Secured by property and receivables. Accrued interest totaled \$6,317 and \$10,525, and is included in accounts payable and accrued expenses at December 31, 2023 and 2022, respectively.	149,359	150,000

(Continued)



**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 8 - Notes Payable: (Continued)**

	<u>2023</u>	<u>2022</u>
In January 2021, the Museum received a loan totaling \$681,787 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program (“PPP2”). The loan is forgivable to the extent that the Museum meets the terms and conditions of the PPP2. Any portion of the loan that is not forgiven bears interest at 1%, and is due in January 2026. In June 2022, the PPP2 loan was granted partial forgiveness of \$598,465. The remaining balance of \$83,322 was converted to a note payable. Accrued interest totaled \$43 and \$65, and is included in accounts payable and accrued expenses, in December 31, 2023 and 2022, respectively. (See Note 11)		
Total Notes Payable	52,151	75,772
Less: Current portion of notes payable	201,510	270,216
Total Notes Payable, Noncurrent	(24,208)	(72,194)
	<u>\$ 177,302</u>	<u>\$ 198,022</u>

Future principal payments on the notes payable are as follows:

<u>Years Ended</u> <u>December 31</u>	
2024	\$ 24,208
2025	24,451
2026	3,492
2027	-
2028	-
Thereafter	149,359
Total	<u>\$ 201,510</u>

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 9 - Board-Designated Funds:**

The Museum's governing board has designated a portion of funds without donor restrictions. These funds are invested in accordance with the investment policy with \$500,000 of the fund available for short-term or emergency cash requirements and the remainder to be invested for long-term growth and income. The Museum may withdraw 4% to 5% of the rolling 36-month moving average of the market value of the investment portfolio as of December 31 of each year. The Investment Committee may recommend a different amount or no withdrawal at all. All withdrawals, within guidelines or not, must be approved by the Museum's Board of Directors.

Changes in the board-designated funds consist of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Board-Designated Funds at Beginning of Year	\$ 2,589,712	\$ 3,388,513
Contributions	350,000	150,000
Investment income (loss):		
Interest income	32,107	93,304
Net realized and unrealized gain (loss)	195,901	(526,915)
Investment fees	(8,031)	(15,190)
Total Investment Income (Loss)	<u>219,977</u>	<u>(448,801)</u>
Distributions	<u>(1,300,000)</u>	<u>(500,000)</u>
Board-Designated Funds at End of Year	<u>\$ 1,859,689</u>	<u>\$ 2,589,712</u>

Board-designated funds consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 517,494	\$ 31,170
Board-designated investments	<u>1,342,195</u>	<u>2,558,542</u>
Total Board-Designated Funds	<u>\$ 1,859,689</u>	<u>\$ 2,589,712</u>

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 10 - Net Assets With Donor Restrictions:**

Net assets with donor restrictions represent contributions received or receivable by the Museum, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at December 31:

	<u>2023</u>	<u>2022</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Studio expansion	\$ 427,023	\$ -
Exhibits	323,514	306,011
Innovation lab	77,303	295,051
Education	50,000	85,000
Feasibility study	30,000	30,000
Military and public access programs	29,254	29,601
Outreach	25,747	46,557
Community programs	3,976	3,976
Welcome desk project	-	69,230
Other	-	5,000
Total Subject to Expenditure for Specified Purpose	<u>966,817</u>	<u>870,426</u>
<b>Subject to the Passage of Time:</b>		
Grant receivable	<u>127,268</u>	<u>181,384</u>
Total Subject to the Passage of Time	<u>127,268</u>	<u>181,384</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,094,085</u>	<u>\$ 1,051,810</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
<b>Purpose Restrictions Accomplished:</b>		
Exhibits	\$ 306,011	\$ -
Studio expansion	302,977	-
Innovation lab	217,748	53,676
Welcome desk project	69,230	-
Education	50,000	50,000
Outreach	26,157	28,221
Military and public access programs	-	178,267
Community programs	-	25,092
<b>Time Restrictions Fulfilled</b>	<u>315,638</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>\$ 1,287,761</u>	<u>\$ 335,256</u>

**THE NEW CHILDREN'S MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Note 11 - Commitments and Contingency:**

**Pension Plan**

The Museum has a 403(b) Plan (the "Plan") covering all regular full-time and part-time employees. Under the Plan, employees can contribute and defer taxes on compensation earned. After the first year of employment and 1,000 hours worked, the Museum matches employees' contributions up to 3% of the employee's annual wages. Employer matching contribution is subject to change and annual approval by the Museum's Board of Directors. The employer matching contributions to the Plan totaled \$25,499 and \$18,090 for the years ended December 31, 2023 and 2022, respectively, and are included in employee benefits in the statements of functional expenses.

**Landscape Maintenance Agreement**

The City of San Diego constructed the Children's Museum Park in 2008, which is adjacent to the Museum. The Museum entered into a landscape maintenance agreement with the City of San Diego that obligates the Museum to pay all costs of maintaining the park for an initial period of 30 years, renewable for an additional 30 years. The maintenance costs totaled \$20,152 and \$14,837 for the years ended December 31, 2023 and 2022, respectively.

**Common Area and Parking**

The Museum has a common interest in the adjacent common area and parking structure with Pinnacle Market Development (US), LLC. The Covenants, Conditions, and Restrictions (CC&Rs) for the Museum and Pinnacle Museum Tower Development require payments for operating and replacement funding. CC&R payments totaled \$48,147 and \$40,359 for the years ended December 31, 2023 and 2022, respectively.

**Collective Bargaining Agreement**

Certain Museum employees are represented by International Brotherhood of Electrical Workers Local Union 465 AFL-CIO (the "Union"). The collective bargaining agreement was effective on January 1, 2020 for a term of three (3) years, through December 31, 2023. The collective bargaining agreement has since been renewed and is in effect as of January 1, 2024 for a term of three (3) years, through December 31, 2026.

**Consolidated Appropriations Act Paycheck Protection Program**

In January 2021, the Museum received a loan totaling \$681,787 for the U.S. Small Business Administration under the CARES Act Paycheck Protection Program ("PPP2"). The loan is forgivable to the extent that the Museum meets the terms and conditions of the PPP2. Any portion of the loan that is not forgiven bears interest at 1%, and is due in January 2026. The Museum satisfied the terms and conditions of forgiveness of the PPP2, and recognized the forgivable portion of the loan as revenue during the year ended December 31, 2022, when forgiveness was granted by the lender which occurred on June 30, 2022. The amount of loan forgiveness granted by the U.S. Small Business Administration totaled \$-0- and \$598,465 for the year ended December 31, 2023 and 2022, respectively. The remaining balance of \$-0- and \$83,322 at December 31, 2023 and 2022, respectively was converted to a note payable. (See Note 8).