



FINANCIAL REPORT

ASSOCIATION OF CHILDREN'S MUSEUMS

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Association of Children's Museums
Arlington, Virginia

Opinion

We have audited the accompanying financial statements of Association of Children's Museums (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association of Children's Museums as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Association of Children's Museums and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2, Association of Children's Museums changed its method of accounting for leases in fiscal year 2023 due to the adoption of Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, and the related amendments. 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 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 Association of Children's Museums' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Association of Children's Museums' 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 Association of Children's Museums' 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 audits.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses by program activity on pages 19-20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Thompson Greenspon

Fairfax, Virginia
March 7, 2024

ASSOCIATION OF CHILDREN'S MUSEUMS

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,447,855	\$ 2,915,267
Investments	506,317	501,579
Contributions receivable	1,036,505	200,780
Prepaid expenses	36,079	16,311
	<u>3,026,756</u>	<u>3,633,937</u>
Property and Equipment		
Furniture, fixtures and equipment	99,227	99,227
Website development and software	401,754	250,594
Accumulated depreciation	<u>(332,023)</u>	<u>(317,747)</u>
	<u>168,958</u>	<u>32,074</u>
Other Assets		
Operating lease right-of-use asset	445,240	-
Deposit	6,694	6,694
	<u>451,934</u>	<u>6,694</u>
Total Assets	<u><u>\$ 3,647,648</u></u>	<u><u>\$ 3,672,705</u></u>

The Notes to Financial Statements are an integral part of these statements.

ASSOCIATION OF CHILDREN'S MUSEUMS

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2023 AND 2022

(continued)

	2023	2022
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 171,982	\$ 124,387
Accrued expenses	87,235	61,204
Operating lease liability	72,846	-
Contract liabilities - deferred revenue		
InterActivity revenue	60,990	13,871
Membership dues	159,503	152,801
Total Current Liabilities	552,556	352,263
Long-term Liabilities		
Operating lease liability, net of current portion	471,664	-
Deferred rent	-	106,025
Total Long-term Liabilities	471,664	106,025
Total Liabilities	1,024,220	458,288
Net Assets		
Without donor restrictions	281,918	647,335
With donor restrictions	2,341,510	2,567,082
Total Net Assets	2,623,428	3,214,417
Total Liabilities and Net Assets	\$ 3,647,648	\$ 3,672,705

The Notes to Financial Statements are an integral part of these statements.

ASSOCIATION OF CHILDREN'S MUSEUMS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Exchange portion of membership dues	\$ 437,649	\$ -	\$ 437,649	\$ 384,608	\$ -	\$ 384,608
Meetings and conferences	666,947	-	666,947	495,701	-	495,701
Reciprocal grants	97,079	-	97,079	122,081	-	122,081
Sponsorships	124,498	-	124,498	99,608	-	99,608
Publication sales	4,220	-	4,220	1,230	-	1,230
Nonreciprocal grants	727,684	1,498,396	2,226,080	736,692	1,000,000	1,736,692
Contributions	15,852	-	15,852	11,340	-	11,340
Investment income (loss), net	103,908	-	103,908	(91,309)	-	(91,309)
Net assets released from restrictions	1,723,968	(1,723,968)	-	1,224,087	(1,224,087)	-
Total Revenue and Support	<u>3,901,805</u>	<u>(225,572)</u>	<u>3,676,233</u>	<u>2,984,038</u>	<u>(224,087)</u>	<u>2,759,951</u>
Expenses						
Programs						
Membership services	686,323	-	686,323	417,560	-	417,560
Meetings and conferences	641,699	-	641,699	424,192	-	424,192
Special programs	2,451,472	-	2,451,472	1,757,004	-	1,757,004
Total Programs	<u>3,779,494</u>	<u>-</u>	<u>3,779,494</u>	<u>2,598,756</u>	<u>-</u>	<u>2,598,756</u>
Support services						
Fundraising	147,033	-	147,033	125,468	-	125,468
General and administration	340,695	-	340,695	375,837	-	375,837
Total Support Services	<u>487,728</u>	<u>-</u>	<u>487,728</u>	<u>501,305</u>	<u>-</u>	<u>501,305</u>
Total Expenses	<u>4,267,222</u>	<u>-</u>	<u>4,267,222</u>	<u>3,100,061</u>	<u>-</u>	<u>3,100,061</u>
Change in Net Assets	(365,417)	(225,572)	(590,989)	(116,023)	(224,087)	(340,110)
Net Assets, beginning of year	<u>647,335</u>	<u>2,567,082</u>	<u>3,214,417</u>	<u>763,358</u>	<u>2,791,169</u>	<u>3,554,527</u>
Net Assets, end of year	<u>\$ 281,918</u>	<u>\$ 2,341,510</u>	<u>\$ 2,623,428</u>	<u>\$ 647,335</u>	<u>\$ 2,567,082</u>	<u>\$ 3,214,417</u>

