

KNOCK KNOCK CHILDREN'S MUSEUM, INC.

DECEMBER 31, 2025 AND 2024

BATON ROUGE, LOUISIANA

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BOURGEOIS**
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2322 TREMONT DRIVE | BATON ROUGE, LA 70809
TEL. 225.928.4770 | WWW.HTBCPA.COM
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Independent Auditor's Report

To the Board of Directors
Knock Knock Children's Museum, Inc.
Baton Rouge, Louisiana

Opinion

We have audited the accompanying financial statements of Knock Knock Children's Museum, Inc. (the "Museum") (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2025 and 2024, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Knock Knock Children's Museum, Inc. as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Knock Knock Children's Museum, Inc. 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.

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 Knock Knock Children's Museum, Inc. ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2026, 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 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 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.

Respectfully submitted,

Hannis T. Bourgeois, CPA

Baton Rouge, Louisiana
June 25, 2026

KNOCK KNOCK CHILDREN'S MUSEUM, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2025 AND 2024

	<u>ASSETS</u>	
	<u>2025</u>	<u>2024</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,517,245	\$ 1,366,404
Restricted Cash Maintenance Fund	100,000	100,000
Accounts Receivable	26,661	9,593
State Grant Receivable	-	64,750
Building Lease Receivable - Current	51,601	51,601
Current Portion of Promises Receivable	106,397	-
Merchandise Inventory	16,046	11,842
Prepaid Expenses	21,319	16,282
Total Current Assets	1,839,269	1,620,472
Other Assets:		
Building Lease Receivable - Long-Term	4,282,463	4,334,064
Long-Term Promises Receivable		
Net of Present Value Discount of \$26,930	357,780	-
Property and Equipment, Net	2,179,088	2,366,507
Total Assets	\$ 8,658,600	\$ 8,321,043

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	\$ 34,448	\$ 37,068
Accrued Expenses	53,876	62,475
Deferred Revenues	183,889	157,632
Total Current Liabilities	272,213	257,175
Net Assets:		
Without Donor Restrictions	3,490,887	3,620,235
With Donor Restrictions:		
Time-Restricted for Future Periods	4,766,566	4,385,665
Purpose Restrictions	128,934	57,968
	4,895,500	4,443,633
Total Net Assets	8,386,387	8,063,868
Total Liabilities and Net Assets	\$ 8,658,600	\$ 8,321,043

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

KNOCK KNOCK CHILDREN'S MUSEUM, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 173,297	\$ 794,560	\$ 967,857
Sponsorships	125,000	-	125,000
BREC Reimbursements & CEA	49,427	-	49,427
Grants	189,101	-	189,101
Special Fundraising Events	230,306	-	230,306
Admission Income	1,008,807	-	1,008,807
Membership Income	262,970	-	262,970
Other Income	103,042	-	103,042
In-Kind Income	13,850	-	13,850
	2,155,800	794,560	2,950,360
Net Assets Released From Restriction	342,693	(342,693)	-
Total Revenues and Other Support	2,498,493	451,867	2,950,360
Expenses:			
Program Expenses	1,657,151	-	1,657,151
Supporting Services:			
Fundraising	314,479	-	314,479
General and Administrative	707,357	-	707,357
Total Expenses	2,678,987	-	2,678,987
Other Income:			
Interest Income	48,846	-	48,846
Rental Income	2,300	-	2,300
	51,146	-	51,146
Change in Net Assets	(129,348)	451,867	322,519
Net Assets - Beginning of Year	3,620,235	4,443,633	8,063,868
Net Assets - End of Year	\$ 3,490,887	\$ 4,895,500	\$ 8,386,387

