

Kidspace: A Participatory Museum

Financial Statements

December 31, 2023
(With Comparative Totals for 2022)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 18



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kidspace: A Participatory Museum
Pasadena, California

Opinion

We have audited the accompanying financial statements of Kidspace: A Participatory Museum (a California nonprofit corporation) (the "Museum"), which comprise the statement of financial position as of December 31, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Kidspace: A Participatory Museum as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kidspace: A Participatory 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Museum adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-13, Topic 326, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, as of January 1, 2023, which alters the impairment recognition of financial assets from an "incurred loss" model to an "expected credit loss" model. Our opinion is not modified with respect to that matter.

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 Kidspace: A Participatory Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kidspace: A Participatory 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 Kidspace: A Participatory 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 Summarized Comparative Information

We have previously audited Kidspace: A Participatory Museum's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
Los Angeles, California

July 30, 2024

Kidspace: A Participatory Museum
Statement of Financial Position
December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Cash	\$ 754,071	\$ 930,322
Operating investments	66,594	164,068
Accounts receivable	216,371	174,667
Contributions and grants receivable, net	73,193	8,189
Inventory	68,095	51,149
Prepaid and other current assets	128,486	83,484
Donated use of long-lived asset, net	507,037	527,946
Property and equipment, net	11,557,321	11,958,692
Endowment investments	574,722	516,187
Total assets	\$ 13,945,890	\$ 14,414,704
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 213,945	\$ 240,563
Accrued expenses	200,153	156,425
Deferred revenue	910,589	784,745
Total liabilities	1,324,687	1,181,733
Net assets		
Without donor restrictions	11,272,365	12,141,846
With donor restrictions	1,348,838	1,091,125
Total net assets	12,621,203	13,232,971
Total liabilities and net assets	\$ 13,945,890	\$ 14,414,704

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

Kidspace: A Participatory Museum
Statement of Activities
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Revenues, gains (losses), and other support				
Admissions and memberships, net of discounts of \$501,665 and \$390,506, respectively	\$ 3,838,650	\$ -	\$ 3,838,650	\$ 3,128,432
Grants and contributions	661,794	527,154	1,188,948	732,504
In-kind contributions	259,329	-	259,329	232,087
Gift store revenue, net of expenses of \$343,598 and \$321,043, respectively	296,715	-	296,715	211,421
Other program revenue	147,427	-	147,427	217,541
Cafe loss, net of expenses of \$95,381 and \$88,542, respectively	(14,733)	-	(14,733)	(15,070)
Birthday fees	213,792	-	213,792	74,314
Special events, net of expenses of \$109,377 and \$24,783, respectively	323,734	-	323,734	186,885
Other revenue	5,000	-	5,000	14,674
Net assets released from restriction	<u>327,976</u>	<u>(327,976)</u>	<u>-</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>6,059,684</u>	<u>199,178</u>	<u>6,258,862</u>	<u>4,782,788</u>
Functional expenses				
Program services	3,922,124	-	3,922,124	3,350,395
Management and general	1,629,930	-	1,629,930	1,505,859
Fundraising	<u>368,805</u>	<u>-</u>	<u>368,805</u>	<u>387,780</u>
Total functional expenses before depreciation	<u>5,920,859</u>	<u>-</u>	<u>5,920,859</u>	<u>5,244,034</u>
Change in net assets from operations before depreciation	138,825	199,178	338,003	(461,246)
Depreciation expense	<u>1,014,832</u>	<u>-</u>	<u>1,014,832</u>	<u>1,182,274</u>
Change in net assets from operations	<u>(876,007)</u>	<u>199,178</u>	<u>(676,829)</u>	<u>(1,643,520)</u>
Non-operating activities				
Investment income (loss), net	6,526	58,535	65,061	(78,374)
Loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(225)</u>
Total non-operating activities	<u>6,526</u>	<u>58,535</u>	<u>65,061</u>	<u>(78,599)</u>
Change in net assets	(869,481)	257,713	(611,768)	(1,722,119)
Net assets, beginning of year	<u>12,141,846</u>	<u>1,091,125</u>	<u>13,232,971</u>	<u>14,955,090</u>
Net assets, end of year	<u>\$ 11,272,365</u>	<u>\$ 1,348,838</u>	<u>\$ 12,621,203</u>	<u>\$ 13,232,971</u>