The Notes to Financial Statements are an integral part of these statements.

ASSOCIATION OF CHILDREN'S MUSEUMS

**STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023					2022				
	Support Services				Overall Total	Support Services				Overall Total
	Programs	Fundraising	General and Administration	Total Support Services		Programs	Fundraising	General and Administration	Total Support Services	
Expenses										
Consultant expenses (other fees for services)	\$ 1,756,278	\$ 8,000	\$ 298	\$ 8,298	\$ 1,764,576	\$ 1,294,560	\$ 52,650	\$ 9,739	\$ 62,389	\$ 1,356,949
Salaries and fringe benefits	874,906	82,397	160,200	242,597	1,117,503	650,473	37,948	116,661	154,609	805,082
Conferences, conventions and meetings	381,721	322	1,272	1,594	383,315	195,142	-	731	731	195,873
Grants and other assistance	242,600	-	-	-	242,600	126,185	-	-	-	126,185
Office expenses	104,576	2,517	31,120	33,637	138,213	43,944	1,589	32,811	34,400	78,344
Travel	101,633	29,329	2,567	31,896	133,529	43,443	20,888	10,968	31,856	75,299
Occupancy	72,450	6,823	13,268	20,091	92,541	74,671	4,353	13,382	17,735	92,406
Payroll taxes	76,330	6,207	6,695	12,902	89,232	58,541	3,230	6,924	10,154	68,695
Information technology	46,789	-	34,361	34,361	81,150	34,902	-	81,277	81,277	116,179
Other employee benefits	31,963	8,758	37,057	45,815	77,778	23,805	2,663	16,870	19,533	43,338
Accounting	-	-	33,000	33,000	33,000	-	-	25,000	25,000	25,000
Printing	20,563	80	-	80	20,643	7,617	-	159	159	7,776
Pension plan accruals and contributions	16,938	1,547	1,950	3,497	20,435	20,787	917	2,281	3,198	23,985
Advertising and promotion	14,488	-	1,162	1,162	15,650	3,292	-	-	-	3,292
Depreciation	11,175	1,053	2,048	3,101	14,276	8,069	470	1,446	1,916	9,985
Research and evaluation	13,455	-	-	-	13,455	5,000	-	-	-	5,000
Insurance	3,548	-	6,201	6,201	9,749	2,852	-	8,813	8,813	11,665
Training	-	-	8,045	8,045	8,045	1,458	760	45,943	46,703	48,161
Legal fees	6,791	-	-	-	6,791	2,940	-	-	-	2,940
Lobbying	3,290	-	-	-	3,290	1,075	-	-	-	1,075
All other expenses	-	-	1,451	1,451	1,451	-	-	2,832	2,832	2,832
Total Expenses	\$ 3,779,494	\$ 147,033	\$ 340,695	\$ 487,728	\$ 4,267,222	\$ 2,598,756	\$ 125,468	\$ 375,837	\$ 501,305	\$ 3,100,061

The Notes to Financial Statements are an integral part of these statements.