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

KNOCK KNOCK CHILDREN'S MUSEUM, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 130,565	\$ 210,164	\$ 340,729
Sponsorships	25,250	-	25,250
BREC Reimbursements & CEA	42,185	-	42,185
Grants	311,432	-	311,432
Special Fundraising Events	241,587	-	241,587
Admission Income	948,740	-	948,740
Membership Income	286,746	-	286,746
Other Income	70,373	-	70,373
In-Kind Income	19,842	-	19,842
	2,076,720	210,164	2,286,884
Net Assets Released From Restriction	237,665	(237,665)	-
Total Revenues and Other Support	2,314,385	(27,501)	2,286,884
Expenses:			
Program Expenses	1,930,624	-	1,930,624
Supporting Services:			
Fundraising	308,778	-	308,778
General and Administrative	690,579	-	690,579
Total Expenses	2,929,981	-	2,929,981
Other Income:			
Interest Income	61,496	-	61,496
	61,496	-	61,496
Change in Net Assets	(554,100)	(27,501)	(581,601)
Net Assets - Beginning of Year	4,174,335	4,471,134	8,645,469
Net Assets - End of Year	\$ 3,620,235	\$ 4,443,633	\$ 8,063,868

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

KNOCK KNOCK CHILDREN'S MUSEUM, INC.**STATEMENT OF FUNCTIONAL EXPENSES****FOR THE YEAR ENDED DECEMBER 31, 2025**

		<u>Supporting Services</u>		
	<u>Program Expenses</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 748,824	\$ 204,225	\$ 408,449	\$ 1,361,498
Payroll Taxes	58,336	15,910	31,820	106,066
Other Employee Costs	31,722	8,652	17,303	57,677
Contract Services	-	-	25,666	25,666
Professional Fees	35,794	18,784	125,359	179,937
Office Expenses	-	1,685	7,581	9,266
Repairs and Maintenance	52,271	3,075	6,150	61,496
Meetings and Events	7,920	6,974	3,947	18,841
Program Elements and Exhibits	81,751	-	-	81,751
Equipment	6,898	406	812	8,116
Gifts	3,344	-	-	3,344
Operations	266,973	15,705	31,410	314,088
IT Technology and Software	16,272	957	21,519	38,748
Communications	36,778	2,164	4,328	43,270
Insurance	25,438	1,497	2,993	29,928
Dues and Fees	57,917	3,408	6,980	68,305
Depreciation	183,052	-	5,661	188,713
Miscellaneous	-	-	2,219	2,219
Amortization (Building Rent Expense)	43,861	2,580	5,160	51,601
In-Kind Donations	-	13,850	-	13,850
Cost of Direct Benefit to Donors	-	14,607	-	14,607
Total Expenses	<u>\$ 1,657,151</u>	<u>\$ 314,479</u>	<u>\$ 707,357</u>	<u>\$ 2,678,987</u>

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

KNOCK KNOCK CHILDREN'S MUSEUM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2024

		Supporting Services		
	Program		General and	Total
	Expenses	Fundraising	Administrative	Expenses
Salaries and Wages	\$ 690,241	\$ 188,248	\$ 376,495	\$ 1,254,984
Payroll Taxes	53,609	14,621	29,242	97,472
Other Employee Costs	24,408	6,657	13,314	44,379
Contract Services	-	-	5,572	5,572
Professional Fees	45,134	17,753	129,252	192,139
Office Expenses	-	1,322	7,374	8,696
Repairs and Maintenance	107,402	6,318	12,636	126,356
Meetings and Events	6,450	4,808	8,787	20,045
Program Elements and Exhibits	85,943	-	-	85,943
Equipment	6,760	398	795	7,953
Gifts	361	-	-	361
Operations	254,637	14,979	29,958	299,574
IT Technology and Software	15,995	941	16,609	33,545
Communications	43,490	2,559	5,117	51,166
Insurance	26,736	1,573	3,145	31,454
Dues and Fees	51,745	3,044	25,730	80,519
Depreciation	473,852	-	14,655	488,507
Miscellaneous	-	-	6,738	6,738
Amortization (Building Rent Expense)	43,861	2,580	5,160	51,601
In-Kind Donations	-	19,842	-	19,842
Cost of Direct Benefit to Donors	-	23,135	-	23,135
Total Expenses	\$ 1,930,624	\$ 308,778	\$ 690,579	\$ 2,929,981

