

THE CHILDREN'S MUSEUM

FINANCIAL STATEMENTS

JUNE 30, 2025 and 2024

THE CHILDREN'S MUSEUM

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Children's Museum

Opinion

We have audited the financial statements of The Children's Museum (the "Museum"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, 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 Children's Museum as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("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

The financial statements of the Museum as of and for the year ended June 30, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on December 6, 2024.

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 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.

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.

EisnerAmper LLP

EISNERAMPER LLP
Boston, Massachusetts
December 17, 2025



THE CHILDREN'S MUSEUM

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,443,241	\$ 14,887,275
Accounts receivable	105,638	180,932
Pledges receivable, net	4,624,292	705,217
Short-term investments	26,260	-
Prepaid expenses	61,258	57,015
Total current assets	<u>19,260,689</u>	<u>15,830,439</u>
Pledges receivable, net	477,067	179,089
Derivative instruments	211,078	397,319
Investments	28,611,337	19,893,625
Property, exhibits and equipment, net	25,914,097	27,252,441
Other assets	1,216,138	1,297,997
Total assets	<u>\$ 75,690,406</u>	<u>\$ 64,850,910</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 938,731	\$ 543,205
Accrued and other short-term liabilities	1,521,372	1,448,728
Current portion of bonds payable, net	487,853	487,159
Total current liabilities	<u>2,947,956</u>	<u>2,479,092</u>
Long-term liabilities:		
Note payable	409,279	394,295
Deferred revenue	60,000	100,000
Security deposits	345,455	299,704
Long-term portion of bonds payable, net	7,166,705	7,654,558
Total long-term liabilities	<u>7,981,439</u>	<u>8,448,557</u>
Net assets:		
Without donor restrictions:		
Undesignated	7,845,341	10,977,698
Quasi-endowment	5,808,326	2,492,910
Board designated	5,733,128	5,088,720
Property, exhibits and equipment	18,467,606	19,626,474
Total without donor restrictions	<u>37,854,401</u>	<u>38,185,802</u>
With donor restrictions	<u>26,906,610</u>	<u>15,737,459</u>
Total net assets	<u>64,761,011</u>	<u>53,923,261</u>
Total liabilities and net assets	<u>\$ 75,690,406</u>	<u>\$ 64,850,910</u>

See notes to financial statements.

THE CHILDREN'S MUSEUM

Statements of Activities

	Year Ended June 30,			2024
	2025		Total	
	Without Donor Restrictions	With Donor Restrictions		
Revenues and other support:				
Admissions	\$ 3,919,862	\$ -	\$ 3,919,862	\$ 3,764,559
Grants and contributions of financial assets	1,297,998	12,304,968	13,602,966	4,963,551
Grants and contributions of nonfinancial assets	8,071	-	8,071	5,282
Contracts	231,436	-	231,436	233,918
Membership	1,149,227	-	1,149,227	1,106,155
Other earned income	621,487	-	621,487	670,874
Other income	14,196	-	14,196	9,857
Special events, net	400,060	-	400,060	365,215
Rental income	2,402,858	-	2,402,858	2,348,027
Amounts appropriated for operations pursuant to endowment spending policy	795,124	-	795,124	791,611
Net assets released from restrictions	2,837,196	(2,837,196)	-	-
Total revenues and other support	13,677,515	9,467,772	23,145,287	14,259,049
Expenses:				
Program services:				
Visitor services	3,386,072	-	3,386,072	2,798,045
Museum programs	3,173,877	-	3,173,877	2,684,511
Exhibits	1,892,190	-	1,892,190	1,352,974
Membership services	301,561	-	301,561	275,171
Supporting services:				
Administration and general	1,429,071	-	1,429,071	1,230,957
Facilities costs	3,025,004	-	3,025,004	2,733,389
Fundraising	920,193	-	920,193	936,349
Marketing	778,915	-	778,915	705,526
Total expenses	14,906,883	-	14,906,883	12,716,922
Change in net assets from operations	(1,229,368)	9,467,772	8,238,404	1,542,127
Non-operating revenue, expenses, gains and losses:				
Net investment return	1,865,381	2,177,068	4,042,449	3,503,949
Less amounts appropriated for operations	(319,435)	(475,689)	(795,124)	(791,611)
Change in fair value of derivative financial instruments	(186,241)	-	(186,241)	42,919
Interest expense	(461,738)	-	(461,738)	(532,421)
Total non-operating revenue, expenses, gains and losses	897,967	1,701,379	2,599,346	2,222,836
Change in net assets	(331,401)	11,169,151	10,837,750	3,764,963
Net assets, beginning of year	38,185,802	15,737,459	53,923,261	50,158,298
Net assets, end of year	\$ 37,854,401	\$ 26,906,610	\$ 64,761,011	\$ 53,923,261

See notes to financial statements.

THE CHILDREN'S MUSEUM

Statements of Activities (continued)

	Year Ended June 30,		
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Admissions	\$ 3,764,559	\$ -	\$ 3,764,559
Grants and contributions of financial assets	1,318,499	3,645,052	4,963,551
Grants and contributions of nonfinancial assets	5,282	-	5,282
Contracts	233,918	-	233,918
Membership	1,106,155	-	1,106,155
Other earned income	670,874	-	670,874
Other income	9,857	-	9,857
Special events, net	365,215	-	365,215
Rental income	2,348,027	-	2,348,027
Amounts appropriated for operations pursuant to endowment spending policy	791,611	-	791,611
Net assets released from restrictions	2,438,949	(2,438,949)	-
Total revenues and other support	13,052,946	1,206,103	14,259,049
Expenses:			
Program services:			
Visitor services	2,798,045	-	2,798,045
Museum programs	2,684,511	-	2,684,511
Exhibits	1,352,974	-	1,352,974
Membership services	275,171	-	275,171
Supporting services:			
Administration and general	1,230,957	-	1,230,957
Facilities costs	2,733,389	-	2,733,389
Fundraising	936,349	-	936,349
Marketing	705,526	-	705,526
Total expenses	12,716,922	-	12,716,922
Change in net assets from operations	336,024	1,206,103	1,542,127
Non-operating revenue, expenses, gains and losses:			
Net investment return	1,836,664	1,667,285	3,503,949
Less amounts appropriated for operations	(323,327)	(468,284)	(791,611)
Change in fair value of derivative financial instruments	42,919	-	42,919
Interest expense	(532,421)	-	(532,421)
Total non-operating revenue, expenses, gains and losses	1,023,835	1,199,001	2,222,836
Change in net assets	1,359,859	2,405,104	3,764,963
Net assets, beginning of year	36,825,943	13,332,355	50,158,298
Net assets, end of year	\$ 38,185,802	\$ 15,737,459	\$ 53,923,261

See notes to financial statements.