ASSOCIATION OF CHILDREN'S MUSEUMS

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (590,989)	\$ (340,110)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	14,276	9,985
Loss on disposal of property	-	993
Realized and unrealized (gain) loss on investments	(1,925)	131,080
Reinvested interest and dividends	(101,983)	(39,771)
(Increase) Decrease in		
Contributions receivable	(835,725)	(144,848)
Prepaid expenses	(19,768)	3,261
Employee retention credit receivable	-	126,744
Increase (Decrease) in		
Operating lease assets and liabilities	(6,755)	-
Accounts payable and accrued expenses	73,626	47,347
Contract liabilities - deferred revenue		
InterActivity revenue	47,119	(1,918)
Membership dues	6,702	21,286
Deferred rent	-	(4,333)
	<u>(1,415,422)</u>	<u>(190,284)</u>
Net Cash Used by Operating Activities		
Cash Flows from Investing Activities		
Payments for the purchase of investments	(68,235)	-
Proceeds from the sale of investments	167,405	22,061
Purchases of property and equipment	(151,160)	(4,402)
	<u>(51,990)</u>	<u>17,659</u>
Net Cash (Used) Provided by Investing Activities		
Net Decrease in Cash and Cash Equivalents	(1,467,412)	(172,625)
Cash and Cash Equivalents, beginning of year	<u>2,915,267</u>	<u>3,087,892</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,447,855</u>	<u>\$ 2,915,267</u>
Schedule of Noncash Activities		
Derecognition of deferred rent	<u>\$ 106,025</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

1. ORGANIZATION AND PURPOSE

The Association of Children's Museums (the Association), formerly known as the American Association of Youth Museums, Inc., is a Utah non-stock Association incorporated in 1988 with the primary purpose of improving communications among children's museums, promoting and improving the youth museum field, and fostering public understanding and awareness of children's museums. The Association is located in Arlington, Virginia and receives its support from membership dues, conference fees, contributions, and private and government grants.

The number of functional reporting classifications for program services varies according to the nature of the not-for-profit entity and the services it renders. The Association believes it is appropriate to aggregate its program expenses as a single program on the accompanying statements of functional expenses. The Association elected to further disaggregate certain programs on the accompanying statements of activities and changes in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies used in the financial statements conform with generally accepted accounting principles in the United States of America and reflect practices appropriate for charitable organizations. The significant policies are summarized below.

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Association reports contributions and grants as net assets with donor restrictions if they are received with donor stipulations that limit the use of cash or donated assets for specific programs or activities. Net assets with donor restrictions whose restrictions are met in the same reporting period as the contribution or grant is received are reported as net assets without donor restrictions. Restrictions which have been met by the passage of time or expenditure of net assets are reported as net assets released from restrictions on the statements of activities and changes in net assets.

Revenue Recognition

The Association recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*.

ASC Topic 606 provides a five-step model for recognizing revenue for exchange transactions:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue

The activities of the Association are primarily financed by membership dues, reciprocal and nonreciprocal grants, meetings and conferences, and other related revenue.

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Membership dues are comprised of multiple exchange elements based on the benefits received and a contribution element for the difference. The Association recognizes a portion of the membership dues at a point in time which represents meetings and conferences discounts, a portion of the membership dues for the remaining member benefits, including access to journals, publications, data and reports, evenly over time for the membership period, which varies by member and the contribution portion immediately. Contract liabilities – deferred revenue, membership dues represents membership dues received in advance of the benefits provided by the Association.

The following schedule summarizes the method in which membership dues are recognized for the years ended September 30:

	2023	2022
Recognized over time	\$ 304,560	\$ 271,521
Recognized at a point in time	133,089	113,087
Totals	<u>\$ 437,649</u>	<u>\$ 384,608</u>

The Association recognizes contributions with and without donor restrictions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. For restricted contributions that were initially classified as conditional, the Association has elected to recognize the revenue in net assets without donor restrictions if the release from restriction is met in the same period that the revenue is recognized.

The Association classifies grants as either contributions or exchange transactions, depending on whether the transaction is reciprocal or nonreciprocal. For reciprocal grants, revenue is recognized over time as the costs are incurred. Revenue awarded under cost reimbursable Federal and non-Federal grants is recognized based upon direct costs incurred plus allowable indirect costs. The Association's Federal and non-Federal grants are conditioned upon the incurrence of allowable qualifying expenses. Consequently, at September 30, 2023, contributions of \$1,759,317 have not been recognized in the accompanying financial statements because the conditions on which they depend have not yet been met. Revenue recognized but not yet requested for reimbursement from the granting agency are reported as contributions receivable in the accompanying statements of financial position.

