

EISNERAMPER

LOUISIANA CHILDREN'S MUSEUM
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2023



LOUISIANA CHILDREN'S MUSEUM

TABLE OF CONTENTS

	<u>Pages</u>
<u>Independent Auditors' Report</u>	1 - 2
<u>Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses by Nature and Class	5 - 6
Statements of Cash Flows	7
<u>Notes to Financial Statements</u>	8 - 21
<u>Supplemental Information</u>	
Schedule of Comparison of Statements of Activities	22

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Louisiana Children's Museum

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Louisiana Children's Museum (a not-for-profit organization/the Museum), which comprise the statement of financial position as of December 31, 2023, and the related statement of activities and changes in net assets, functional expenses by nature and class, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Prior Period Financial Statements and Report on Supplementary Information

The financial statements of the Louisiana Children's Museum for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on May 17, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Museum's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 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 GAAS 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 financial statements.

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In performing an audit in accordance with GAAS, 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 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 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of comparison of statements of activities included on page 22 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

The supplemental schedule on page 22 for the year ended December 31, 2022, was subjected to the auditing procedures applied in the December 31, 2022 audit of the financial statements by another auditor whose report on the December 31, 2022 supplementary information stated that the information was fairly stated, in all material respects, in relation to the financial statements as a whole.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
May 22, 2024



LOUISIANA CHILDREN'S MUSEUM

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 133,144	\$ 546,252
Certificates of deposits	1,950,404	-
Promises to give (note 3)	452,292	277,893
Inventory	45,538	51,528
Prepaid expenses	230,697	267,048
Total current assets	<u>2,812,075</u>	<u>1,142,721</u>
Cash and cash equivalents	433,176	2,907,619
Promises to give (note 3)	-	291,665
Investments		
Available-for-sale, at fair value (amortized cost of \$5,563,062 at 2023 and \$5,523,285 at 2022)	5,921,064	5,125,985
Deposits	8,521	8,521
Other assets	53,924	11,837
Property and equipment, net (note 4)	36,385,165	37,765,379
Right-of-use asset	1,155,980	1,169,781
Total assets	<u>\$ 46,769,905</u>	<u>\$ 48,423,508</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and other accrued expenses	\$ 129,357	\$ 174,029
Short-term lease liability	14,066	13,801
Deferred revenue	397,662	393,028
Total current liabilities	<u>541,085</u>	<u>580,858</u>
Long-term liabilities:		
Long-term lease liability	1,141,914	1,155,980
Total long-term liabilities	<u>1,141,914</u>	<u>1,155,980</u>
Total liabilities	<u>1,682,999</u>	<u>1,736,838</u>
Net assets:		
Without donor restrictions (note 2 and note 9)	43,320,200	44,939,242
With donor restrictions (note 5)	1,766,706	1,747,428
Total net assets	<u>45,086,906</u>	<u>46,686,670</u>
Total liabilities and net assets	<u>\$ 46,769,905</u>	<u>\$ 48,423,508</u>

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

LOUISIANA CHILDREN'S MUSEUM

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
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
Revenues and other support:						
General, administrative, and admissions	\$ 1,284,403	\$ -	\$ 1,284,403	\$ 1,541,613	\$ -	\$ 1,541,613
Marketing and sales	373,905	-	373,905	295,997	-	295,997
Museum store	237,976	-	237,976	259,081	-	259,081
Fundraising	380,669	-	380,669	235,737	-	235,737
Development	31,507	609,750	641,257	754,251	192,958	947,209
Education	252,004	-	252,004	226,302	-	226,302
Memberships	655,573	-	655,573	640,050	-	640,050
Investment (loss) income, net	870,365	54,710	925,075	(919,655)	3,073	(916,582)
	4,086,402	664,460	4,750,862	3,033,376	196,031	3,229,407
Net assets released from restrictions	645,182	(645,182)	-	468,537	(468,537)	-
Total revenue and other support	4,731,584	19,278	4,750,862	3,501,913	(272,506)	3,229,407
Expenses:						
Program Services:						
Programs	4,200,569	-	4,200,569	3,461,981	-	3,461,981
Admissions	688,512	-	688,512	665,167	-	665,167
Museum store	312,854	-	312,854	301,827	-	301,827
Management and General:						
General and administrative	552,000	-	552,000	627,527	-	627,527
Marketing and sales	101,448	-	101,448	148,235	-	148,235
Fundraising and Development:						
Fundraising events	159,969	-	159,969	56,263	-	56,263
Development	335,274	-	335,274	227,050	-	227,050
Total expenses	6,350,626	-	6,350,626	5,488,050	-	5,488,050
Change in net assets	(1,619,042)	19,278	(1,599,764)	(1,986,137)	(272,506)	(2,258,643)
Net assets at beginning of year	44,939,242	1,747,428	46,686,670	46,925,379	2,019,934	48,945,313
Net assets at end of year	\$ 43,320,200	\$ 1,766,706	\$ 45,086,906	\$ 44,939,242	\$ 1,747,428	\$ 46,686,670