THE CHILDREN'S MUSEUM

Statement of Functional Expenses

	Year Ended June 30,										
	2025									2024	
	Visitor Services	Museum Programs	Exhibits	Membership Services	Total Program Services	Administration and General	Facilities Costs	Fundraising	Marketing	Total	Summarized Total
Compensation and related expenses:											
Salaries and wages	\$ 1,090,708	\$ 1,637,086	\$ 498,297	\$ 194,433	\$ 3,420,524	\$ 704,171	\$ 328,969	\$ 605,108	\$ 416,472	\$ 5,475,244	\$ 4,537,617
Employee benefits	109,893	175,380	69,557	25,883	380,713	81,006	35,149	53,996	53,606	604,470	462,107
Payroll taxes	85,618	126,613	37,043	15,012	264,286	50,702	24,038	43,281	31,751	414,058	338,417
Total compensation and related expenses	1,286,219	1,939,079	604,897	235,328	4,065,523	835,879	388,156	702,385	501,829	6,493,772	5,338,141
Depreciation and amortization	466,843	394,870	708,900	36,458	1,607,071	124,430	724,726	16,910	-	2,473,137	2,321,955
Professional/contract services	462,867	419,304	255,523	-	1,137,694	231,284	626,727	99,399	133,922	2,229,026	1,592,095
Building operating costs	711,793	140,731	84,842	-	937,366	14,788	944,011	16,307	-	1,912,472	1,844,718
Other	154,480	30,112	9,577	28,545	222,714	34,567	14,623	30,640	2,088	304,632	274,654
Repairs and maintenance	95,789	30,956	35,031	-	161,776	-	127,777	1,980	-	291,533	283,976
Insurance	79,160	15,366	18,182	-	112,708	11,326	105,595	1,636	-	231,265	243,098
Computer software and hardware	54,689	6,523	1,708	-	62,920	109,051	32,773	8,422	10,628	223,794	170,963
Materials and supplies	29,161	80,844	68,361	18	178,384	2,703	9,084	2,499	1,554	194,224	209,608
Equipment and rentals	23,493	39,146	84,031	-	146,670	12,643	23,836	1,216	715	185,080	109,547
Office expense	19,857	24,212	15,475	1,070	60,614	28,302	19,971	11,207	20,692	140,786	145,588
Advertising	-	-	-	-	-	157	65	-	106,965	107,187	67,064
Travel and meetings	1,240	47,139	5,590	142	54,111	19,355	5,983	13,544	522	93,515	94,735
Allowance for uncollectible pledges	-	-	-	-	-	-	-	13,625	-	13,625	998
Training and development	481	5,595	73	-	6,149	4,586	1,677	423	-	12,835	19,782
Total expenses presented on the statement of activities	3,386,072	3,173,877	1,892,190	301,561	8,753,700	1,429,071	3,025,004	920,193	778,915	14,906,883	12,716,922
Items presented separately on the statement of activities:											
Interest expense	-	-	-	-	-	-	461,738	-	-	461,738	532,421
Special event expenses	-	-	-	-	-	-	-	265,352	-	265,352	265,783
Total expenses	\$ 3,386,072	\$ 3,173,877	\$ 1,892,190	\$ 301,561	\$ 8,753,700	\$ 1,429,071	\$ 3,486,742	\$ 1,185,545	\$ 778,915	\$ 15,633,973	\$ 13,515,126

See notes to financial statements.

THE CHILDREN'S MUSEUM

Statement of Functional Expenses (continued)

	Year Ended June 30,									
	2024									
	Visitor Services	Museum Programs	Exhibits	Membership Services	Total Program Services	Administration and General	Facilities Costs	Fundraising	Marketing	Total
Compensation and related expenses:										
Salaries and wages	\$ 809,822	\$ 1,323,773	\$ 387,642	\$ 169,837	\$ 2,691,074	\$ 596,164	\$ 288,621	\$ 596,558	\$ 365,200	\$ 4,537,617
Employee benefits	62,921	134,817	40,199	19,922	257,859	74,487	33,961	49,732	46,068	462,107
Payroll taxes	63,276	102,001	29,096	12,946	207,319	41,281	20,468	41,578	27,771	338,417
Total compensation and related expenses	936,019	1,560,591	456,937	202,705	3,156,252	711,932	343,050	687,868	439,039	5,338,141
Depreciation and amortization	435,076	378,541	604,911	38,098	1,456,626	120,998	728,208	16,123	-	2,321,955
Professional/contract services	237,507	380,024	102,058	-	719,589	208,029	348,979	146,370	169,128	1,592,095
Building operating costs	675,625	100,256	81,691	-	857,572	9,215	963,023	14,908	-	1,844,718
Other	139,962	23,033	971	32,762	196,728	29,672	14,531	32,048	1,675	274,654
Repairs and maintenance	96,789	26,120	19,970	-	142,879	-	139,096	2,001	-	283,976
Insurance	81,975	11,798	17,627	-	111,400	12,199	117,805	1,694	-	243,098
Computer software and hardware	35,898	5,157	5,302	-	46,357	83,073	26,483	4,417	10,633	170,963
Materials and supplies	68,909	83,510	40,250	62	192,731	2,792	12,593	1,080	412	209,608
Equipment and rentals	54,305	30,436	3,498	-	88,239	9,495	11,688	125	-	109,547
Office expense	31,886	29,650	5,112	1,448	68,096	27,768	20,321	12,327	17,076	145,588
Advertising	-	-	-	-	-	209	72	-	66,783	67,064
Travel and meetings	2,473	46,563	13,788	96	62,920	12,044	4,252	14,739	780	94,735
Allowance for uncollectible pledges	-	-	-	-	-	-	-	998	-	998
Training and development	1,621	8,832	859	-	11,312	3,531	3,288	1,651	-	19,782
Total expenses presented on the statement of activities	2,798,045	2,684,511	1,352,974	275,171	7,110,701	1,230,957	2,733,389	936,349	705,526	12,716,922
Items presented separately on the statement of activities:										
Interest expense	-	-	-	-	-	-	532,421	-	-	532,421
Special event expenses	-	-	-	-	-	-	-	265,783	-	265,783
Total expenses	\$ 2,798,045	\$ 2,684,511	\$ 1,352,974	\$ 275,171	\$ 7,110,701	\$ 1,230,957	\$ 3,265,810	\$ 1,202,132	\$ 705,526	\$ 13,515,126

See notes to financial statements.