Sponsorships and meetings and conference revenue is recognized at a point in time, which is when the event is held. Amounts received for future events are reflected as contract liabilities – deferred revenue, InterActivity revenue in the accompanying statements of financial position.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less. The Association maintains its cash balances with one financial institution which, at times, may exceed federally insured limits of \$250,000. The Association has not experienced any losses from such accounts.

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable

Contributions receivable represents amounts which have been promised but have not yet been received. Contributions receivable due within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue. In subsequent years, amortization of the discounts is included in contributions revenue in the statements of activities and changes in net assets. The Association determines the allowance for uncollectable contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. All contributions receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

As of October 1, 2021, there were contributions and grants receivable, contract assets, and contract liabilities of \$55,932, \$-0-, and \$147,304, respectively.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized or realized gains and losses, net of investment fees, are reported in the statements of activities and changes in net assets.

Property and Equipment

The Association has a capitalization policy for qualifying assets in excess of \$2,500. Furniture, fixtures and equipment, website development and software are reported at cost and depreciated over a three- to seven-year estimated life using the straight-line method. Depreciation expense for the years ended September 30, 2023 and 2022 was \$14,276 and \$9,985, respectively.

Leases

Adoption of New Accounting Standards – Leases

On October 1, 2022, the Association adopted the requirements of Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (ASC Topic 840) is the recognition of a right-of-use (ROU) asset and lease liability on the statement of financial position. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Association was required to measure and recognize leases that existed at October 1, 2022 using a modified retrospective approach. For leases existing at the effective date, the Association elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost.

The adoption of Topic 842 resulted in the recognition of an operating ROU asset and operating lease liability of approximately \$506,000 and \$612,000, respectively, as of October 1, 2022.

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases Accounting Policy

At lease inception, the Association determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the financial statements.

ROU assets represent the Association's right to use leased assets over the term of the lease. Lease liabilities represent the Association's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured at the present value of the lease payments over the lease term.

The Association uses the rate implicit in the lease if it is readily determinable. Topic 842 includes an accounting policy election for non-public business entities to use the risk-free rate for the measurement of lease liabilities when the rate implicit in the lease is not determinable. The Association elected to utilize the risk-free rate for the measurement of lease liabilities for initial transition and going forward. This rate will be applied to all leases using a period comparable to the lease.

Operating ROU assets are calculated at the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Association if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Association has elected not to recognize an ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with any short-term leases or variable lease payments is included in occupancy expenses in the statements of functional expenses, as applicable.

To the extent a lease arrangement includes both lease and non-lease components, the Association has elected to account for the components as a single lease component.

Employee Retention Credit

The Association qualified to claim the employee retention credit for certain quarters in 2020 and 2021. The Association accounted for the employee retention credit under Financial Accounting Standards Board (FASB) ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*, as a conditional grant of \$126,744 as of September 30, 2021. The full amount of the credit was received during the year ended September 30, 2022.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income Tax Status

Under Section 501(c)(3) of the Internal Revenue Code (IRC) and the applicable income tax regulations of the Commonwealth of Virginia, the Association is exempt from taxes on income related to its exempt purpose.

The Association has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

The Association files Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service. The Association is not currently under audit by any income tax jurisdiction.

The Association is subject to unrelated business income tax for activities conducted outside its tax-exempt purpose. The Association did not conduct unrelated business activities during the years ended September 30, 2023 and 2022.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, occupancy, and salaries and fringe benefits. Salaries and fringe benefits are allocated on the basis of estimates of time and effort. These same allocation percentages are used to allocate depreciation and occupancy among the programs and supporting functions benefited.

Financial Statement Estimates

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

Subsequent Events

The date to which events occurring after September 30, 2023, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is March 7, 2024, which is the date on which the financial statements were available to be issued.

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

3. LIQUIDITY AND AVAILABILITY

Financial assets available within one year of the statement of financial position date for general expenditure are as follows as of September 30:

	2023	2022
Cash and cash equivalents	\$ 1,447,855	\$ 2,915,267
Investments	506,317	501,579
Contributions receivable	1,036,505	200,780
Financial assets, at year end	2,990,677	3,617,626
Less those unavailable for general expenditures within one year due to donor restrictions	(2,341,510)	(2,567,082)
Financial assets available to meet cash needs for general expenditures within one year	\$ 649,167	\$ 1,050,544

Contributions receivable are subject to time restrictions, but will be collected within one year. Financial assets subject to donor restrictions that make them unavailable for general expenditure within one year of the financial position date were \$2,341,510 and \$2,567,082 at September 30, 2023 and 2022, respectively.

