
LOUISIANA CHILDREN'S MUSEUM
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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LOUISIANA CHILDREN’S MUSEUM

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Louisiana Children's Museum

We have audited the accompanying financial statements of the Louisiana Children's Museum (the Museum), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Children's Museum as of December 31, 2020 and 2019, and 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.

Emphasis of Matter

As discussed in Note 1 and 10 to the financial statements, the Museum was impacted by disruptions in the economy and business operations associated with the coronavirus (COVID-19) pandemic during the year ended December 31, 2020, and continuing into 2021.

Our opinion is not modified with respect to this matter.

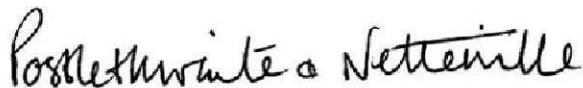
Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021 on our consideration of the Museum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.



Metairie, Louisiana
June 30, 2021

LOUISIANA CHILDREN'S MUSEUM

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 2,039,798	\$ 2,182,670
Promises to give (note 3)	212,054	154,711
Inventory	35,127	44,675
Prepaid expenses	74,896	100,926
Total current assets	<u>2,361,875</u>	<u>2,482,982</u>
 Cash and cash equivalents	 5,260,501	 5,544,563
Promises to give (note 3)	212,579	2,019,843
Investments	203,868	188,592
Deposits	8,521	8,521
Property and equipment, net (note 4)	<u>40,768,952</u>	<u>41,506,090</u>
 Total assets	 <u><u>\$ 48,816,296</u></u>	 <u><u>\$ 51,750,591</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and other accrued expenses	\$ 179,049	\$ 1,505,983
Deferred revenue	597,325	688,729
Notes payable (note 5)	84,240	68,825
Total current liabilities	<u>860,614</u>	<u>2,263,537</u>
 Total liabilities	 <u>860,614</u>	 <u>2,263,537</u>
 Net assets:		
Without donor restrictions (note 2 and note 10)	46,523,410	44,887,790
With donor restrictions (note 6)	<u>1,432,272</u>	<u>4,599,264</u>
 Total net assets	 <u>47,955,682</u>	 <u>49,487,054</u>
 Total liabilities and net assets	 <u><u>\$ 48,816,296</u></u>	 <u><u>\$ 51,750,591</u></u>

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

LOUISIANA CHILDREN'S MUSEUM

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:						
General, administrative, and admissions	\$ 753,786	\$ -	\$ 753,786	\$ 838,317	\$ -	\$ 838,317
Marketing and sales	86,196	-	86,196	262,344	-	262,344
Museum store	66,793	-	66,793	203,982	-	203,982
Fundraising	211,583	-	211,583	387,545	-	387,545
Development	267,734	537,668	805,402	311,832	456,315	768,147
Education	114,047	-	114,047	68,677	-	68,677
LCM in City Park	7,445	-	7,445	-	9,601,725	9,601,725
Memberships	266,542	-	266,542	303,813	-	303,813
Gain on sale of building	-	-	-	1,643,523	-	1,643,523
	1,774,126	537,668	2,311,794	4,020,033	10,058,040	14,078,073
Net assets released from restrictions	3,704,660	(3,704,660)	-	15,920,457	(15,920,457)	-
Total revenue and other support	5,478,786	(3,166,992)	2,311,794	19,940,490	(5,862,417)	14,078,073
Expenses:						
Education	346,333	-	346,333	512,861	-	512,861
Exhibit, maintenance and repairs	599,359	-	599,359	684,993	-	684,993
Museum store	152,159	-	152,159	202,337	-	202,337
LCM in City Park	1,542,536	-	1,542,536	802,665	-	802,665
General and administrative	681,658	-	681,658	794,900	-	794,900
Marketing and sales	245,001	-	245,001	247,983	-	247,983
Fundraising events	77,159	-	77,159	229,448	-	229,448
Development	198,961	-	198,961	185,602	-	185,602
Total expenses	3,843,166	-	3,843,166	3,660,789	-	3,660,789
Change in net assets	1,635,620	(3,166,992)	(1,531,372)	16,279,701	(5,862,417)	10,417,284
Net assets at beginning of year	44,887,790	4,599,264	49,487,054	28,608,089	10,461,681	39,069,770
Net assets at end of year	\$ 46,523,410	\$ 1,432,272	\$ 47,955,682	\$ 44,887,790	\$ 4,599,264	\$ 49,487,054