THE CHILDREN'S MUSEUM

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 10,837,750	\$ 3,764,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Allowance for uncollectible pledges	13,625	998
Donated stock	(25,533)	-
Depreciation and amortization	2,473,137	2,321,955
Amortization of bond issuance costs	12,841	13,535
Realized investment gains	(615,492)	(197,692)
Unrealized investment gains	(2,456,025)	(2,468,674)
Change in fair value of derivative financial instruments	186,241	(42,919)
Discount for contribution of below market interest debt	14,984	14,435
Contributions restricted for permanent endowment	(967,797)	(1,011,827)
Contributions restricted for capital improvements	(2,980,200)	(330,316)
Changes in operating assets and liabilities:		
Accounts receivable	75,294	(70,040)
Pledges receivable	(4,230,678)	(392,938)
Prepaid expenses	(4,243)	(218)
Other assets	(70,992)	(147,088)
Accounts payable	247,066	(99,806)
Accrued and other short-term liabilities	72,644	193,741
Deferred revenue	(40,000)	(40,000)
Security deposits	45,751	22,454
Net cash provided by operating activities	<u>2,588,373</u>	<u>1,530,563</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	2,111,412	791,611
Purchases of investments	(7,758,334)	(1,124,499)
Purchases of exhibits, property, equipment and construction in process	(833,482)	(1,611,704)
Net cash used in investing activities	<u>(6,480,404)</u>	<u>(1,944,592)</u>
Cash flows from financing activities:		
Contributions restricted for permanent endowment	967,797	1,011,827
Contributions restricted for capital improvements	2,980,200	330,316
Repayment of bonds payable	(500,000)	(500,000)
Net cash provided by financing activities	<u>3,447,997</u>	<u>842,143</u>
Net change in cash and cash equivalents	(444,034)	428,114
Cash and cash equivalents, beginning of year	<u>14,887,275</u>	<u>14,459,161</u>
Cash and cash equivalents, end of year	\$ 14,443,241	\$ 14,887,275
Supplemental financial information:		
Cash paid during the year for interest	<u>\$ 441,555</u>	<u>\$ 505,315</u>
Purchase of exhibits, property, equipment and construction in process included in accounts payable	<u>\$ 351,947</u>	<u>\$ 203,487</u>

See notes to financial statements.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE A - ORGANIZATION PURPOSE

The Children's Museum (the "Museum") is a nonprofit corporation founded in 1913 in Massachusetts for cultural and educational purposes. Its mission is to "engage children and families in joyful discovery experiences that instill an appreciation of our world, develop foundational skills, and spark a lifelong love of learning." For that purpose, the Museum offers educational exhibits and programs to families, children and other educators.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Financial statement presentation:

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Museum, the Museum determines the classification of its net assets and its revenues and support, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

- (i) Net assets without donor restrictions represent funds whose use is not restricted by donors. Net assets without donor restrictions are further classified as follows:

Undesignated net assets represent resources available for support of the Museum's general operations. The *Quasi-endowment fund* represents resources designated by the Board of Trustees (the "Board") for annual operating support. The funds are distributed according to the Museum's spending policy. The *Board designated fund* is composed of resources that have been earmarked for capital and other projects. Disbursement of funds is subject to annual Board approval, which is provided as part of the budget approval process.

- (ii) Net assets with donor restrictions represent resources restricted 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. Income on these invested endowment funds is utilized in accordance with the donors' stipulations.

[2] Fair value measurements:

The Museum values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 inputs such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Fair value measurements: (continued)

In determining fair value, the Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

[3] Accounts receivable:

Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Museum maintains an allowance for expected credit losses for accounts receivable, which is recorded as an offset to accounts receivable, and changes in such are classified as provision for expected credit losses in the statements of functional expenses. The Museum assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when specific customers are identified with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Museum considers historical collectability based on past due status and makes judgments about the creditworthiness of customers based on ongoing credit evaluations. The Museum also considers customer-specific information, current market conditions, and reasonable and supportable forecasts of future economic conditions. Balances that remain outstanding after the Museum has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2025 and 2024, no valuation allowance was recorded. The balance of accounts receivable at July 1, 2023 was \$109,966.

[4] Revenue recognition:

The Museum recognizes revenue from exchange transactions based on the satisfaction of performance obligations. Performance obligations are determined based on the service(s) provided by the Museum. The Museum has multiple revenue sources that are accounted for as exchange transactions. The following explains the performance obligations related to each revenue stream and how those are recognized. For the revenue streams noted below, there are no consideration amounts that are variable. Payments received in advance of the Museum satisfying its performance obligations are recorded as deferred revenue.

Admissions represent visitor fees paid for access to the Museum. Revenue is recognized at a point in time, on the date of visit.

Contracts include various agreements primarily for consulting services, exhibit design and curriculum development. Revenue from contracts is recognized over time as performance obligations outlined in the individual contracts are met. The transaction price for each performance obligation is the amount of consideration to which the Museum expects to be entitled in exchange for transferring the promised deliverables to the customer as outlined in the contract.

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, and for the exchange portion of the transaction ratably over the term of the membership.

Other earned income consists primarily of facility rentals and event fees, which are recognized as revenue at a point in time, on the date of rental or as the events occur.

Special events revenue includes ticket sales and sponsorships received for the annual gala and is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Museum recognizes the special event revenue equal to the fair value of direct benefits to donors when the special events take place. The Museum also recognizes the contribution element of special events when the event takes place, as there is a right of return if the event does not take place. The revenue is reported net of related expenses on the statements of activities.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[4] Revenue recognition: (continued)

Other income consists of revenue received outside of the normal course of the Museum's activities, which cannot be classified elsewhere.