Association of Children's Museums has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet six months of normal operating expenses, which approximates \$350,000.

4. INVESTMENTS

The investment portfolio consists of the following as of September 30:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Government National Mortgage Association bond	\$ 31,711	\$ 23,672	\$ 24,989	\$ 24,989
Mutual funds	541,306	482,645	573,336	476,590
Totals	\$ 573,017	\$ 506,317	\$ 598,325	\$ 501,579

The following schedule summarizes the composition of investment return for the years ended September 30:

	2023	2022
Interest and dividends	\$ 101,983	\$ 39,771
Net realized and unrealized gain (loss), net	1,925	(131,080)
Totals	\$ 103,908	\$ (91,309)

The Government National Mortgage Association bond matures in September 2042 with an interest rate of 2 percent.

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

5. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described below:

Level 1 – inputs to the valuation methodology are based upon unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques (market, cost, or income approach). The market approach evaluates prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach evaluates the amount that would be required to replace the service capacity of an asset (i.e., replacement cost). The income approach uses techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2023 and 2022.

Government National Mortgage Association bond: Valued at the closing price reported in the active market in which the bonds are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Association at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

5. FAIR VALUE MEASUREMENTS (continued)

The following tables present the Association's assets and liabilities measured at fair value on a recurring basis as of September 30:

	2023			
Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Government National Mortgage Association bond	\$ 23,672	\$ -	\$ 23,672	\$ -
Mutual funds	482,645	482,645	-	-
Totals	\$ 506,317	\$ 482,645	\$ 23,672	\$ -

	2022			
Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Government National Mortgage Association bond	\$ 24,989	\$ -	\$ 24,989	\$ -
Mutual funds	476,590	476,590	-	-
Totals	\$ 501,579	\$ 476,590	\$ 24,989	\$ -

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of September 30:

	2023	2022
The Freeman Foundation - Asian Culture Exhibits Series Grant is restricted to the expansion of the Asian culture exhibits series	\$ 1,341,510	\$ 2,567,082
The Lilly Endowment, Inc. Grant is restricted for the purpose of supporting children's museums' efforts to foster character development	1,000,000	-
Totals	\$ 2,341,510	\$ 2,567,082

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

6. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the years ended September 30:

	2023	2022
The Freeman Foundation - Asian Culture Exhibits Series Grant	\$ 1,723,968	\$ 1,224,087

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about significant changes in contract liabilities - deferred revenue for the years ended September 30:

	2023	2022
Contract liabilities - deferred revenue, beginning of year	\$ 166,672	\$ 147,304
Revenue recognized that was included in deferred revenue at the beginning of year	(166,672)	(147,304)
Increase in deferred revenue due to cash received during the year	220,493	166,672
Contract liabilities - deferred revenue, end of year	\$ 220,493	\$ 166,672

8. LEASE COMMITMENTS

In June 2017, the Association entered into a lease agreement for office space at a monthly rent of \$6,694, effective June 1, 2018 and expiring November 30, 2029. The lease provides for an annual rent increase of 2.75 percent. In addition, the Association is required to pay a proportionate share of real estate taxes and operating expenses billed out annually on a calendar year basis. The lease includes an abatement of rent in the amount of \$60,250 for the first 9 months of the lease term and in the amount of \$48,148 for months 16 through 22 of the lease term, equaling a total abatement of \$108,398.

Total rent expense was \$92,541 and \$92,405 for the years ended September 30, 2023 and 2022, respectively.

The components of lease expense were as follows for the year ended September 30, 2023:

Operating lease expense	\$ 83,609
Short-term lease expense	8,932
Total lease costs	\$ 92,541

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

8. LEASE COMMITMENTS (continued)

Minimum lease commitments represent the future amounts to be paid on various lease commitments. The minimum lease commitments, excluding renewal terms, by years, are as follows at September 30, 2023:

Year ending September 30:	Operating Leases
2024	\$ 92,851
2025	95,400
2026	98,030
2027	100,716
2028	103,482
Thereafter	124,380
Total undiscounted cash flows	614,859
Less: present value discount	(70,349)
Total minimum lease payments	\$ 544,510

The following summarizes the weighted average remaining lease term, discount rate and other supplemental cash flow information as of and for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 90,365
ROU assets obtained in exchange for new operating lease liabilities	\$ 612,083
Weighted-average remaining lease term in years for operating leases	6.17
Weighted-average discount rate for operating leases	3.97%

As of September 30, 2023, the Association has no operating or finance leases that have not yet commenced.