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

LOUISIANA CHILDREN'S MUSEUM

**STATEMENTS OF FUNCTIONAL EXPENSES BY NATURE AND CLASS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

2023

	Program Services			Management and General		Fundraising and Development		Total
	Programs	Admissions	Museum store	General and administrative	Marketing and sales	Fundraising events	Development	
Salaries, benefits, and related expenses	\$ 1,658,312	\$ 158,187	\$ 94,212	\$ 320,789	\$ 48,623	\$ 1,802	\$ 297,092	\$ 2,579,017
Advertising	77,623	-	-	910	20,381	4,300	-	103,214
Contracted services	62,724	1,326	133	40,691	-	-	131	105,005
Depreciation	1,095,754	395,260	63,111	-	-	-	-	1,554,125
Dues and subscriptions	12,019	-	449	-	1,835	-	6,204	20,507
Entertainment	4,750	-	-	1,936	800	4,107	-	11,593
Equipment rental	15,404	3,111	311	7,861	-	14,562	-	41,249
Exhibits and programs	152,544	-	-	-	344	-	-	152,888
Cost of goods sold	-	-	138,294	-	-	-	-	138,294
Housekeeping	275,726	15,569	1,552	3,492	393	-	-	296,732
Insurance	394,511	-	-	-	-	-	-	394,511
Interest	-	-	-	-	-	-	-	-
Miscellaneous	136,503	25,178	2,579	79,665	5,827	4,518	1,042	255,312
Professional fees	8,811	-	-	43,675	-	833	26,677	79,996
Repairs and maintenance	48,868	16,653	1,662	-	-	-	-	67,183
Special events and fundraising	113	-	-	1,778	17,764	124,774	434	144,863
Supplies, postage, and printing	22,076	2,371	1,424	43,474	5,481	5,018	3,483	83,327
Utilities	196,326	70,857	7,090	-	-	-	-	274,273
Travel, meals, meetings	38,505	-	2,037	7,729	-	55	211	48,537
Total expenses	\$ 4,200,569	\$ 688,512	\$ 312,854	\$ 552,000	\$ 101,448	\$ 159,969	\$ 335,274	\$ 6,350,626

(continued)

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

LOUISIANA CHILDREN'S MUSEUM

**STATEMENTS OF FUNCTIONAL EXPENSES BY NATURE AND CLASS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2022							
	Program Services			Management and General		Fundraising and Development		
	Programs	Admissions	Museum store	General and administrative	Marketing and sales	Fundraising events	Development	Total
Salaries, benefits, and related expenses	\$ 1,136,385	\$ 133,425	\$ 86,717	\$ 269,125	\$ 123,839	\$ 5,195	\$ 178,406	\$ 1,933,092
Advertising	56,447	-	-	-	7,789	5,900	2,500	72,636
Contracted services	32,293	7	-	119,728	25	-	66	152,119
Depreciation	1,084,694	391,481	62,732	-	-	-	-	1,538,907
Dues and subscriptions	8,094	-	40	-	781	-	7,834	16,749
Entertainment	12,011	-	-	800	5,515	5,500	-	23,826
Equipment rental	12,316	2,346	235	-	-	17,049	-	31,946
Exhibits and programs	89,637	-	-	-	-	-	-	89,637
Cost of goods sold	-	-	137,414	-	-	-	-	137,414
Housekeeping	242,326	12,114	1,205	-	71	1,117	-	256,833
Insurance	286,256	-	-	-	-	-	-	286,256
Interest	-	-	-	3,128	-	-	-	3,128
Miscellaneous	135,916	17,505	1,759	134,084	4,313	3,479	1,637	298,693
Professional fees	29,317	-	20	98,019	-	2,900	11,300	141,556
Repairs and maintenance	51,390	18,389	1,857	-	-	-	-	71,636
Special events and fundraising	-	-	-	-	405	7,783	21,209	29,397
Supplies, postage, and printing	16,970	2,472	1,081	-	5,497	7,340	4,094	37,454
Utilities	242,333	87,428	8,748	-	-	-	-	338,509
Travel, Meals, Meetings	25,596	-	19	2,643	-	-	4	28,262
Total expenses	\$ 3,461,981	\$ 665,167	\$ 301,827	\$ 627,527	\$ 148,235	\$ 56,263	\$ 227,050	\$ 5,488,050