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

LOUISIANA CHILDREN'S MUSEUM

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020								
	Program Services				Management and General		Fundraising and Development		
	Education	Exhibits	Museum store	LCM in City Park	General and administrative	Marketing and sales	Fundraising events	Development	Total
Salaries, benefits, and related expenses	\$ 327,884	\$ 89,190	\$ 46,503	\$ 76,238	\$ 311,201	\$ 148,810	\$ 52,233	\$ 161,328	\$ 1,213,387
Advertising	-	-	-	37,709	-	65,251	-	-	102,960
Contracted services	4,069	345	34	480	54,652	8,824	-	25,887	94,291
Depreciation	-	394,009	39,425	1,091,696	-	-	-	-	1,525,130
Dues and subscriptions	-	-	-	-	893	6,864	-	9,488	17,245
Entertainment	1,149	-	316	-	(1,070)	15	483	-	893
Equipment rental	-	2,849	285	7,893	4,108	-	-	-	15,135
Exhibits and programs	9,953	-	500	-	5,841	85	3,700	-	20,079
Cost of goods sold	-	-	53,758	-	-	-	-	-	53,758
Housekeeping	-	32,031	3,205	88,750	-	-	-	-	123,986
Insurance	-	-	-	-	176,662	-	-	-	176,662
Interest	-	-	-	-	2,047	-	-	-	2,047
Miscellaneous	202	10,290	1,041	10,574	107,305	8,056	22	863	138,353
Parking	-	-	-	-	-	-	-	-	-
Professional fees	1,900	-	-	27,745	2,943	3,050	-	60	35,698
Repairs and maintenance	-	1,465	147	4,058	9,896	-	-	-	15,566
Special events and fundraising	-	-	-	5,714	-	30	20,721	10	26,475
Supplies, postage, and printing	1,176	-	23	-	7,180	4,016	-	1,325	13,720
Utilities	-	69,180	6,922	191,679	-	-	-	-	267,781
Total expenses	<u>\$ 346,333</u>	<u>\$ 599,359</u>	<u>\$ 152,159</u>	<u>\$ 1,542,536</u>	<u>\$ 681,658</u>	<u>\$ 245,001</u>	<u>\$ 77,159</u>	<u>\$ 198,961</u>	<u>\$ 3,843,166</u>

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

LOUISIANA CHILDREN'S MUSEUM

STATEMENTS OF FUNCTIONAL EXPENSES (continued)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2019								
	Program Services				Management and General		Fundraising and Development		
	Education	Exhibit	Museum store	LCM in City Park	General and administrative	Marketing and sales	Fundraising events	Development	Total
Salaries, benefits, and related expenses	\$ 487,711	\$ 71,973	\$ 65,228	\$ 198,288	\$ 333,319	\$ 161,739	\$ 55,197	\$ 175,604	\$ 1,549,059
Advertising	-	-	-	436,503	62	35,371	-	-	471,936
Contracted services	978	-	-	4,996	37,719	603	-	885	45,181
Depreciation	-	382,768	7,689	-	112,716	-	-	-	503,173
Dues and subscriptions	74	-	-	-	3,268	4,046	-	908	8,296
Entertainment	2,797	-	-	4,442	3,973	-	20	-	11,232
Equipment rental	202	872	-	-	5,643	-	-	-	6,717
Exhibits and programs	13,884	-	-	-	9,315	720	-	-	23,919
Cost of goods sold	-	-	110,070	-	-	-	-	-	110,070
Housekeeping	-	79,208	-	-	53,651	135	-	-	132,994
Insurance	-	-	-	-	92,882	155	-	-	93,037
Interest	-	-	-	-	2,047	-	-	-	2,047
Miscellaneous	1,213	12,424	4,740	-	92,489	3,780	-	1,022	115,668
Parking	4,720	980	980	-	4,506	2,970	1,320	1,410	16,886
Professional fees	29	-	-	73,179	4,365	13,088	-	1,410	92,071
Repairs and maintenance	226	21,360	-	-	4,848	-	-	-	26,434
Special events and fundraising	-	-	-	81,024	-	12,457	172,803	72	266,356
Supplies, postage, and printing	1,027	-	10,608	4,233	11,180	12,919	108	4,291	44,366
Utilities	-	115,408	3,022	-	22,917	-	-	-	141,347
Total expenses	\$ 512,861	\$ 684,993	\$ 202,337	\$ 802,665	\$ 794,900	\$ 247,983	\$ 229,448	\$ 185,602	\$ 3,660,789