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

Kidspace: A Participatory Museum
Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023 Total</u>	<u>2022 Total</u>
Personnel expenses					
Salaries and wages	\$ 2,083,144	\$ 654,965	\$ 275,494	\$ 3,013,603	\$ 2,467,027
Employee benefits	203,544	54,888	26,919	285,351	216,385
Payroll taxes	<u>158,717</u>	<u>42,800</u>	<u>20,990</u>	<u>222,507</u>	<u>187,110</u>
Total personnel expenses	2,445,405	752,653	323,403	3,521,461	2,870,522
Outside services	138,546	505,190	1,110	644,846	730,528
Education expenses	523,290	1,356	665	525,311	417,677
Utilities and maintenance	309,089	4,145	2,498	315,732	302,577
Office expense and supplies	118,730	217,274	6,842	342,846	296,893
Marketing	-	130,215	-	130,215	147,419
Insurance	112,916	363	399	113,678	100,627
Fundraising	-	-	21,305	21,305	92,133
Travel and conferences	19,842	-	-	19,842	24,596
Interest expense	-	1,985	-	1,985	1,201
Other expenses	<u>254,306</u>	<u>16,749</u>	<u>12,583</u>	<u>283,638</u>	<u>259,861</u>
Total expenses before depreciation	3,922,124	1,629,930	368,805	5,920,859	5,244,034
Depreciation and amortization	<u>1,008,030</u>	<u>3,243</u>	<u>3,559</u>	<u>1,014,832</u>	<u>1,182,274</u>
Total expenses	4,930,154	1,633,173	372,364	6,935,691	6,426,308
Expenses included with revenues on the statement of activities					
Gift shop expenses	343,598	-	-	343,598	321,043
Cost of direct benefit to donors	-	-	109,377	109,377	24,783
Cafe expenses	<u>95,381</u>	<u>-</u>	<u>-</u>	<u>95,381</u>	<u>88,542</u>
Total expenses	<u>\$ 5,369,133</u>	<u>\$ 1,633,173</u>	<u>\$ 481,741</u>	<u>\$ 7,484,047</u>	<u>\$ 6,860,676</u>

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

Kidspace: A Participatory Museum
Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (611,768)	\$ (1,722,119)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,031,458	1,203,183
Loss on disposal of property and equipment	-	225
Net realized and unrealized (gains) losses on investments	(47,836)	90,056
Contributions restricted for long-lived assets	-	(10,004)
Changes in operating assets and liabilities		
Accounts receivable	(41,704)	(100,224)
Contributions and grants receivable, net	(65,004)	26,746
Employee retention tax credit receivable	-	183,909
Inventory	(16,946)	(8,597)
Prepaid and other current assets	(45,002)	(23,626)
Accounts payable	(26,618)	203,584
Accrued expenses	43,728	(77,540)
Deferred revenue	<u>125,844</u>	<u>284,798</u>
Net cash provided by operating activities	<u>346,152</u>	<u>50,391</u>
Cash flows from investing activities		
Proceeds from sales of investments	86,775	-
Purchases of investments	-	(11,574)
Purchases of property and equipment	<u>(609,178)</u>	<u>(1,149,989)</u>
Net cash used in investing activities	<u>(522,403)</u>	<u>(1,161,563)</u>
Cash flows from financing activities		
Cash collected from contributions restricted for long-lived assets	<u>-</u>	<u>13,504</u>
Net cash provided by financing activities	<u>-</u>	<u>13,504</u>
Net decrease in cash	(176,251)	(1,097,668)
Cash, beginning of year	<u>930,322</u>	<u>2,027,990</u>
Cash, end of year	<u>\$ 754,071</u>	<u>\$ 930,322</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 1,985	\$ 5,268
--	----------	----------

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

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

1. NATURE OF OPERATIONS

Kidspace: A Participatory Museum (the "Museum" or "Kidspace") is a nonprofit corporation which operates a children's museum in Pasadena, California.

The vision of Kidspace is an evolution of the Museum's innovative activities that began over 35 years ago. The focus on kid-driven experiences descends directly from the Museum's early ideal of "A Participatory Museum." The many major and minor accomplishments of the Museum provide a rich background for what is to come.