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

KNOCK KNOCK CHILDREN'S MUSEUM, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 322,519	\$ (581,601)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	188,713	488,507
Amortization of Building Lease Receivable	51,601	51,601
Changes in Assets and Liabilities:		
(Increase) Decrease Accounts Receivable	47,682	56,523
(Increase) Decrease Prepaid Expenses	(5,037)	4,361
(Increase) Decrease Inventory	(4,204)	(6,276)
(Increase) Decrease Promises Receivable	(464,177)	-
Increase (Decrease) Accounts Payable	(2,620)	(15,381)
Increase (Decrease) Accrued Expenses	(8,599)	29,861
Increase (Decrease) Deferred Revenues	26,257	(18,325)
	<u>152,135</u>	<u>9,270</u>
Cash Flows from Investing Activities:		
Payments for Purchases of Property and Equipment	<u>(1,294)</u>	<u>(7,628)</u>
Net Cash Used In Investing Activities	<u>(1,294)</u>	<u>(7,628)</u>
Net Increase in Cash and Cash Equivalents	150,841	1,642
Cash and Cash Equivalents at Beginning of Year	<u>1,466,404</u>	<u>1,464,762</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,617,245</u></u>	<u><u>\$ 1,466,404</u></u>
Recap of Cash:		
Cash and Cash Equivalents	\$ 1,517,245	\$ 1,366,404
Restricted Cash	<u>100,000</u>	<u>100,000</u>
	<u><u>\$ 1,617,245</u></u>	<u><u>\$ 1,466,404</u></u>

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

KNOCK KNOCK CHILDREN'S MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 1 - Nature of Activities and Summary of Significant Accounting Policies -

Nature of Activities

Knock Knock Children's Museum, Inc. (the Museum) opened in 2017. The mission of the Museum is to provide an inclusive gathering place where families and children of all backgrounds and experiences can interact and learn through play.

Significant Accounting Policies

Basis of Presentation

The Museum prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Museum is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - not subject to donor-imposed restrictions. Net assets may be designated for specific purposes by action of the Board of Directors. Board designations include designation for reserves and other designations.

Net Assets With Donor Restrictions - subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature for future periods, such as those that will be met by the passage of time or other events specified by the donor, and some donor restrictions are restricted for purpose. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resource 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.

Revenue Recognition

The Museum recognizes revenue from admission and membership fees in the year which the related services are provided to patrons. Performance obligation for admission fees are generally fulfilled at the same time of payment, therefore the revenue is recognized when a patron enters the museum under general admission. The Museum recognizes the exchange portion of memberships over the membership period which expires and must subsequently be renewed at the end of membership. All payments received in advance of membership expiration are recorded as deferred revenue. Sponsorship revenue is recognized when the event is held.

Contributions and Promises to Give

Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give cash and other assets donated to the Museum are reported at fair value on the date the promise is received. See Note 9 to these financial statements regarding promises to give.

Grant Revenue Recognition

Grants which represent exchange transactions are recorded as a receivable as the grant dollars are spent. Grants which represent contributed support are recognized in the same manner as promises to give.

Compensated Absences

Full-time exempt museum employees will accrue up to (20) days of vacation leave. The leave will accrue at the rate of 6.15 hours per payroll period, beginning with the first payroll period after being hired. Eligible employees can roll over up to (5) days of vacation leave into the next fiscal year. Difference between accrued balance and roll over cap are paid out to the employee at the end of each year. Unused paid time off balances will be paid out to employee upon termination. Accumulated unused vacation leave at December 31, 2025 and 2024 is \$13,597 and \$17,982 respectively and is included in accrued expenses on the Statements of Financial Position.

Accounts Receivable

The Museum assesses the collectability of its trade accounts receivable using the direct-write off method. Under this method, trade accounts receivable are charged directly against earnings when they are determined by management to be uncollectible. Use of this method does not result in a material difference from the current expected credit loss (CECL) method required by U.S. Generally Accepted Accounting Principles (ASC Topic 326). The Museum incurred no bad debt expense for the years ended December 31, 2025 and 2024.