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

LOUISIANA CHILDREN'S MUSEUM

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows provided by (used in) operating activities:		
Cash received from contributors, gifts, members, visitors, and programs	\$ 2,227,005	\$ 3,322,222
Cash received from museum store	66,793	203,982
Salaries and benefits paid to employees	(1,228,824)	(1,549,059)
Operating expenses	(2,393,797)	(1,530,457)
Interest paid	(2,047)	(2,047)
	<u>(1,330,870)</u>	<u>444,641</u>
Cash flows used in investing activities:		
Cash received from note receivable	-	3,453,000
Purchases of property, equipment, and exhibits	(787,992)	(14,823,269)
	<u>(787,992)</u>	<u>(11,370,269)</u>
Cash flows provided by financing activities:		
Borrowings from note payable	15,415	120,998
Repayment of note payable	-	(83,263)
Contributions received for LCM in City Park	1,676,513	10,246,186
	<u>1,691,928</u>	<u>10,283,921</u>
Net cash provided by financing activities	<u>1,691,928</u>	<u>10,283,921</u>
Net change in cash and cash equivalents	(426,934)	(641,707)
Cash and cash equivalents at beginning of year	<u>7,727,233</u>	<u>8,368,940</u>
Cash and cash equivalents at end of year	<u>\$ 7,300,299</u>	<u>\$ 7,727,233</u>
As presented on the statements of financial position:		
Cash and cash equivalents, current	\$ 2,039,798	\$ 2,182,670
Cash and cash equivalents, noncurrent	5,260,501	5,544,563
Total cash and cash equivalents	<u>\$ 7,300,299</u>	<u>\$ 7,727,233</u>
Supplemental disclosure of non-cash investing activity		
Change in accounts payable for property, equipment, and exhibits	<u>\$ (1,251,238)</u>	<u>\$ (1,815,285)</u>

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

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

History and Organization

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

The Museum is organized as a private, nonprofit corporation, chartered in the State of Louisiana and granted 501(c)(3) status by the Internal Revenue Service. It is governed by a 39-member Board of Directors. The Museum is heavily dependent on community support for contributions and memberships.

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

On March 15, 2020, in response to COVID-19 and as mandated by federal, state, and local authorities, the Museum closed to the public. The majority of the year from March 15, 2020 through December 31, 2020, the Museum was closed to the general public, but did open sporadically throughout the year.

Basis of Accounting and Presentation of Net Assets

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

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

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

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

Accounting and Presentation of Net Assets (continued)

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

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

Cash and Cash Equivalents

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

Investments

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

Promises to Give

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

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. Management concluded a discount to net present value was not deemed necessary for December 31, 2020 and 2019, as the amount is not considered significant.

The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2020 and 2019, management assessed that no allowance was necessary as they believe all promises to give to be collectable.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

Inventory

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

Property and Equipment

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

Revenue and Revenue Recognition

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

Deferred membership revenue and deferred birthday party revenue are recorded as deferred revenue on the statements of financial position and represent sales to customers during the year ended December 31, 2020, for which revenue is being deferred until the performance obligations have been satisfied. Deferred membership revenue and deferred birthday party revenue as of December 31, 2020 was \$590,325 and \$0, respectively. Deferred membership revenue and deferred birthday party revenue as of December 31, 2019 was \$656,411 and \$32,318, respectively. Deferred revenue as of the end of year are generally recognized as revenue in the succeeding year.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Museum's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by US GAAP. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2020 and 2019, respectively.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

Functional expenses

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

Income Taxes

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

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

Use of Estimates

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

New Accounting Pronouncements – To Be Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. On June 3, 2020, the FASB deferred the effective date of this standard for certain entities. This standard will be effective for the Museum's year ending December 31, 2022.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements- To Be Adopted

On September 17th, the FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The FASB ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Museum's year ending December 31, 2022.