As the premier children's museum in Southern California, Kidspace is putting plans in place to remain so for years to come. Throughout its history, the Museum has been ahead of the curve in the museum field, from pioneering hands-on, participatory experiences to embracing the unique power of outdoor learning. In recent years, the Museum has seen a record-breaking upswing in attendance through the opening of one-of-a-kind experiences such as the Galvin Physics Forest, the Imagination Workshop, Early Childhood Learning Center, and the Arroyo Adventure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements and accompanying notes of the Museum have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Museum's financial statements are presented on the basis of net assets without donor restrictions and net assets with donor restrictions.

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - net assets not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - net assets subject to donor-imposed restrictions that will be met by actions of the Museum and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where resources be maintained in perpetuity by the Museum.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Investment income and gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Cash and cash equivalents

The Museum maintains cash and cash equivalents with major financial institutions. The Museum considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The museum held no cash equivalents at December 31, 2023.

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

The Museum recognizes an expected allowance for credit losses for financial assets measured at amortized cost, including accounts receivable, to present the net amount expected to be collected as of the statement of financial position date in accordance with ASC 326, *Financial Instruments-Credit Losses*. Such allowance is based on the credit losses expected to arise over the life of the asset. The allowance estimate is derived from a review of the Museum's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions and reasonable and supportable forecasts regarding future events. The Museum believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Museum's portfolio segments have remained constant. The Museum is not anticipating any future credit losses in these accounts.

Assets are written off when determined that such financial assets are deemed uncollectible and write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date. The Museum pools its financial assets measured at amortized cost based on similar risk characteristics in estimating the its expected credit losses and continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change. The Museum uses historical collection experience as the primary credit quality indicator for accounts receivable. At December 31, 2023, the Museum did not provide for an allowance for credit losses.

Contributions and promises to give

Contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the donor-imposed barriers have been met by the Museum or there is no longer a right of return or release. The Museum records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. As of December 31, 2023, the Museum considers all contributions receivable to be fully collectible; accordingly, no allowance for doubtful contributions has been recorded.

Inventory

Inventory comprises of program-related merchandise held for sale in the gift shop and is stated at the lower of cost or market determined by the first-in first-out method.

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

The Museum capitalizes all property and equipment with a cost greater than \$1,000 with an estimated useful life in excess of one year. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of the contribution. Minor repairs and maintenance are charged against earnings as incurred. Major repairs and maintenance that extend the useful life of the respective asset are capitalized.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings	40 years
Exhibits	5-40 years
Furniture and equipment	3-10 years

Investments

Investment transactions are recorded on the trade date. Realized gains and losses on sales of investments are determined on a specific identification basis. Unrealized gains or losses on investments resulting from value fluctuations are recorded in the statement of activities during the year.

Fair value measurements

The Museum determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3). This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- *Level 1* - Quoted market prices are available in active markets for identical assets or liabilities as of the reporting date.
- *Level 2* - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- *Level 3* - Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The following methods and assumptions were used to estimate the fair value of assets and liabilities:

- Investments (Level 1). Investments in equity and debt securities are valued at their fair values as determined primarily by quoted market prices. Investments without quoted market prices, including real estate investments, are valued at fair value as determined by third-party appraisals, management's estimates, or a combination of both.

Long-lived assets

The Museum reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. No impairment losses were recognized during the year ended December 31, 2023.

Deferred revenue

Deferred revenue relates to membership fees, program revenues, and gift cards where cash has been received, but services have not yet been performed. These revenues are recognized in the period when the services are rendered and performance obligations are met.

Revenue recognition

Revenue, other than from contributions, bequests, and unconditional grants, is recognized in the period in which the service has been provided.

The management of the Museum estimates that the cost of memberships equals the fair value of goods and services received by members. Accordingly, the Museum recognizes membership sales as revenue over the membership period, using straight-line basis. Virtually all memberships sold cover a period of one year.

The Museum recognizes revenue from admissions and discounted admissions coupons upon the visit to the Museum.

The Museum earns revenue from its various programs, including school and community partnerships, camps, and birthday parties. The Museum recognizes program revenue when the related activity occurs.