Deferred Revenue

Deferred revenue represents memberships that have been sold with expiration dates beyond the current year end date and sales from gift cards that have not be used for payment by customers as of December 31, 2025 and 2024. Membership revenue will be realized and recorded as revenue for the months of the year that the membership is active. Gift card revenue will be realized and recorded when the gift card is used as payment by the customer. Deferred membership income at December 31, 2025 and 2024 was \$114,257 and \$134,711 respectively. Deferred gift card revenue at December 31, 2025 and 2024 was \$38,942 and \$22,921, respectively. As detailed in Note 9 of these financial statements certain learning zone sponsorships received in 2025 constitute split transaction contributions, in which the Museum provides value back to the sponsor in the form of complimentary admission tickets and annual membership. The un-used amount of these items is recognized as deferred revenue and is recognized over the life of the sponsorship agreement. The fair value of the benefits to the sponsor was based on the current ticket and membership prices.

Management believes this approach approximates the standalone selling price of the benefits provided. The un-used deferred portion of benefits to the sponsor as of December 31, 2025 and 2024, was \$30,690 and \$-0-, respectively.

Donated Assets and Services

Equipment received as donations are recognized in the accompanying financial statements at their estimated fair market value at the date they were received.

The Museum recognizes contribution revenue for certain services received at the fair value of those services provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation.

The value of contributed services and assets meeting the requirements for recognition in the financial statements was \$13,850 for the year ended December 31, 2025 and included catering and supplies for fundraising events and equipment. The value of contributed services and assets was \$19,842 for the year ended December 31, 2024.

The Museum receives items for use in fundraising. These items are recorded as contributions at their fair value when received by the Museum. The Museum adjusts the contribution amount to the sales price of the item to the ultimate resource provider (recipient) at the time of the sale. For the year ended December 31, 2025 and 2024, the Museum recognized \$18,206 and \$67,783, respectively in contributions from such items given and sold for use in fundraising. These amounts are included in Special Fundraising Events Revenue in these financial statements. All items given were sold in the same calendar year.

A substantial number of unpaid volunteers have made a significant contribution of service to develop the Museum's programs, principally in fund raising activities, operations, and board participation. The value of this service is not reflected in these statements since it does not meet the criteria for recognition, as described above.

Property and Equipment

Property and equipment are stated at cost. The Museum capitalizes all assets with an initial cost that is greater than \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

Leases

The Museum accounts for leases in accordance with Accounting Standards Codification (ASC) Topic 842, Leases. This guidance requires that right-of-use (ROU) assets and lease liabilities be recorded on the Statement of Financial Position. The Museum determines if an arrangement is a lease at inception, and leases are then classified as either operating or finance leases depending on the characteristics of the lease. Right-of-use (ROU) assets represent the Museum's right to control the use of a specified asset for the lease term, and lease liabilities represent the Museum's obligation to make lease payments arising from the lease. The Museum had no operating or finance leases that required capitalization as of December 31, 2025 and 2024.

The Museum does not recognize lease assets and lease liabilities on short-term leases (leases with an initial term of 12 months or less at commencement date and does not include an option to purchase the underlying asset that the Museum is reasonably certain to exercise) but instead records lease expense on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

During the year ended December 31, 2025 the Museum entered into a contract for the use of copiers in its business operations with terms extending through 2030 with no renewal options. As of December 31, 2025, the total remaining obligation through maturity under the contract is approximately \$32,000. Due to the uncertainty in the lessor's ability to economically benefit from substitution rights under the contracts, the Organization does not have certainty in its right to use the asset and has elected not to capitalize the related amounts on the statement of financial position and continue to expense monthly payments on a straight-line basis. Use of this method does not result in a material difference from the methods required by generally accepted accounting principles. The total lease expense for these short-term leases for the years ended December 31, 2025 and 2024 is, \$8,115 and \$7,953, respectively.