The Museum is currently assessing the impact of these pronouncements on the financial statements.

2. Availability and Liquidity

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

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 7,300,299	\$ 7,727,233
Investments	203,868	188,592
Promises to give	<u>424,633</u>	<u>2,174,554</u>
Total financial assets	7,928,800	10,090,379
Less amounts not available to be used within one year or unavailable for general expenditures:		
Assets with donor restrictions, programs	-	(144,566)
Assets with donor restrictions, LCM in City Park	(212,579)	(3,803,267)
Endowment funds	(586,590)	(496,731)
Board designated assets	<u>(4,877,779)</u>	<u>(3,453,000)</u>
	<u>(5,676,948)</u>	<u>(7,897,564)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,251,852</u>	<u>\$ 2,192,815</u>

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Availability and Liquidity (continued)

In December 2020, management and the Board approved the establishment of an endowment of approximately \$5.2 million. As of December 31, 2020, a spending rate and other endowment related policies had not yet been established (see Note 10).

The Museum's liquidity management plan includes adopting balanced operating and capital budgets annually and maintaining operating reserves equal to \$961,000, or approximately 25% of operating expenses.

The Museum invests excess cash in money market bank accounts.

3. Promises to Give

Promises to give as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Promises to give, current	\$ 212,054	\$ 154,711
Promises to give, non-current	<u>212,579</u>	<u>2,019,843</u>
Total	<u>\$ 424,633</u>	<u>\$ 2,174,554</u>
Receivable in less than one year	\$ 224,554	\$ 1,591,264
Receivable in one to five years	<u>200,079</u>	<u>583,290</u>
Total unconditional promises	<u>\$ 424,633</u>	<u>\$ 2,174,554</u>

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Building and improvements (35 years)	\$ 35,782,382	\$ 35,042,078
Exhibits (10-15 years)	4,952,130	4,935,785
Equipment (3 - 15 years)	<u>2,062,743</u>	<u>2,031,400</u>
	42,797,255	42,009,263
Less accumulated depreciation	<u>(2,028,303)</u>	<u>(503,173)</u>
Property and equipment, net	<u>\$ 40,768,952</u>	<u>\$ 41,506,090</u>

In September 2016, the Museum entered into an agreement to sell the property located at 420 Julia Street, New Orleans (the Property). The sale of the Property closed on December 28, 2017. Consideration for the sale was in the form of a promissory note (the Note) for \$3,600,000. The Note was due and payable on or before July 15, 2019 and was supported by an irrevocable letter of credit from an independent, established lending institution. The Museum received the funds from the Note in August 2019.

In conjunction with the sale, the Museum and the Buyer executed a lease which allowed the Museum to occupy the Property through December 31, 2023 for a nominal annual rent. In accordance with FASB Codification 840 *Leases*, given the sale and subsequent leaseback of the Property, the gain on the sale was deferred and was being amortized in proportion to the gross rental charged to expense over the lease term. Due to the termination of the lease in July 2019, \$1,643,523, being the remainder of the deferred gain, was recognized on the statement of activities for the year ended December 31, 2019.

5. Notes Payable

During the years ended December 31, 2020 and 2019, the Museum entered into agreements for the financing of insurance policies. Principal and interest are payable annually in 11 monthly payments of \$11,403 per month at interest rates of 6.45% and 6.45% at December 31, 2020 and 2019, respectively. The balance of notes payable as of December 31, 2020 and 2019 was \$84,240 and \$68,825, respectively.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. Net Assets with Donor Restrictions

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

	2020	2019
Programs	\$ 633,103	\$ 299,276
LCM in City Park	212,579	3,803,267
Endowment, restricted until appropriated	132,073	116,787
Endowment, restricted in perpetuity	71,795	71,795
Bead endowment	382,722	308,139
	<u>\$ 1,432,272</u>	<u>\$ 4,599,264</u>

For 2020 and 2019, the net assets released from restrictions are comprised of previously recorded donor restricted assets that have met either time or purpose restrictions and related primarily to the construction of the new museum building.

7. Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy with three levels based on the reliability of the inputs used to determine fair value. These levels include: Level 1, defined as inputs such as unadjusted quoted prices in active markets for identical assets and liabilities; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for use when little or no market data exist, therefore requiring an entity to develop its own assumptions.

At December 31, 2020 and 2019, the Museum held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis, primarily investments held by the Greater New Orleans Foundation (GNOF) for the Museum's benefit. The fair value of these investments is based on the fair value of fund investments as reported by GNOF. These investments are measured at fair value on a recurring basis using Level 3 inputs and total \$203,868 and \$188,592 as of December 31, 2020 and 2019, respectively.

The fair value of cash and cash equivalents, accounts receivable, promises to give, inventory, and accounts payable approximates book value at December 31, 2020 and 2019 due to the short-term nature of these accounts.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. Lease Agreement

On November 25, 2014, the Museum entered into a cooperative endeavor agreement with the New Orleans City Park Improvement Association to lease 8.443 acres of land within City Park for the Museum to plan, construct, and manage a museum and other improvements (the LCM in City Park project) dedicated to the cultural and educational development of children. The agreement is for a period of 39 years which may be extended twice for an additional ten years upon mutual consent. Construction period rent is \$500 per month and is not effective until the start of construction. Upon completion of construction (September 2019), operating rent is \$3,000 per month with adjustments for the consumer price index after the first ten years. The Museum will assume the costs of maintaining the premises, the facility, and additional improvements made to the land. The Museum shall also maintain a reserve fund in the amount of 3% of the gross operating budget for the maintenance and repair of the promises and facility.

9. Revenue

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

	2020		
	<u>Without Donor</u>	<u>With Donor</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
<u>Revenues and other support:</u>			
Contributions	\$ 283,010	\$ 522,392	\$ 805,402
Membership	266,542	-	266,542
Admissions	366,504	-	366,504
Special events and fundraising	297,779	-	297,779
Museum store	66,793	-	66,793
Café and catering	37,244	-	37,244
Summer camp and outreach	114,047	-	114,047
Investment income, net	32,137	15,276	47,413
Other income	310,070	-	310,070
	<u>1,774,126</u>	<u>537,668</u>	<u>2,311,794</u>
Net assets released from restrictions	3,704,660	(3,704,660)	-
Total revenue and other support	<u>\$ 5,478,786</u>	<u>\$ (3,166,992)</u>	<u>\$ 2,311,794</u>

During the year ended December 31, 2020, the Museum applied for and was approved for a \$297,000 loan under the Paycheck Protection Program administered by the Small Business Administration as part of the relief efforts related to COVID-19. The Museum recognized the full amount of the loan as an unconditional contribution, which is presented in other income in the table above, having met the conditions for forgiveness by incurring eligible expenditures. As of June 30, 2021, the Museum is in the process of seeking forgiveness of the loan.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. Revenue (continued)

	2019		
	<u>Without Donor</u>	<u>With Donor</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
<u>Revenues and other support:</u>			
Contributions	\$ 311,832	\$ 866,116	\$ 1,177,948
State funding	-	9,182,219	9,182,219
Membership	303,813	-	303,813
Admissions	742,264	-	742,264
Special events and fundraising	649,889	-	649,889
Museum store	203,982	-	203,982
Café and catering	34,000	-	34,000
Summer camp and outreach	68,677	-	68,677
Investment income, net	35,450	9,705	45,155
Gain on sale of building	1,643,523	-	1,643,523
Other income	26,603	-	26,603
	<u>4,020,033</u>	<u>10,058,040</u>	<u>14,078,073</u>
Net assets released from restrictions	<u>15,920,457</u>	<u>(15,920,457)</u>	<u>-</u>
Total revenue and other support	<u>\$ 19,940,490</u>	<u>\$ (5,862,417)</u>	<u>\$ 14,078,073</u>

10. Endowment

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As described in Notes 6 and 7, the Museum had donor restricted endowment assets of \$496,721 as of December 31, 2019.