The Museum records interest and dividends when earned. Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments are determined by comparison of the costs at the time of acquisition to the proceeds received at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of the year.

[5] Grants and contributions:

Grants and contributions are recorded as support without donor restrictions or with donor restrictions on the statements of activities, depending on the existence and/or nature of any donor-imposed restrictions. Grants and contributions that are classified as with donor restrictions are reclassified to net assets without donor restrictions through release of net assets upon satisfaction of the purpose restriction or expiration of the time restriction.

Grants and contributions are recognized as revenue in the period in which the donor's commitment is made, if unconditional. Conditional grants and contributions are recognized when performance and/or control barriers are met by the Museum.

The Museum receives various types of in-kind support in the form of contributed services and other assets, which are classified as grants and contributions of nonfinancial assets on the statements of activities. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, as provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of investments and other tangible assets, such as property and equipment, are recognized at fair value when received. The Museum's policy is to sell contributed investments as soon as possible after receipt.

Additionally, the Museum receives contributed time by volunteers which does not meet the criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

[6] Leases:

Certain space within the Museum is leased primarily to nonprofit and commercial tenants under operating leases. Rental income is recorded on a straight-line basis over the lease term. Leases may include variable payments such as reimbursements of utilities, maintenance, and property taxes from the tenants, which are recorded as revenue each month based on actual amounts and reported as rental income on the statements of activities. Lease terms may include renewal or extension options which may be exercised if certain conditions exist. At June 30, 2025 and 2024, there were no options to extend that were reasonably certain to be exercised.

[7] Cash and cash equivalents:

Cash and cash equivalents consist of checking, savings, money market and sweep accounts at a bank, and U.S. Treasury Bills with maturities of three months or less at the time of purchase.

The Museum maintains deposits at banks in excess of federally insured limits. In order to minimize this risk, the Museum invests its free cash in an insured deposit sweep account, which provides for full FDIC coverage.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Property, exhibits and equipment:

Expenditures for property, exhibits and equipment are stated at cost, net of accumulated depreciation. Expenditures for maintenance, repairs, and renewals are charged to expense when incurred, whereas additions in excess of \$10,000 are capitalized. The Museum capitalizes the costs of constructing exhibits. Depreciation is recorded to allocate the cost of these assets over their estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Equipment and furniture	3 to 10 years
Exhibits	3 to 10 years
Capital improvements and major renovations	5 to 20 years
Building	30 years

Construction in process is comprised of expenditures that are anticipated to have significant future benefit and are stated at cost. Cost includes contracting and construction, and architectural design services. Exhibits in-process include expenditures for staff directly involved with exhibit development, consultants, materials used in building exhibits, and design services. Upon completion of construction, the project cost is reclassified to a property and equipment account and depreciated.

[9] Impairment of long-lived assets:

Long-lived assets, such as property, exhibits and equipment, are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Museum assesses factors such as significant trends, and utilization of services, or carrying costs in deciding whether to perform an impairment review. Based on these qualitative factors, the Museum believed an impairment review was not necessary during the years ended June 30, 2025 and 2024.

[10] Museum collection:

In conformity with the practice followed by many museums, the value of property purchased or donated for the Museum collection is not reflected on the statements of financial position. The collection is deemed inexhaustible. The collection is maintained for education and research and furtherance of the Museum's goals rather than financial gain. The collection is protected, kept unencumbered and is subject to an organizational policy that encourages permanent possession. The Museum's collections policy requires that proceeds from the sale of collection items be used for the acquisition or direct care of collection items. Direct care includes, but is not limited to, the following: contract conservation and consultant costs, the physical repair or upgrading of the storage areas housing collections including rehousing materials and supplies, and the technological assets needed to care for and maintain the collection.

[11] Functional expenses:

The Museum allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are recorded directly according to their natural expenditure classification. The financial statements report certain categories of expenses that are attributed to both program and support services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Facility costs not directly attributable to a function, including building maintenance, utilities and other occupancy costs, are allocated among functions based on square footage. General and administrative costs not directly attributable to a function are allocated among functions based on time and effort. These costs include salaries, benefits, payroll taxes and professional/contract services, among others. The combined allocation of general and administrative and facility costs are consistently applied and in accordance with, if not less than, a negotiated indirect cost rate approved by the federal government.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Use of estimates and subsequent events:

The presentation 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Museum's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on December 17, 2025, the date these financial statements became available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

[13] Income taxes:

The Museum operates as a publicly supported tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, is exempt from federal income taxes on related income pursuant to Section 509(a)(2) of the Code. The Museum is also exempt from Massachusetts income tax under Massachusetts General Law Chapter 180. The Museum is subject to the provisions of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Management believes that there are no uncertain tax positions that would require recognition of an asset or liability or disclosure in these financial statements. The Museum would recognize accrued interest and penalties related to unrecognized tax benefits and liabilities in administration and general expenses if incurred.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE C - PLEDGES RECEIVABLE

Pledges at June 30, 2025 and 2024 consisted of the following:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Receivable in less than one year:		
Corporations	\$ 3,836,000	\$ 244,000
Foundations	540,000	10,000
Government	240,294	199,782
Individuals	25,508	257,000
	<u>4,641,802</u>	<u>710,782</u>
Less - allowance for uncollectible pledges	<u>(17,510)</u>	<u>(5,565)</u>
Net pledges receivable in less than one year	<u>\$ 4,624,292</u>	<u>\$ 705,217</u>
Receivable in one to five years:		
Foundations	\$ 500,000	\$ 10,000
Corporations	-	181,000
	<u>500,000</u>	<u>191,000</u>
Less - discount to net present value	<u>(17,933)</u>	<u>(8,591)</u>
Less - allowance for uncollectible pledges	<u>(5,000)</u>	<u>(3,320)</u>
Net pledges receivable in one to five years	<u>\$ 477,067</u>	<u>\$ 179,089</u>

Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in more than one year are recorded at the net present value of estimated future cash flows.