Income Taxes

The Museum has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 509(a)(1) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes on related income has been included in the financial statements.

The Museum files an income tax return in the U.S. federal jurisdiction. With few exceptions, the Museum is no longer subject to federal tax examinations by tax authorities for years before 2022. Any interest and penalties assessed by income taxing authorities are not significant and are included in general and administrative expenses in these financial statements, if applicable.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Museum may recognize the tax benefit from an uncertain tax position only if it more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2025 or 2024.

Cash and Cash Equivalents

The Museum considers all highly liquid investments with maturities of three months or less at the date of acquisition to be "cash equivalents." Cash and cash equivalents for purposes of the statements of cash flows excludes cash and cash equivalents and amounts held in brokerage accounts that are perpetual in nature with donor restricted net assets.

The Museum maintains cash balances at several financial institutions. At various times during the year, the balances on deposit may exceed the limits insured by the Federal Deposit Insurance Corporation.

The Museum is required to maintain \$100,000 in cash per the Cooperative Endeavor Agreement with BREC as discussed in Note 6, to these financial statements.

Functional Allocation of Expenses

The costs of providing for the various programs and other activities of the Museum have been summarized on their functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses are recorded directly in the program service or supporting service classification in which they were incurred except for salaries and wages, payroll taxes, and other employee costs which are allocated based on actual time spent on each function; depreciation which is allocated based on the actual use of the fixed asset owned by the museum, and communications, operations, repairs and maintenance, dues and fees, equipment, insurance, IT technology and software amortization, and professional fees which are allocated based on management's best estimate of usage by program or supporting services.

Advertising

The Museum incurred advertising expenses of \$43,269 and \$51,166 for the year ended December 31, 2025 and 2024. The Museum expenses advertising costs as incurred.

Estimates

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

Change in Accounting Estimate

During the year ended December 31, 2025, the Museum revised the building's estimated useful life from 15 years to 39 years. The revision was based on management's reassessment of the building's expected useful life, taking into consideration current condition, usage, and other relevant factors. This change was accounted for as a change in accounting estimate in accordance with applicable accounting guidance and was applied prospectively. Accordingly, no adjustments were made to prior period financial statements or previously recorded accumulated depreciation.

The effect of this change was to decrease depreciation expense by approximately \$136,075 for the year ended December 31, 2025. The change is expected to reduce depreciation expense in future periods over the remaining useful life of the asset, which is 31 years as of December 31, 2025.

Subsequent Events

The Museum evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 25, 2026 the date which the financial statements were available to be issued.

Note 2 - Receivables and Deferred Revenues -

In accordance with ASC Topic 606, the following amounts are included in the Statement of Financial Position at December 31, 2025 and 2024 under the following captions:

	<u>2025</u>	<u>2024</u>
Receivables:		
Accounts Receivable	\$ 26,661	\$ 9,593
State Grant Receivable	<u>-</u>	<u>64,750</u>
	<u>\$ 26,661</u>	<u>\$ 74,343</u>
Current Liabilities:		
Deferred Revenues	<u>\$ 183,889</u>	<u>\$ 157,632</u>

As of December 31, 2023 there were accounts receivable of \$50,392, State grant receivable of \$80,474, and deferred revenues totaled \$175,957.

Note 3 - Liquidity and Availability -

The following reflects the Museum's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial Assets at Year-End:

Cash and Cash Equivalents	\$ 1,517,245
Current Portion of Promises Receivable	106,397
Accounts Receivable	<u>26,661</u>
	1,650,303

Less Amounts not Available for General Expenditure Within One Year Due to:

Donor - Imposed Restrictions:

Restricted by Donor with Purpose Restriction	<u>(128,934)</u>
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Financial Assets available to Meet Cash Needs for General
Expenditures Within One Year

\$ 1,521,369

The Museum's goal is to maintain liquid financial assets to pay obligations as they become due.

At December 31, 2024, the Museum had \$1,382,779 of financial assets available to meet cash needs for general expenditures within one year.