The Museum recognizes store revenue upon the sale of the merchandise. Estimated returns are not material.

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed goods and services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Kidspace received approximately \$259,000 in pro-bono legal services during the year ended December 31, 2023. These services were valued at standard hourly rates for similar services and are included in outside services on the statement of functional expenses.

The Museum receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No donated services have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

Advertising costs

Advertising costs are expensed as incurred. Advertising costs for the year ended December 31, 2023, were \$100,830 and are included in marketing in the statement of functional expenses.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Expenses, such as payroll and benefits, have been allocated among program services and supporting services based upon employees' estimated time spent by function. Facility related costs such as depreciation and maintenance have been allocated based on estimated square footage used by various departments.

Income tax status

The Museum is a qualified charitable organization exempt from federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

The Museum has evaluated its current tax positions and has concluded that as of December 31, 2023, the Museum does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires Museum management to make estimates and assumptions that affect certain reported amounts and disclosures. Uses of estimates include, but are not limited to, accounting for the fair value of investments, the allowance for expected credit losses, the allowance for doubtful contributions, contributions receivable, and depreciation. Actual results could differ from those estimates.

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of credit risk

The Museum places its cash and investments with high-credit and quality financial institutions. At times, such cash may be in excess of the FDIC insurance limit. The concentration of credit risk for contributions receivable is generally limited due to the dispersion of these items over a wide donor base. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because the entirety of the outstanding amounts is due from a reputable ticket management company. The Museum continually monitors its receivables and establishes valuation reserves as considered appropriate.

The Museum received approximately 46% of grants and contributions revenue from two donors during the year ended December 31, 2023.

Summarized financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Reclassifications

Certain amounts presented in the prior year's financial statements have been reclassified to confirm to the current year's presentation. Such reclassifications had no effect on total assets, liabilities, net changes, changes in net assets, or cash flows from the amounts previously presented.

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Topic 326, *Financial Instruments - Credit Losses: Measurements of Credit Losses on Financial Instruments* ("FASB ASU 326"), which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in the standard is a shift from an "incurred loss" model to an "expected credit loss" model. Under the standard, disclosures are required to provide users of financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Museum that are subject to the guidance in FASB ASU 326 are accounts receivable.

The Museum adopted FASB ASU 326 effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Subsequent events have been evaluated through July 30, 2024, the date that these financial statements were available to be issued. There were no subsequent events that would require adjustments to or disclosures in these financial statements.

3. INVESTMENTS

Investments consisted of the following:

Operating investments	\$ 66,594
Endowment investments	<u>574,722</u>
	<u>\$ 641,316</u>

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity mutual funds	\$ 327,459	\$ -	\$ -	\$ 327,459
Fixed income	<u>313,857</u>	<u>-</u>	<u>-</u>	<u>313,857</u>
	<u>\$ 641,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,316</u>

Investment income net consisted of the following:

Interest and dividend income	\$ 19,454
Unrealized gains and losses	47,836
Investment fees	<u>(2,229)</u>
	<u>\$ 65,061</u>

4. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net consisted of the following:

Receivables in less than one year	<u>\$ 73,193</u>
-----------------------------------	------------------

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

5. DONATED USE OF LONG-LIVED ASSET, NET

The Museum leases the property where it is located from the City of Pasadena for a lease cost of \$1 per year. The term of the lease was for fifty years through 2048. The fair market value of this lease was recorded as revenue in the period the property was contributed and the related assets will be expensed as rent over the fifty-year term of the lease. Kidspace is responsible for the renovation, operation, and maintenance of the premises.

The terms of the lease stipulate that the property will be returned to the City of Pasadena at the end of the lease. Accordingly, the asset has been classified as with donor restrictions in the accompanying financial statements. The amortization expense of donated use of long-lived asset for the year ended December 31, 2023, was \$20,909. The amortization expense of \$20,909 will be recorded each year through the end of the lease.

Donated use of the long-lived asset, net consisted of the following:

Long-lived asset	\$ 1,045,440
Accumulated amortization	<u>(538,403)</u>
	<u><u>\$ 507,037</u></u>

6. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

Buildings	\$ 17,684,290
Exhibits	11,418,453
Furniture and equipment	<u>1,114,430</u>
	30,217,173
Accumulated depreciation	<u>(18,659,852)</u>
	<u><u>\$ 11,557,321</u></u>

Depreciation expense for the year ended December 31, 2023, was \$1,014,832.