In December 2020, management and the Board approved the establishment of an endowment of approximately \$5.2 million. As of December 31, 2020, a spending rate and other endowment related policies had not yet been established.

LOUISIANA CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

10. Endowment (continued)

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	-	\$ 496,721	\$ 496,721
Investment income, net	-	15,276	15,276
Contributions/transfers in	4,877,779	74,593	4,952,372
Endowment net assets, beginning of year	<u>\$ 4,877,779</u>	<u>\$ 586,590</u>	<u>\$ 5,464,369</u>

11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2021, and determined that there were no subsequent events requiring disclosure except as noted below. No events occurring after this date have been evaluated for inclusion in these financial statements.

As described in Note 1, the Museum remained closed from January 1, 2021 through May 28, 2021 and opened to the public on May 29, 2021.

In March 2021, the Museum was approved for a second round of funding under the Paycheck Protection Program. The amount approved and received was approximately \$297,000.

SUPPLEMENTAL INFORMATION

LOUISIANA CHILDREN'S MUSEUM

SCHEDULE OF COMPARISON OF STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019	Variance	
			Favorable (Unfavorable)	
			Amount	Percentage
Revenues and other support:				
General, administrative, and admissions	\$ 753,786	\$ 838,317	\$ (84,531)	(10.1)%
Marketing and sales	86,196	262,344	(176,148)	(67.1)%
Museum store	66,793	203,982	(137,189)	(67.3)%
Fundraising	211,583	387,545	(175,962)	(45.4)%
Development	805,402	768,147	37,255	4.8%
Education	114,047	68,677	45,370	66.1%
LCM in City Park	7,445	9,601,725	(9,594,280)	(99.9)%
Memberships	266,542	303,813	(37,271)	(12.3)%
Gain on sale of building	-	1,643,523	(1,643,523)	100.0%
	<u>2,311,794</u>	<u>14,078,073</u>	<u>(11,766,279)</u>	<u>(83.6)%</u>
Expenses:				
General and administrative	681,658	794,900	(113,242)	(14.2)%
Marketing and sales	245,001	247,983	(2,982)	(1.2)%
Museum store	152,159	202,337	(50,178)	(24.8)%
Fundraising events	77,159	229,448	(152,289)	(66.4)%
Development	198,961	185,602	13,359	7.2%
Education	346,333	512,861	(166,528)	(32.5)%
LCM in City Park	1,542,536	802,665	739,871	92.2%
Exhibit, maintenance and repairs	599,359	684,993	(85,634)	(12.5)%
Total expenses	<u>3,843,166</u>	<u>3,660,789</u>	<u>182,377</u>	<u>5.0%</u>
Change in net assets	(1,531,372)	10,417,284	(11,583,902)	(111.2)%
Net assets at beginning of year	<u>49,487,054</u>	<u>39,069,770</u>	<u>10,417,284</u>	<u>26.7%</u>
Net assets at end of year	<u>\$ 47,955,682</u>	<u>\$ 49,487,054</u>	<u>\$ (1,166,618)</u>	<u>(2.4)%</u>

See accompanying independent auditors' report.

LOUISIANA CHILDREN'S MUSEUM

**SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2020**

Agency Head Name: Julia Bland, Executive Director

The Museum does not meet the requirement to report the total compensation, reimbursements, and benefits paid to the Executive Director as these costs are not paid from public funds.

See accompanying independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Board of Directors
Louisiana Children's Museum

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Louisiana Children's Museum (the Museum), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Museum's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

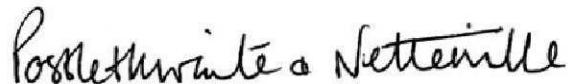
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Metairie, Louisiana
June 30, 2021