Future minimum rental payments are as follows as of September 30, 2022:

Year ending September 30:	
2023	\$ 90,365
2024	92,851
2025	95,400
2026	98,030
2027	100,716
2028 and thereafter	227,862
Total minimum lease payments	\$ 705,224

The Association has entered into agreements for the rental of space for the annual meeting. The Association is required to pay a portion of the anticipated room revenues in the event that the conference is canceled. Cancellation insurance has been obtained by the Association to offset any potential future losses. The Association anticipates that all minimum room rental requirements will be met.

ASSOCIATION OF CHILDREN'S MUSEUMS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

9. RETIREMENT PLAN

The Association maintains a qualifying defined contribution retirement plan (the Plan) for eligible full-time employees under IRC Section 403(b). Qualifying participants are eligible to contribute to the Plan each year up to the maximum allowable under Federal law. For the years ended September 30, 2023 and 2022, the Association contributed up to a maximum of 5 percent of the qualifying participant's total annual compensation to the Plan. The contributions are fully vested and nonforfeitable. For the years ended September 30, 2023 and 2022, contributions to the Plan were \$20,434 and \$22,890, respectively. Contributions due to the Plan at September 30, 2023 and 2022 were \$1,150 and \$738, respectively.

10. CONCENTRATIONS

Two and three of the Association's investment funds comprised 64 and 83 percent of the total investment balance for the years ended September 30, 2023 and 2022, respectively. One grant received from a foundation and one grant received from a private corporation comprised 41 percent of the Association's revenue for the year ended September 30, 2023. One grant received from a foundation and one grant received from a private corporation comprised 36 percent of the Association's revenue for the year ended September 30, 2022. One and two donors accounted for 96 percent and 95 percent of the contributions receivable for the years ended September 30, 2023 and 2022, respectively.

11. CONTINGENCIES

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

SUPPLEMENTARY INFORMATION

ASSOCIATION OF CHILDREN'S MUSEUMS

**SCHEDULE OF EXPENSES BY PROGRAM ACTIVITY
YEAR ENDED SEPTEMBER 30, 2023**

	Special Programs											Total
	Membership Services	Meetings and Conferences	Diversity & Asian Exhibit Initiative	Fostering Character	Member Project	Museums for All	Next Generation Data	InterPLAY	Our World Worldwide Day of Play	Museum Virtual Programs	Total Special Programs	
Program Activity Expenses												
Consultant expenses (other fees for services)	\$ 104,819	\$ 22,225	\$ 1,284,946	\$ 1,000	-	\$ 36,137	\$ 43,147	\$ 151,963	\$ 10,800	\$ 101,241	\$ 1,629,234	\$ 1,756,278
Salaries and fringe benefits	343,778	201,071	84,359	-	61,728	72,049	33,266	38,451	9,719	30,485	330,057	874,906
Conferences, conventions and meetings	70,011	299,134	3,940	-	-	2,940	-	5,696	-	-	12,576	381,721
Grants and other assistance	-	-	178,500	-	-	-	-	-	64,100	-	242,600	242,600
Office expenses	12,368	28,151	55,296	-	25	3,223	-	2,714	-	2,799	64,057	104,576
Travel	22,259	6,735	51,609	476	4,299	2,438	-	7,385	3,651	2,781	72,639	101,633
Payroll taxes	28,144	16,544	11,604	-	6,202	5,411	2,451	2,907	703	2,364	31,642	76,330
Occupancy	28,466	16,648	6,987	-	5,108	5,969	2,758	3,183	805	2,526	27,336	72,450
Information technology	29,682	11,597	2,088	-	-	130	-	3,292	-	-	5,510	46,789
Other employee benefits	13,060	18,903	-	-	-	-	-	-	-	-	-	31,963
Printing	6,766	10,570	-	-	11	3,216	-	-	-	-	3,227	20,563
Pension plan accruals and contributions	6,836	4,005	1,600	-	1,228	1,231	606	708	184	540	6,097	16,938
Advertising and promotion	5,662	-	3,055	-	-	-	-	-	5,771	-	8,826	14,488
Research and evaluation	-	-	13,455	-	-	-	-	-	-	-	13,455	13,455
Depreciation	4,391	2,568	1,078	-	788	921	424	491	124	390	4,216	11,175
Legal fees	6,791	-	-	-	-	-	-	-	-	-	-	6,791
Insurance	-	3,548	-	-	-	-	-	-	-	-	-	3,548
Lobbying	3,290	-	-	-	-	-	-	-	-	-	-	3,290
Total Program Activity Expenses	<u>\$ 686,323</u>	<u>\$ 641,699</u>	<u>\$ 1,698,517</u>	<u>\$ 1,476</u>	<u>\$ 79,389</u>	<u>\$ 133,665</u>	<u>\$ 82,652</u>	<u>\$ 216,790</u>	<u>\$ 95,857</u>	<u>\$ 143,126</u>	<u>\$ 2,451,472</u>	<u>\$ 3,779,494</u>