(concluded)

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

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

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (1,599,764)	\$ (2,258,643)
Adjustments to reconcile change in net assets to net cash used in (provided by) operating activities:		
Depreciation	1,554,125	1,538,908
Bad debt expense	10,887	11,250
Forgiveness of PPP debt	-	(297,001)
Realized gain on investments	(180)	(4,585)
Unrealized (appreciation) depreciation of investments	(667,562)	1,067,698
Amortization of Right-of-use asset	13,801	13,540
Net change in:		
Unconditional promises to give	106,379	166,387
Prepaid expenses	36,351	(127,900)
Inventory	5,990	(9,026)
Other current assets	(42,087)	(1,419)
Accounts payable	(44,672)	(144,778)
Deferred revenues	4,634	(644,522)
Lease liability	(13,801)	(13,540)
Net cash used in operating activities	<u>(635,899)</u>	<u>(703,631)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipment purchases	(173,911)	(25,842)
Purchases of investments	(127,337)	(128,036)
Purchase of certificates of deposit	(1,950,404)	-
Net cash used in investing activities	<u>(2,251,652)</u>	<u>(153,878)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayments of note payable	-	(101,382)
Net cash used in financing activities	<u>-</u>	<u>(101,382)</u>
Net change in cash and cash equivalents	(2,887,551)	(958,891)
Cash and cash equivalents at beginning of year	<u>3,453,871</u>	<u>4,412,762</u>
Cash and cash equivalents at end of year	<u>\$ 566,320</u>	<u>\$ 3,453,871</u>
As presented on the statements of financial position:		
Cash and cash equivalents, current	\$ 133,144	\$ 546,252
Cash and cash equivalents, noncurrent	433,176	2,907,619
Total cash and cash equivalents	<u>\$ 566,320</u>	<u>\$ 3,453,871</u>
<u>Supplemental disclosure:</u>		
Interest paid	<u>\$ -</u>	<u>\$ 3,128</u>

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

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies

History and Organization

The Louisiana Children's Museum (the Museum), which opened in October 1986, is a cultural, educational, and recreational resource serving the City of New Orleans with exhibits and programs focusing on health, fitness, art, local history, cultural heritage, local industry, geography, literacy, science, math, safety, and daily living skills.

The Museum is organized as a private, nonprofit corporation, chartered in the State of Louisiana and granted 501(c)(3) status by the Internal Revenue Service. It is governed by a 32-member Board of Directors. The Museum is heavily dependent on community support for contributions and memberships.

Louisiana Children's Museum in City Park (LCM in City Park) is an educational and cultural complex situated on an 8-acre site in New Orleans City Park that supports and nurtures the optimal development of children and families. Surrounding the LCM in City Park are local organizations that help families provide healthy and caring relationships, model lifestyles that promote physical, social, emotional and cognitive health, and engage in a successful start to lifelong learning. Daily on-site programming is accompanied by training throughout the State of Louisiana on child development and family well-being. The Museum broke ground on the LCM in City Park in New Orleans City Park on May 20, 2017 and opened to the public in August 2019.

The Museum's program services include programs (as described above), museum admissions, and museum store sales. In 2023, LCM in City Park and education were combined into the category of programs in program services.

Basis of Accounting and Presentation of Net Assets

The Museum prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (US GAAP), which require the Museum to report financial information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum. These net assets may be used at the discretion of the Museum's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation of Net Assets (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

In determining the classification of certain assets as current or non-current, management has considered whether the ultimate use of the asset is related to current operations. Consequently, in accordance with US GAAP, a portion of cash and cash equivalents and promises to give which are intended for uses other than current operations have been presented as non-current assets, despite their liquidity or expected collection within twelve months.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Investments

Investments are reported at cost at acquisition, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment returns within the statements of activities and changes in net assets.