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Investment in perpetuity	\$ 500,000
Unexpended endowment earnings	74,722
Donated use of long-lived asset, net	507,037
Programs and exhibits	186,025
Restricted by time	66,054
Capital campaign	<u>15,000</u>
	<u>\$ 1,348,838</u>

Net assets without donor restrictions released from restriction during the year were as follows:

Passage of time	\$ 100
Amortization of long-lived asset	20,909
IT Support	38,000
Program and exhibits	<u>268,967</u>
	<u>\$ 327,976</u>

8. ENDOWMENT

The Museum's endowment consists of donor-restricted endowment funds. The donor-restricted endowment consists of \$500,000 of original corpus gifts. As required by U.S. 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.

Return objectives and risk parameters

The primary long-term financial objective for the Museum's endowment is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. The endowment is also managed to optimize the long-run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that funds the Museum's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index).

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

8. ENDOWMENT (continued)

Spending policy

The Museum's Board of Directors is in the process of developing a spending policy that will distribute a specific payout rate of the endowment base to support the Museum's programs. Such a policy will allow for greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term. There were no appropriations from the endowment during the year ended December 31, 2023.

Interpretation of relevant law

The Museum's Board of Directors has interpreted the 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. As a result of this interpretation, the Museum classifies as net assets with donor restriction (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as without donor restrictions once the amounts are appropriated for expenditure by the Museum 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:

- (1) The duration and preservation of the fund
- (2) The purposes of the Museum and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Museum
- (7) The investment policies of the Museum

Endowment composition

Endowment net asset composition by type of fund as of December 31, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 574,722	\$ 574,722

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

8. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2023, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, December 31, 2022	\$ -	\$ 516,187	\$ 516,187
Investment income net	<u>-</u>	<u>58,535</u>	<u>58,535</u>
Balance, December 31, 2023	<u><u>\$ -</u></u>	<u><u>\$ 574,722</u></u>	<u><u>\$ 574,722</u></u>

9. COMMITMENTS AND CONTINGENCIES

Legal proceedings

In the ordinary course of conducting business, the Museum becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Museum which, from time to time, may have an impact on changes in net assets. The Museum believes that these proceedings, individually or in the aggregate, would not have a material effect on the accompanying financial statements.

10. EMPLOYEE BENEFIT PLAN

The Museum has established a defined contribution retirement plan, sponsored by the Museum (the "Plan"). The Plan covers all full-time employees. Once an employee reaches one year of service, the Museum will match employee contributions, up to 4% of eligible wages. During the year ended December 31, 2023, the Museum contributed \$36,811 to the Plan.

11. RELATED PARTIES

The Museum received approximately \$44,000 in contributions from members of the Board of Directors and other related parties during the year ended December 31, 2023.

12. LIQUIDITY AND FUNDS AVAILABLE

As part of the Museum's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Museum has cash available. Contributions receivable that are considered current will be collected from donors within one year from the date of the statement of financial position and will be available for general expenditures.

Kidspace: A Participatory Museum
Notes to Financial Statements
December 31, 2023

12. LIQUIDITY AND FUNDS AVAILABLE (continued)

The Executive Committee of the Board of Directors reviews the Museum's statement of financial position and monitors cash balances on a monthly basis. The Executive Committee expects to maintain a minimum cash balance to cover 60 days of operating expenses during 2024, with the expectation that the Museum will continue to build toward a minimum cash balance to cover 90 days of operating expenses.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2023 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash	\$ 754,071
Contributions and grants receivable, current portion	73,193
Investments	641,316
Accounts receivable	<u>216,371</u>
	<u>1,684,951</u>
Less: amounts unavailable for general expenditure within one year	
Donor-restricted investments	<u>(574,722)</u>
	<u>(574,722)</u>
	<u>\$ 1,110,229</u>

The Museum has financial assets available at December 31, 2023, to cover approximately 67 days of operating expenses based on the 2024 monthly budgeted run rate for all program and support services expenses of approximately \$501,220, excluding depreciation and amortization.