The present value of estimated future cash flows was measured utilizing a discount rate of 3.72% and 4.71% for the years ended June 30, 2025 and 2024, respectively, an estimate of the risk-free rate of return.

At June 30, 2025 and 2024, the Museum had conditional federal grants of \$70,272 and \$52,431, respectively, and other conditional grants of \$3,810,000 and \$460,000, respectively, which will not be recognized as revenue until such time as the Museum meets the performance and/or control barriers included in the terms of the grant agreements. The performance and/or control barriers for the federal grants consist of incurring allowable expenses which can be applied to the grants. The performance and/or control barriers for the other grants consist of satisfactory program performance as demonstrated in reporting submitted to the grantor, and obtaining matching funds for the grant purpose.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE D - ENDOWMENT

[1] The endowment:

The Museum's endowment consists of donor-restricted endowment funds established for a variety of purposes and Board designated funds that bear no donor restrictions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

[2] Interpretation of relevant law:

The Museum has interpreted the *Uniform Prudent Management of Institutional Funds Act* ("UPMIFA") as enacted in Massachusetts 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. As a result of this interpretation, the Museum classifies as donor-restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The income earned and appreciation/depreciation of the permanent endowment has been classified as net assets with donor restrictions subject to endowment spending policy and appropriation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) The duration and preservation of the fund
- (ii) The purposes of the organization and the donor-restricted endowment fund
- (iii) General economic conditions
- (iv) The possible effect of inflation and deflation
- (v) The expected total return from income and the appreciation of investments
- (vi) Other resources of the organization
- (vii) The investment policies of the organization

[3] Activity in the Museum's endowment funds for the years ended June 30, 2025 and 2024 consisted of the following:

	June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at beginning of year	\$ 7,581,630	\$ 12,311,995	\$ 19,893,625
Contributions	-	967,797	967,797
Net investment return	1,279,259	2,177,068	3,456,327
Other transfers from operating funds	3,000,000	-	3,000,000
Amounts appropriated for operations per spending policy	<u>(319,435)</u>	<u>(475,689)</u>	<u>(795,124)</u>
Balance at end of year	<u>\$ 11,541,454</u>	<u>\$ 14,981,171</u>	<u>\$ 26,522,625</u>

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE D - ENDOWMENT (CONTINUED)

[3] Activity in the Museum's endowment funds for the years ended June 30, 2025 and 2024 consisted of: (continued)

	June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance at beginning of year	\$ 6,793,204	\$ 10,101,167	\$ 16,894,371
Contributions	-	1,011,827	1,011,827
Net investment return	1,111,753	1,667,285	2,779,038
Amounts appropriated for operations per spending policy	(323,327)	(468,284)	(791,611)
Balance at end of year	<u>\$ 7,581,630</u>	<u>\$ 12,311,995</u>	<u>\$ 19,893,625</u>

[4] Endowment net asset composition by type of fund consisted of the following at June 30, 2025 and 2024:

	June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Quasi-endowment fund	\$ 5,808,326	\$ -	\$ 5,808,326
Board designated fund	5,733,128	-	5,733,128
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	6,382,198	6,382,198
Accumulated investment gains	-	8,598,973	8,598,973
Total	<u>\$ 11,541,454</u>	<u>\$ 14,981,171</u>	<u>\$ 26,522,625</u>

	June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Quasi-endowment fund	\$ 2,492,910	\$ -	\$ 2,492,910
Board designated fund	5,088,720	-	5,088,720
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	5,414,401	5,414,401
Accumulated investment gains	-	6,897,594	6,897,594
Total	<u>\$ 7,581,630</u>	<u>\$ 12,311,995</u>	<u>\$ 19,893,625</u>

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE D - ENDOWMENT (CONTINUED)

[5] Return objectives and risk parameters:

The Museum has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchase power of endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The Museum's intent is to spend only the accumulated investment gains associated with the donor-restricted endowment funds which exceed the purchasing power of such assets. The long-term target rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount.

[6] Strategies employed for achieving investment objectives:

To achieve its long-term rate of return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Museum targets a diversified asset allocation to achieve its long-term objectives with prudent risk constraints.

[7] Endowment spending allocation policy and relationship of spending policy to investment objectives:

Under the Museum's endowment spending policy, four-and-a-half percent of the average of the fair value of each of the previous twelve quarters is appropriated to support the current operations. For the years ended June 30, 2025 and 2024, the amounts drawn down from the endowment per the Museum's spending policy were \$795,124 and \$791,611, respectively. Amounts appropriated for current operations include the spending policy net of investment management and custody fees. Income earned in excess of the spending amount is reinvested and any shortfall of investment income under this spending amount is funded from previous year's unspent income if applicable. In establishing this policy, the Museum considered the expected long-term rate-of-return on its endowment. Accordingly, over the long-term, the Museum's objective is for the current spending policy to allow its endowment to grow at the rate of inflation or greater, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts.

[8] Donor-restricted endowment funds with deficits:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the original donor gift amounts. The Museum reduces income allocated for spending from funds with deficits. There were no such deficits as of June 30, 2025 or 2024.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE E - INVESTMENTS

Investments consisted of the following at June 30, 2025 and 2024:

	June 30,			
	2025		2024	
	Fair Value	Cost	Fair Value	Cost
Endowment investments:				
TIFF Multi-Asset Fund	\$ 11,931,163	\$ 10,765,954	\$ 10,408,269	\$ 10,011,879
The TIFF Centerstone Fund, L.P.	14,591,462	9,167,816	9,485,356	5,711,754
	26,522,625	19,933,770	19,893,625	15,723,633
Other investments:				
U.S. Treasury Notes	2,088,712	2,052,277	-	-
Common stock	26,260	25,533	-	-
	2,114,972	2,077,810	-	-
	\$ 28,637,597	\$ 22,011,580	\$ 19,893,625	\$ 15,723,633

The TIFF Multi-Asset Fund ("MAF") incurs annual management and other fees which were approximately 0.88% and 0.99% of the MAF's net asset value during the years ended June 30, 2025 and 2024, respectively. The TIFF Centerstone Fund, L.P. ("TCF") charges annual management fees which are 0.35% of the capital account of each limited partner. In conjunction with an agreement between the Museum and TIFF, on January 1, 2019, the Museum moved \$5 million in assets from MAF to TCF and paid a 0.50% exit fee. As part of this agreement, TIFF agreed to amortize the total amount of the fee over 5 years against the .35% annual management fee paid to TCF. The management fee will be reduced each year by approximately \$5,025, provided that the management fee for any year will not be reduced by more than 25% of the management fee payable prior to such reduction. In the event that the 25% limit is reached, any excess reduction amount will be carried forward to future quarters. The fee reduction was fully amortized as of December 31, 2023.