Note 4 - Restrictions of Net Assets -

Net assets with donor-imposed restrictions for purpose are used to account for the receipt and disbursement of specific activities (projects) defined by the donor. The following are the funds and amounts classified as net assets with donor-imposed restrictions for purpose or time restrictions as of December 31, 2025 and 2024:

	2025	2024
Access for All - Reduced Admission	118,934	3,968
Financial Literacy, Big Backyard	10,000	54,000
Promises Receivable - Keyholder Circle and Learning Zone Sponsor Pledges	432,502	-
Building Lease Receivable	4,334,064	4,385,665
	<u>\$ 4,895,500</u>	<u>\$ 4,443,633</u>

Note 5 - Net Assets Released from Restrictions -

Net assets were released from restrictions for the years ended December 31, 2025 and 2024 for incurring expenses satisfying the restricted purpose or due to the passage of time.

	2025	2024
Access for All - Field Trip	\$ -	\$ 29,698
Access for All - Reduced Admission	140,214	155,466
For All Access - AARP	-	900
Financial Literacy, Big Backyard	50,000	-
Promises Receivable - Keyholder Circle and Learning Zone Sponsor Pledges	100,878	-
Building Lease Receivable	51,601	51,601
	<u>\$ 342,693</u>	<u>\$ 237,665</u>

Note 6 - Cooperative Endeavor Agreement and Building Lease Receivable -

In December 2010 Knock Knock Children’s Museum, Inc. entered into a Cooperative Endeavor Agreement with The Recreation and Park Commission for the Parish of East Baton Rouge (“BREC”). This agreement was amended December 2017. The agreement specifies that the Museum is a separately incorporated 501(c)(3) organization and is responsible to manage, fund, and administer the facility and programming of the museum for the use and benefit of the citizens of East Baton Rouge Parish and the surrounding region. BREC and the Museum agree to preserve, develop, and maintain the Museum site exclusively for purposes of operating the Museum. Both entities were responsible for the planning, development, design, and construction of the Museum facility. The agreement also states that all improvements to the museum, with the exception of improvements to museum exhibits, are the property of BREC. This agreement states that not more than \$3,000,000 of the cost to construct the facility will be paid by BREC, and the remaining costs will be paid by the Museum. As of December 31, 2021, the Museum paid \$3,941,865 in building costs that have been recorded on the Statement of Financial Position and are being depreciated as discussed in Note 7 to these financial statements. The Museum agreed to establish and contribute to a Knock Knock Children’s Museum Site Maintenance Fund, and amount equal to \$15,000 annually until the fund reaches a total of \$100,000. This fund shall be used solely for structural, mechanical, and other maintenance or repair needs. The fund contributions are suspended once the fund reaches \$100,000 and shall resume upon reduction of the balance below the maximum amount. This fund amount is included as Restricted Cash Maintenance Fund on the Statements of Financial Position as of December 31, 2025 and 2024.

Further, the agreement states that a majority of the Board of Directors for the Museum shall be legal residents of East Baton Rouge Parish and that the BREC Commission shall be entitled to appoint one voting member to the Museum's governing Board of Directors. This agreement shall be terminated and dissolved immediately at any time the Museum no longer has Federal IRS Tax exempt status, and all assets of the Museum would become property of BREC.

The term of the agreement is for ninety-nine (99) years, beginning on the 6th day of December 2010 and ending on the 6th day of December 2109. BREC grants to the Museum one (1) option to renew for an additional ninety-nine years commencing on the first day following the expiration of the original term or the same terms, conditions contained herein unless mutually agreed to otherwise in writing.