Securities Transactions

The Museum records security transactions and the related revenue and expenses on a trade date basis. Generally, realized gains and losses are calculated on the highest cost relief method. Dividend income is recognized on the ex-dividend date, and interest income is recognized on an accrual basis. Discounts and premiums on securities purchased are amortized over the life of the respective securities.

Investments in Marketable Securities

Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statements of activities and changes in net assets as an increase or decrease in net assets without restrictions unless the income or loss is restricted by the donor or law. Increases and decreases in market value are recognized in the period in which they occur.

Investment policies are established by the Board of Directors. Direct investments in derivatives are not allowed. The Museum's investments are administered by investment advisors who are responsible for custody and investment management.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. Management concluded a discount to net present value was not deemed necessary for December 31, 2023 and 2022, as the amount is not considered significant.

The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2023 and 2022, management assessed that no allowance was necessary as they believe all promises to give to be collectable.

Inventory

Inventory is comprised of program-related merchandise held for sale in the gift shop and is stated at the lower of cost, determined using weighted average method, or net realizable value.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to thirty-nine years. The Museum's policy is to capitalize renewals and betterments acquired for greater than \$5,000 and expense normal repairs and maintenance as incurred. The Museum's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Revenue and Revenue Recognition

The Museum recognizes revenue from ticket sales at the time of admission and the revenue from membership sales over the membership period. Marketing and sales revenue are primarily generated from birthday parties and fieldtrip revenue and are recognized once the performance obligations have been satisfied. Revenue from the Museum store sales are recognized at the point of sale.

Deferred membership revenue is recorded as deferred revenue on the statements of financial position and represent sales to customers during the year, for which revenue is being deferred until the performance obligations have been satisfied. Deferred membership revenue as of December 31, 2023, 2022 and 2021 was \$373,548, \$383,717, and \$381,552, respectively. Deferred membership revenues as of the end of year are generally recognized as revenue in the succeeding year.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets and changes in net assets released from restrictions.

Grants receive the same accounting treatment as contributions if the grant activity is to be planned and carried out by the Museum and the Museum has the right to the benefits of carrying out the activity.

Other deferred revenue as of December 31, 2023 and 2022 was \$24,114 and \$9,311, respectively and related to camp revenue and grant revenue. Deferred revenues as of the end of year are generally recognized as revenue in the succeeding year as earned.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Museum's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by US GAAP. Contributed goods, including materials, supplies, food, beverages and auction items, are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. Various materials and supplies were donated to the Museum for fundraising. These materials and supplies were valued at \$113,213 for the year ended December 31, 2023. The amount at December 31, 2023 consisted mainly of donated food and beverages and items for auction. No amounts were recorded at December 31, 2022.

Functional expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs, primarily salaries, benefit and related expenses for certain individuals have been allocated among the programs and supporting services benefited. The allocation between functions is based on time spent by specific employees as estimated by management. Repairs and maintenance costs are allocated based on square footage. All other costs are charged directly to the appropriate functional category.

Income Taxes

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950.

The Museum has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Museum has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that could affect reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results and the results of future periods could differ from those estimates.

Leases

The Museum recognizes lease right-of-use assets and related lease liabilities for operating leases other than those considered to be short-term. A short-term operating lease has an original term of 12 months or less and does not have a purchase option that is likely to be exercised.

The Company evaluates whether its contractual arrangements contain leases at the inception of such arrangements. In recognizing lease right-of-use assets and related lease liabilities, the Museum accounts for lease and non-lease components (such as taxes, insurance, common area maintenance costs) as one lease component. Lease payments over the expected term are discounted by applying the discount rate of the U.S. Treasury yield curve rate to all leases subject to capitalization requirements, adjusted for the varying lease terms. The Museum also considers renewal and termination options in the determination of the term of the lease. If it is reasonably certain that a renewal or termination option will be exercised, the effects of such options are included in the determination of the expected lease term.