Neither MAF or TCF charges entry or exit fees. The redemption frequency of MAF is daily and there is no redemption notice period. TCF allows redemptions at the end of each quarter with 75 days' prior written notice. As of June 30, 2025 and 2024, there were no unfunded commitments.

NOTE F - PROPERTY, EXHIBITS AND EQUIPMENT

Property, exhibits and equipment consisted of the following at June 30, 2025 and 2024:

	June 30,	
	2025	2024
Property and land	\$ 51,251,366	\$ 50,673,736
Equipment and furniture	2,398,639	2,226,595
Exhibits	10,722,733	10,604,287
Construction in process:		
Building additions and renovations	110,698	432,625
Exhibits	711,792	276,043
	65,195,228	64,213,286
Less - accumulated depreciation	(39,281,131)	(36,960,845)
	\$ 25,914,097	\$ 27,252,441

THE CHILDREN'S MUSEUM

**Notes to Financial Statements
June 30, 2025 and 2024**

NOTE F - PROPERTY, EXHIBITS AND EQUIPMENT (CONTINUED)

Depreciation expense during the years ended June 30, 2025 and 2024 was \$2,320,286 and \$2,192,667, respectively, which is included in depreciation and amortization expense on the statements of functional expenses. During the year ended June 30, 2024, the Museum disposed of certain fully depreciated property, exhibits and equipment with an original cost of \$1,426,744.

NOTE G - OTHER ASSETS

Other assets consisted of the following at June 30, 2025 and 2024:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Deferred leasing costs, net of accumulated amortization of \$822,446 and \$669,595 at June 30, 2025 and 2024, respectively	\$ 406,268	\$ 512,726
Rent receivable	809,870	785,271
	<u>\$ 1,216,138</u>	<u>\$ 1,297,997</u>

Amortization of the deferred leasing costs during the years ended June 30, 2025 and 2024 was \$152,851 and \$129,288, respectively, which is included in depreciation and amortization expense on the statements of functional expenses.

Amortization expense of the deferred leasing costs for each of the following five years and thereafter is as follows:

<u>Year Ending June 30,</u>	
2026	\$ 98,217
2027	86,054
2028	67,071
2029	46,646
2030	29,951
Thereafter	78,329

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE H - BONDS PAYABLE

On September 26, 2006, the Museum issued \$30 million in Variable Rate Demand Revenue Bonds through the Massachusetts Development Finance Agency ("MDFA"). Bond proceeds were used, in part, to refinance The Children's Museum Issue Series 2001 bond issuance which had an outstanding balance of \$6,905,000 at the time of the refinancing. Bond proceeds also provided the financing associated with a renovation and construction project which was completed in 2007.

On July 2, 2012, and consistent with the provisions provided for in the original MDFA bond agreement (the "Agreement"), Citizens Bank (the "Bank") purchased the Museum's outstanding bond obligations of \$18 million for a ten-year period ending on July 2, 2022. Under the terms of the purchase, the Museum was obligated to pay variable interest at a rate based on adjusted LIBOR. In addition, the Museum entered into a swap agreement (see Note I) that provides for fixed interest rate payments on a significant portion of its outstanding debt.

On July 1, 2022, the Museum entered into the Third Amendment to Loan and Trust Agreement with the Bank and MDFA, which extended the term of the transaction from July 2, 2022 to July 1, 2032; revised the interest rate to 79% of the sum of the daily simple Secured Overnight Financing Rate ("SOFR"), plus 1.99%; and reissued the bonds in the amount of \$9,250,000.

The bonds mature on April 1, 2036 as provided for in the original bond issuance through MDFA. Interest on the bonds is payable monthly and the principal is payable each April 1. During the years ended June 30, 2025 and 2024, the sum of the interest on the bonds and the amortization of the bond issuance costs was \$446,754 and \$517,986, respectively, of which \$12,841 and \$13,535 was amortization of the bond issuance costs.

Under the terms of the agreement, the Museum is subject to certain restrictive covenants involving attaining certain liquidity ratios, minimum unrestricted earnings, additional indebtedness, and the use of assets financed by the bonds. The Museum was in compliance with all debt covenant requirements at June 30, 2025.

Bonds payable consisted of the following at June 30, 2025 and 2024:

	June 30,	
	2025	2024
Bonds payable	\$ 7,750,000	\$ 8,250,000
Less- unamortized bond issuance costs	(95,442)	(108,283)
Total bonds payable	7,654,558	8,141,717
Less - current portion of bonds payable, net	(487,853)	(487,159)
Non- current portion of bonds payable	\$ 7,166,705	\$ 7,654,558

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE H - BONDS PAYABLE (CONTINUED)

The bond issue requires future principal repayments in accordance with the following schedule:

Year Ending June 30,	
2026	\$ 500,000
2027	500,000
2028	500,000
2029	500,000
2030	500,000
Thereafter	5,250,000

Amortization expense of the bond issuance costs for each of the following five years is as follows:

Year Ending June 30,	
2026	\$ 12,147
2027	11,453
2028	10,759
2029	10,065
2030	9,371
2030	41,647

NOTE I - DERIVATIVE INSTRUMENTS

The Museum and the Bank entered into a swap agreement on May 4, 2022, for the period from July 1, 2022 through July 1, 2032, at a rate of 2.15%. The swap agreement was designated as a cash flow hedge of the floating-rate debt. The effect of the swap is to convert floating-rate interest expense to fixed-rate interest expense. The fair value of the swap contracts was an asset of \$211,078 and \$397,319 at June 30, 2025 and 2024, respectively.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE J - FAIR VALUE DISCLOSURES

The valuation of the Museum's assets and liabilities within the fair value hierarchy, as described in Note B, consisted of the following at June 30, 2025 and 2024:

	June 30, 2025				
	Amounts within Fair Value Hierarchy			Measured at	Total
	Level 1	Level 2	Level 3	NAV	
Investments:					
U.S. Treasury Notes	\$ 2,088,712	\$ -	\$ -	\$ -	\$ 2,088,712
Common stock	26,260	-	-	-	26,260
TIFF Multi-Asset Fund	-	-	-	11,931,163	11,931,163
The TIFF Centerstone Fund, L.P.	-	-	-	14,591,462	14,591,462
	<u>2,114,972</u>	<u>-</u>	<u>-</u>	<u>26,522,625</u>	<u>28,637,597</u>
Derivative Instruments:					
Interest rate swap	-	211,078	-	-	211,078
	<u>\$ 2,114,972</u>	<u>\$ 211,078</u>	<u>\$ -</u>	<u>\$ 26,522,625</u>	<u>\$ 28,848,675</u>
	June 30, 2024				
	Amounts within Fair Value Hierarchy			Measured at	Total
	Level 1	Level 2	Level 3	NAV	
Investments:					
TIFF Multi-Asset Fund	\$ -	\$ -	\$ -	\$ 10,408,269	\$ 10,408,269
The TIFF Centerstone Fund, L.P.	-	-	-	9,485,356	9,485,356
	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,893,625</u>	<u>19,893,625</u>
Derivative Instruments:					
Interest rate swap	-	397,319	-	-	397,319
	<u>\$ -</u>	<u>\$ 397,319</u>	<u>\$ -</u>	<u>\$ 19,893,625</u>	<u>\$ 20,290,944</u>

Fair value of financial assets measured on a recurring basis consist of U.S. Treasury Notes and common stock, which are determined using quoted market prices in an active market.

Investments in the MAF and TCF consist of shares held in traditional institutional funds and are carried at estimated fair values using the net asset value ("NAV") per share of the investments, as a practical expedient, as reported by the investment manager. The Museum reviews and evaluates the net asset values reported by the investment manager and believes the amounts reported represent a reasonable estimate of fair value. Investments that are valued using NAV are not required to be categorized within the fair value hierarchy.

The estimated fair value of the interest rate swap agreement was computed by using the net present value of the difference between fixed and floating future cash flows estimated through the use of various forward interest rate yield curves. The change in fair value of the interest rate swaps is reflected in the statements of activities.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2025 and 2024:

	June 30,	
	2025	2024
Subject to expenditure for a specified purpose:		
Waterfront project	\$ 7,133,669	\$ 653,000
Early childhood	2,426,679	548,170
Exhibits	743,617	349,513
Community engagement	523,339	593,102
Discounted admissions and programming	498,513	304,518
Program development	313,868	586,731
Educational programs	285,754	118,235
Capital improvements	-	22,195
	11,925,439	3,175,464
Endowments subject to the Musuem's spending policy:		
Accumulated investment gains:		
Educational programs	3,193,752	2,549,854
Cultural programs	2,530,116	2,169,268
Early childhood education/programs	1,166,107	946,272
Collections	798,824	636,652
General use	546,739	295,395
Discounted admissions and programming	363,435	300,153
	8,598,973	6,897,594
Permanent endowment:		
Educational programs	2,649,095	2,149,095
General use	1,364,222	1,156,642
Early childhood education/programs	786,602	786,602
Collections	699,564	439,347
Cultural programs	682,715	682,715
Discounted admissions and programming	200,000	200,000
	6,382,198	5,414,401
Other permanently restricted net assets:		
Receivable from beneficial interest in charitable trust	-	250,000
	\$ 26,906,610	\$ 15,737,459

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from restrictions for the years ending June 30, 2025 and 2024 consisted of the following:

	June 30,	
	2025	2024
Satisfaction of purpose restrictions:		
Waterfront project	\$ 803,191	\$ -
Discounted admissions and programming	570,938	476,491
Early childhood	423,438	178,300
Community engagement	326,635	329,876
Educational programs	295,531	454,211
Program development	263,061	180,329
Exhibits	132,207	144,438
Capital improvements	22,195	675,304
	<u>\$ 2,837,196</u>	<u>\$ 2,438,949</u>

NOTE L - NOTE PAYABLE

In May 2007, the Museum borrowed \$900,000 from the City of Boston, the proceeds of which were used to finance the building renovations. The loan bears interest at 1% and has a term of fifty years, at which time the outstanding balance and accrued interest will be due and payable. Interest has been imputed at the risk-free rate of 3.8% at the time the loan was made. The dollar value of the difference between the stated rate of 1% and the imputed rate of 3.8% was recorded as a contribution during the year ended June 30, 2007. The associated interest expense is recorded over the term of the loan and was \$14,984 and \$14,435 during the years ended June 30, 2025 and 2024, respectively. Note payable, net of below market interest discount was \$409,279 and \$394,295 at June 30, 2025 and 2024, respectively.

NOTE M - LINE OF CREDIT

The Museum has a line of credit with its bank permitting advances up to \$1,000,000, and which expires on July 1, 2026. Advances bear interest at the daily Bloomberg Short-Term Bank Yield Index ("BSBY") rate plus 2.75%. There were no outstanding balances on the line of credit at June 30, 2025 and 2024, or during the years then ended.

NOTE N - SPECIAL EVENTS

Special events revenue and expenses for the years ending June 30, 2025 and 2024 consisted of the following:

	June 30,	
	2025	2024
Ticket sales	\$ 123,535	\$ 103,751
Contributions	541,877	523,361
In-kind contributions	-	3,886
	<u>665,412</u>	<u>630,998</u>
Total revenue	665,412	630,998
Less - special event expenses	<u>(265,352)</u>	<u>(265,783)</u>
	<u>\$ 400,060</u>	<u>\$ 365,215</u>

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE O - AVAILABILITY AND LIQUIDITY

The Museum's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date at June 30, 2025 and 2024, were comprised of the following:

	June 30,	
	2025	2024
Cash and cash equivalents	\$ 14,443,241	\$ 14,887,275
Accounts receivable	105,638	180,932
Pledges receivable	5,101,359	884,306
Investments	28,637,597	19,893,625
Endowment spending policy distributions	382,257	337,678
	<u>48,670,092</u>	<u>36,183,816</u>
Total financial assets		
Less amounts not available to be used within one year		
one year:		
Net assets restricted to a specified purpose	(11,925,439)	(3,175,464)
Net assets subject to spending policy	(8,598,973)	(6,897,594)
Net assets restricted in perpetuity	(6,382,198)	(5,664,401)
Tenant cash account	(305,024)	(778,453)
Tenant accounts receivable	(26,662)	(23,212)
Interest receivable on derivative swaps	(6,174)	(11,873)
	<u>(27,244,470)</u>	<u>(16,550,997)</u>
Total amounts not available to be used within one year		
Less amounts unavailable to management without Board approval:		
Board designated endowment	(5,733,128)	(5,088,720)
Quasi-endowment	(5,808,326)	(2,492,910)
	<u>(11,541,454)</u>	<u>(7,581,630)</u>
Total amounts unavailable to management without Board approval		
Total financial assets available to meet general expenditures within one year	<u>\$ 9,884,168</u>	<u>\$ 12,051,189</u>

The Museum's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments (Board designated and Quasi-endowment funds). Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Museum's Quasi-endowment of \$5,808,326 and \$2,492,910 at June 30, 2025 and 2024, respectively, is subject to an annual spending policy of four-and-a-half percent of the average fair value of each of the previous twelve quarters. Although the Museum does not intend to spend from this Quasi-endowment, these amounts could be made available if necessary.

THE CHILDREN'S MUSEUM

**Notes to Financial Statements
June 30, 2025 and 2024**

NOTE O - AVAILABILITY AND LIQUIDITY (CONTINUED)

The Museum's Board designated endowment of \$5,733,128 and \$5,088,720 at June 30, 2025 and 2024, respectively, is subject to an annual spending policy of four-and-a-half percent of the average fair value of each of the previous twelve quarters. Although the Museum does not intend to spend from this Board designated endowment (other than amounts appropriated for capital and other projects as part of the Board's annual budget approval), these amounts could be made available, if necessary.

The Museum has a tenant cash account (not included in the above cash and cash equivalents total) with a balance of \$305,024 and \$778,453 at June 30, 2025 and 2024, respectively, which is used to fund expenses related to tenant activities and to make all debt service payments. In addition, the Museum's tenant receivables of \$26,662 and \$23,212 at June 30, 2025 and 2024, respectively, are not included in the above accounts receivables total. Although the Museum does not intend to use these assets for operating activities, these assets could be made available, if necessary.

As part of the Museum's liquidity management plan, the Museum invests cash in excess of daily requirements in short-term investments. Additionally, the Museum maintains a \$1,000,000 line of credit, as discussed in more detail in (see Note M). As of June 30, 2025 and 2024, \$1,000,000 remained available on the Museum's line of credit.

NOTE P - RETIREMENT PLAN

The Museum participates in a contributory retirement plan and makes contributions to the plan for the benefit of all eligible employees. The Museum's contributions were \$134,862 and \$114,201 for the years ended June 30, 2025 and 2024, respectively.

NOTE Q - ADVERTISING COSTS

The Museum expenses the costs of advertising when the advertisement takes place. Advertising expenses for the years ended June 30, 2025 and 2024 were \$107,187 and \$67,064, respectively.

NOTE R - RENTAL INCOME

The Museum leases a portion of its space to outside tenants. Minimum future base rentals to be received on these leases are:

Year Ending June 30,	
2026	\$ 2,207,901
2027	2,085,369
2028	1,694,380
2029	1,347,005
2030	805,745
Thereafter	2,204,155

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE S - CONTRIBUTED NONFINANCIAL ASSETS

The Museum received the following contributed nonfinancial assets during the years ended June 30, 2025 and 2024:

	June 30,	
	2025	2024
Food, beverage and catering rentals	\$ 1,271	\$ 5,132
Materials and supplies	6,800	150
	<u>\$ 8,071</u>	<u>\$ 5,282</u>

During the year ended June 30, 2025, food was provided for Museum events and materials and supplies were used in programming for the Museum's visitors. During the year ended June 30, 2024, food, beverages and catering rentals were provided for donor retention and cultivation events and materials and supplies were used in programming for holiday season events for the Museum's visitors. Food, beverage and catering rentals are valued based on retail value. Materials and supplies are valued using the estimated retail value of the items donated. There were no donor restrictions on the contributions.

NOTE T - DEFERRED REVENUE ON EXCHANGE TRANSACTIONS

The opening and closing balances of the Museum's deferred revenue on exchange transactions are as follows:

	June 30, 2025		
	Current	Long- term	Total
Balance at beginning of year	\$ 823,188	\$ 100,000	\$ 923,188
Net change	19,190	(40,000)	(20,810)
Balance at end of year	<u>\$ 842,378</u>	<u>\$ 60,000</u>	<u>\$ 902,378</u>
	June 30, 2024		
	Current	Long- term	Total
Balance at beginning of year	\$ 827,036	\$ 140,000	\$ 967,036
Net change	(3,848)	(40,000)	(43,848)
Balance at end of year	<u>\$ 823,188</u>	<u>\$ 100,000</u>	<u>\$ 923,188</u>

The current amount is included in accrued and other short-term liabilities, and the long-term portion is reported as deferred revenue on the statements of financial position.

THE CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2025 and 2024

NOTE U - PARK AGREEMENTS

On March 15, 2018, the Museum entered into two agreements with the City of Boston (the "City") related to the construction and operation of a park designed for public use and dedicated to the memory of Martin Richard (the "Park"). The City, in collaboration with the Martin W. Richard Charitable Foundation, Inc. (the "Foundation"), has established a public park on land partially owned by the City and partially owned by the Museum. The Park has an elevated portion that is supported by a concrete garage built on the Museum's property, primarily for the benefit of the Museum. The Memorandum of Understanding and the Reciprocal Easement Agreement detail the obligations for the construction of the garage, and the rights, easements and obligations benefitting and burdening the Museum property and the City property in order to permit the construction, operation and use of the Park. The Park is operated and maintained by the City and the Foundation. In the event that the City property ceases to be used for a public park, provisions are in place that ensure that the Museum's garage building is protected and can continue to operate independently of the City property, including access easements, in perpetuity.