During 2017, in connection with the Cooperative Endeavor Agreement and completion of the construction of the building, the Museum received the right to use building and land for the 99 year lease of the Museum. The right to use is rent free for the lease term and therefore the museum recorded a building lease contribution receivable totaling \$4,746,872. This amount represents the net estimated fair value of the leasehold interest that was donated. The leasehold interest was based upon an appraised value of \$8,688,737 reduced by the amount of building costs paid for by the Museum of \$3,941,865. The receivable is being amortized over the remaining life of the Cooperative Endeavor Agreement which expires in December 2109. As of December 31, 2025 and 2024, the building lease receivable consisted of the following:

	2025	2024
Building Lease Receivable, Current	\$ 51,601	\$ 51,601
Building Lease Receivable, Long-Term	4,282,463	4,334,064
	<u>\$ 4,334,064</u>	<u>\$ 4,385,665</u>

Amortization (building rent expense) during the years ended December 31, 2025 and 2024 was \$51,601. Amounts to be recorded in future years total \$51,601 annually through the expiration date of December 2109.

Note 7 - Property and Equipment -

A summary of property and equipment, accumulated depreciation, and related service lives for the years ended December 31, 2025 and 2024 are as follows:

	Estimated Service Life	2025	2024
Machinery and Equipment	5 - 15 Years	\$ 254,668	\$ 253,374
Building	7 - 39 Years	3,958,928	3,958,928
Learning Zones	7 - 15 Years	2,416,505	2,416,505
Software	5 - 7 Years	76,233	76,233
		<u>6,706,334</u>	<u>6,705,040</u>
Less: Accumulated Depreciation		<u>(4,527,246)</u>	<u>(4,338,533)</u>
		<u>\$ 2,179,088</u>	<u>\$ 2,366,507</u>

Note 8 - Commitments and Contingencies -

The Paycheck Protection Program (PPP) loans are subject to audit for six years from the date of forgiveness. Department of Treasury guidance states that loans over \$2 million will be fully audited and loans under \$2 million are subject to random audits. If audited, the SBA could redetermine the amount of forgiveness. The Museum received two PPP loans which were forgiven in 2021 and 2022 totaling \$577,607.

Note 9 - Promises to Give -

During 2025, the Museum was pledged several multi-year support agreements from various donors under the Keyholder Circle campaign or for Learning Zone sponsorships. The Keyholder Circle campaign gifts were for general support of the Museum subject only to time restrictions until such time that the donor(s) makes each annual payment. The Learning Zone sponsorships were made from individuals, businesses, or organizations in support of a particular learning area exhibit for approximately seven years. Learning Zone sponsorships constitute what is deemed a split transaction contribution in which the Museum will provide some form of value back to the donor such as complimentary admission passes and annual memberships, as well as future complimentary admissions to Museum events. The fair value of these benefits provided to the Learning Zone donors was determined by management and has been excluded from the Learning Zone sponsor contribution amounts recorded as income in the year pledged. The un-used future portion of these donor benefits has been captured in Deferred Revenues in these financial statements and will be earned over the course of each respective year that the Museum must provide the value to the donor.

Promises to Give are as follows and are included in Promises Receivable on the Statement of Financial Position:

	2025	2024
Receivables Due in Less Than One Year	\$ 106,397	\$ -
Receivables Due in One to Seven Years	384,710	-
Less: Present Value Discount	(26,930)	-
Total Unconditional Promises to Give	\$ 464,177	\$ -

Note 10 - Compensation, Benefits and Other Payments to Agency Head -

Executive Director, Christina Melton, did not receive any compensation that was paid from public funds.

SUPPLEMENTARY INFORMATION

Independent Auditor's 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
Knock Knock Children's Museum, Inc.
Baton Rouge, Louisiana

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 the Knock Knock Children's Museum, Inc. (the "Museum"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2026.

Report on 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 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.

Report on 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 determination of financial statement amounts. 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 instance 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. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
June 25, 2026

KNOCK KNOCK CHILDREN'S MUSEUM, INC.

SUMMARY SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2025

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued; unmodified

Internal control over financial reporting:

Material weaknesses identified:

_____ Yes X No

Significant deficiencies identified?

_____ Yes X None Reported

Noncompliance material to financial statements noted:

_____ Yes X No

B. Internal Control Over Financial Reporting

None

C. Compliance and Other Matters

None

KNOCK KNOCK CHILDREN'S MUSEUM, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2025

None