Accounting Pronouncements – Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance in Accounting Standards Codification 326 (FASB ASC 326) which significantly changed how entities will measure credit losses. Prior to the adoption of ASC 326 the Museum's allowance was based upon an analysis of past credit history and the current financial condition of the Museum's customers, as well as the consideration of expected trends based upon characteristics of the accounts and general economic conditions. Under the application of ASC 326, the Museum's historical credit loss experience provides the basis for the estimation of expected credit losses. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Museum adopted the standard effective January 1, 2023. The adoption of this standard had no material impact on the financial statements of the Museum.

Reclassification

Certain amounts in the 2022 statement of functional expenses have been reclassified to conform with the current year presentation.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

2. Availability and Liquidity

The following represents the Museum's financial assets at December 31:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 566,320	\$ 3,453,871
Certificates of deposit	1,950,404	-
Investments available-for-sale	7,871,468	5,125,985
Promises to give	<u>452,292</u>	<u>569,558</u>
Total financial assets	<u>10,840,484</u>	<u>9,149,414</u>
Less amounts not available to be used within one year or unavailable for general expenditures:		
Assets with donor restrictions, LCM in City Par	(30,000)	(55,000)
Promises to give	-	(291,665)
Endowment funds	(674,631)	(619,921)
Board designated endowment net assets	<u>(6,694,545)</u>	<u>(6,444,119)</u>
	<u>(7,399,176)</u>	<u>(7,410,705)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,441,308</u>	<u>\$ 1,738,709</u>

The Museum's liquidity management plan includes adopting balanced operating and capital budgets annually and maintaining operating reserves equal to approximately 25% of operating expenses. The Museum invests excess cash in money market bank accounts.

3. Promises to Give

Promises to give as of December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Promises to give, current	\$ 452,292	\$ 277,893
Promises to give, non-current	-	291,665
Total unconditional promises to give	<u>\$ 452,292</u>	<u>\$ 569,558</u>

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

4. Property and Equipment

A summary of property and equipment, and their useful life ranges, as of December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Building and improvements (35 years)	\$ 35,922,906	\$ 35,789,583
Exhibits (10-15 years)	4,952,130	4,952,130
Equipment (3-15 years)	<u>2,168,050</u>	<u>2,127,462</u>
	43,043,086	42,869,175
Less accumulated depreciation	<u>(6,657,921)</u>	<u>(5,103,796)</u>
Property and equipment, net	<u>\$ 36,385,165</u>	<u>\$ 37,765,379</u>

5. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31 are restricted as follows:

	<u>2023</u>	<u>2022</u>
Purpose accomplished		
Programs	\$ 1,062,075	\$ 1,072,507
LCM in City Park	30,000	55,000
Endowment Fund		
Bead endowment	440,172	411,982
Endowment, restricted until appropriated	162,664	136,144
Endowment, restricted in perpetuity	<u>71,795</u>	<u>71,795</u>
	<u>\$ 1,766,706</u>	<u>\$ 1,747,428</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donors of the various programs. During the years ended December 31, 2023 and 2022, the primary funds released from net assets with donor restrictions were program related in the amount of \$471,000 and \$430,000, respectively.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

6. Investments in Marketable Securities

In December 2020, management and the Board approved the establishment of an endowment (see note 10) of approximately \$5.2 million. The board designated endowment includes investments in marketable securities which consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash equivalents	\$ 74,933	\$ 125,466
Equity securities	3,135,380	2,690,642
Mutual funds	2,476,292	2,101,938
Other	234,459	207,939
	<u>\$ 5,921,064</u>	<u>\$ 5,125,985</u>

Net investment income (loss) for the years ended December 31, are as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 292,753	\$ 183,121
Realized gain on investments	180	4,585
Unrealized (loss) gain on investments	667,562	(1,067,698)
	<u>\$ 960,495</u>	<u>\$ (879,992)</u>
Investment expenses	(35,420)	(36,590)
Net investment income (loss)	<u>\$ 925,075</u>	<u>\$ (916,582)</u>

7. Fair Value of Financial Instruments

In Accordance with the *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), disclosure of fair value information about financial instruments is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

7. Fair Value of Financial Instruments (continued)

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Accounting principles generally accepted in the United States of America (GAAP) provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- Level 2 – Inputs to the valuation methodology include 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 for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. 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. determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following methods and assumptions were used by the Museum in estimating fair value financial instruments.

Equity securities (common stocks): Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. Certain foreign securities may be valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments.

Mutual funds: Valued at fair value by using quoted prices for identical securities.