ASSOCIATION OF CHILDREN'S MUSEUMS

**SCHEDULE OF EXPENSES BY PROGRAM ACTIVITY
YEAR ENDED SEPTEMBER 30, 2022**

	Special Programs											Total
	Membership Services	Meetings and Conferences	Diversity & Asian Exhibit Initiative	Aspen Institute	Member Project	Museums for All	Next Generation Data	InterPLAY	Public Education Campaign	Museum Virtual Programs	Total Special Programs	
Program Activity Expenses												
Consultant expenses (other fees for services)	\$ 100,557	\$ 10,825	\$ 889,495	\$ 2,000	\$ 1,788	\$ 3,965	\$ 100,554	\$ 154,368	\$ 28,959	\$ 2,049	\$ 1,183,178	\$ 1,294,560
Salaries and fringe benefits	189,040	146,321	72,607	-	75,785	55,296	32,074	58,677	19,986	687	315,112	650,473
Conferences, conventions and meetings	24,238	168,927	405	-	-	-	405	405	762	-	1,977	195,142
Grants and other assistance	-	-	95,685	-	-	-	-	-	30,500	-	126,185	126,185
Office expenses	3,731	25,348	10,805	-	2,207	1,853	-	-	-	-	14,865	43,944
Travel	18,185	8,118	8,554	-	-	2,850	-	1,219	4,517	-	17,140	43,443
Payroll taxes	17,266	12,910	6,542	-	8,319	4,663	2,523	4,627	1,641	50	28,365	58,541
Occupancy	21,684	16,785	8,329	-	8,746	6,343	3,679	6,730	2,294	81	36,202	74,671
Information technology	12,825	10,879	1,241	-	329	-	4,250	5,378	-	-	11,198	34,902
Other employee benefits	16,235	7,570	-	-	-	-	-	-	-	-	-	23,805
Printing	-	6,771	241	-	-	530	-	-	75	-	846	7,617
Pension plan accruals and contributions	6,509	4,468	2,320	-	2,494	1,653	917	1,746	665	15	9,810	20,787
Advertising and promotion	3,282	-	-	-	-	10	-	-	-	-	10	3,292
Research and evaluation	-	-	-	-	-	5,000	-	-	-	-	5,000	5,000
Depreciation	2,343	1,819	900	-	945	685	397	727	246	7	3,907	8,069
Legal fees	590	-	2,350	-	-	-	-	-	-	-	2,350	2,940
Insurance	-	2,852	-	-	-	-	-	-	-	-	-	2,852
Lobbying	1,075	-	-	-	-	-	-	-	-	-	-	1,075
Training	-	599	-	-	-	-	-	859	-	-	859	1,458
Total Program Activity Expenses	\$ 417,560	\$ 424,192	\$ 1,099,474	\$ 2,000	\$ 100,613	\$ 82,848	\$ 144,799	\$ 234,736	\$ 89,645	\$ 2,889	\$ 1,757,004	\$ 2,598,756