The asset 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

7. Fair Value of Financial Instruments (continued)

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, while the Museum's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2023 and 2022.

The Museum's financial assets are measured at fair value on a recurring basis. Assets that are measured at fair value on a recurring basis as of December 31, 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 74,933	\$ -	\$ -	\$ 74,933
Mutual funds	2,476,292	-	-	2,476,292
Equity securities	3,135,380	-	-	3,135,380
Other	-	234,459	-	234,459
Investments at fair value	<u>\$ 5,686,605</u>	<u>\$ 234,459</u>	<u>\$ -</u>	<u>\$ 5,921,064</u>

Assets that are measured at fair value on a recurring basis as of December 31, 2022 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 125,466	\$ -	\$ -	\$ 125,466
Mutual funds	2,101,938	-	-	2,101,938
Equity securities	2,690,642	-	-	2,690,642
Other	-	207,939	-	207,939
Investments at fair value	<u>\$ 4,918,046</u>	<u>\$ 207,939</u>	<u>\$ -</u>	<u>\$ 5,125,985</u>

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

8. Lease Agreement

On November 25, 2014, the Museum entered into a cooperative endeavor agreement with the New Orleans City Park Improvement Association to lease 8.443 acres of land within City Park for the Museum to plan, construct, and manage a museum and other improvements (the LCM in City Park project) dedicated to the cultural and educational development of children. The agreement is for a period of 39 years which may be extended twice for an additional ten years upon mutual consent. Construction period rent was \$500 per month and was effective upon the start of construction. Upon completion of construction (September 2019), operating rent is \$3,000 per month with adjustments for the consumer price index after the first ten years. The Museum will assume the costs of maintaining the premises, the facility, and additional improvements made to the land. The Museum shall also maintain a reserve fund in the amount of 3% of the gross operating budget for the maintenance and repair of the promises and facility.

At the following is an analysis of the right of use assets records under leases as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Right of use (ROU) assets	\$ 1,169,781	\$ 1,183,321
Less: accumulated amortization	<u>(13,801)</u>	<u>(13,540)</u>
	<u>\$ 1,155,980</u>	<u>\$ 1,169,781</u>

Other information related to operating leases are as follows for the years ended December 31:

Operating cash flows from operating leases	\$ 36,000	\$ 36,000
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	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term in years	50.8	51.8
Weighted average discount rate	1.91%	1.91%

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

8. Lease Agreement (continued)

As lessee, operating leases under non-cancellable leases (excluding short-term leases) as of December 31, 2023 are as follows:

2024	\$	36,000
2025		36,000
2026		36,000
2027		36,000
2028		36,000
Thereafter		<u>1,611,000</u>
Total lease payments		1,755,000
Imputed interest		<u>(613,086)</u>
Total lease liabilities		<u>\$ 1,141,914</u>

9. Revenues and Other Support

Revenue as presented on the statements of activities is categorized as follows for the years ended December 31:

	2023		
	<u>Without Donor</u>	<u>With Donor</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
<u>Revenues and other support:</u>			
Contributions	\$ 39,481	\$ 609,750	\$ 649,231
Membership	655,573	-	655,573
Admissions	981,140	-	981,140
Special events and fundraising	754,574	-	754,574
Museum store	237,976	-	237,976
Café and catering	87,403	-	87,403
Summer camp and outreach	252,004	-	252,004
Investment (loss) income, net	870,365	54,710	925,075
Other income	207,886	-	207,886
	<u>4,086,402</u>	<u>664,460</u>	<u>4,750,862</u>
Net assets released from restriction	645,182	(645,182)	-
Total revenue and other support	<u>\$ 4,731,584</u>	<u>\$ 19,278</u>	<u>\$ 4,750,862</u>

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

9. Revenues and Other Support (continued)

	2022		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
<u>Revenues and other support:</u>			
Contributions	\$ 101,304	\$ 192,958	\$ 294,262
Shuttered Venue Grant	655,998	-	655,998
Membership	640,050	-	640,050
Admissions	984,025	-	984,025
Special events and fundraising	531,734	-	531,734
Museum store	259,081	-	259,081
Café and catering	83,531	-	83,531
Summer camp and outreach	226,302	-	226,302
Investment income (loss), net	(919,655)	3,073	(916,582)
Other income	471,006	-	471,006
	<u>3,033,376</u>	<u>196,031</u>	<u>3,229,407</u>
Net assets released from restriction	468,537	(468,537)	-
Total revenue and other support	<u>\$ 3,501,913</u>	<u>\$ (272,506)</u>	<u>\$ 3,229,407</u>

10. Endowment

As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Museum has interpreted the Louisiana State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. This Act was effective July 1, 2010.

As described in Note 5, the Museum had donor restricted endowment assets of \$648,111 and \$619,921 as of December 31, 2023 and 2022, respectively. In December 2020, management and the Board approved the establishment of an endowment of approximately \$5.2 million with the objective to seek growth of income and capital appreciation consistent with long term objectives to meet future obligations of The Museum. The purpose of the investments will be to provide financial stability and resources for growth. Such investments will be available for future cash-flow shortfalls and major capital expenditures as well as unforeseen contingencies. The Board of Directors will annually appropriate for expenditure in its annual budget for operations 4% of the quarterly average of invested funds for the preceding 12 quarters. Such calculation shall include the number of quarters investments have been held until the endowment fund investments have been held for three years. The quarterly average shall be computed for the 12 quarters ending September 30th for the three-year period ended prior to the year of appropriation. Amounts appropriated for expenditure shall be drawn ratably from the endowment investment accounts on a quarterly basis. The amount appropriated shall be included in the annual operating budget.

Any excess of earnings in a fiscal year above the appropriated amounts will add to the endowment fund balance. Any excess of amount appropriated for expenditure would reduce the endowment fund balance. Appropriations for expenditure would not be allowed to reduce the endowment balances below the amount originally deposited.

LOUISIANA CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

10. Endowment (continued)

The calculation would exclude any endowment funds whose terms of the donation include specific provisions for the use of the earnings on those endowment funds; the appropriation for those funds would be in accordance with the terms of the donation.

	2023		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,444,119	\$ 619,921	\$ 7,064,040
Investment income, net	-	54,710	54,710
Contributions/transfers in	250,426	-	250,426
Endowment net assets, end of year	<u>\$ 6,694,545</u>	<u>\$ 674,631</u>	<u>\$ 7,369,176</u>

	2022		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,824,197	\$ 645,774	\$ 6,469,971
Investment income, net	-	(25,853)	3,073
Contributions/transfers in	619,922	-	619,922
Endowment net assets, end of year	<u>\$ 6,444,119</u>	<u>\$ 619,921</u>	<u>\$ 7,092,966</u>

11. Commitments and Contingencies

The Museum is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Museum's results of operations.

12. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 22, 2024, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

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

	2023	2022	Variance	
			Favorable (Unfavorable) Amount	Percentage
Revenues and other support:				
General, administrative, and admissions	\$ 1,284,403	\$ 1,541,613	\$ (257,210)	(16.7)%
Marketing and sales	373,905	295,997	77,908	26.3%
Museum store	237,976	259,081	(21,105)	(8.1)%
Fundraising	380,669	235,737	144,932	61.5%
Development	641,257	947,209	(305,952)	(32.3)%
Education	252,004	226,302	25,702	11.4%
Memberships	655,573	640,050	15,523	2.4%
Investment (loss) income, net	925,075	(916,582)	1,841,657	(200.9)%
	<u>4,750,862</u>	<u>3,229,407</u>	<u>1,521,455</u>	<u>47.1%</u>
Expenses:				
General and administrative	552,000	627,527	75,527	12.0%
Marketing and sales	101,448	148,235	46,787	31.6%
Museum store	312,854	301,827	(11,027)	(3.7)%
Fundraising events	159,969	56,263	(103,706)	-
Development	335,274	227,050	(108,224)	(47.7)%
Programs	4,200,569	3,461,981	(738,588)	-
Admissions	688,512	665,167	(23,345)	-
Total expenses	<u>6,350,626</u>	<u>5,488,050</u>	<u>(862,576)</u>	<u>(15.7)%</u>
Change in net assets	(1,599,764)	(2,258,643)	658,879	(29.2)%
Net assets at beginning of year	<u>46,686,670</u>	<u>48,945,313</u>	<u>(2,258,643)</u>	<u>(4.6)%</u>
Net assets at end of year	<u>\$ 45,086,906</u>	<u>\$ 46,686,670</u>	<u>\$ (1,599,764)</u>	<u>(3.4)%</u>

See accompanying independent auditors' report.