



JOHNSON BLOCK

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children's
museum
of la crosse

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CHILDREN'S MUSEUM OF LA CROSSE, INC.

**FINANCIAL STATEMENTS WITH
INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

DECEMBER 31, 2020 AND 2019

CHILDREN'S MUSEUM OF LA CROSSE, INC.

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DECEMBER 31, 2020 AND 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Children's Museum of La Crosse, Inc.

We have reviewed the accompanying financial statements of the Children's Museum of La Crosse, Inc. (a nonprofit organization), 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
November 5, 2021

CHILDREN'S MUSEUM OF LA CROSSE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	DECEMBER 31,	
	2020	2019
<u>ASSETS</u>		
Cash and cash equivalents	\$ 473,137	\$ 485,336
Certificate of deposit - UC Reserve	5,451	5,436
Accounts receivable	243	8,138
Promises to give - net	53,546	129,408
Inventories	9,380	9,516
Prepaid expenses and deposits	31,322	30,720
Investments	1,156,989	1,026,991
Investments - quasi-endowment	117,534	104,275
Investments - endowment	122,217	108,682
Property and equipment - net	2,263,293	2,341,903
Perpetual trusts	860,393	804,122
TOTAL ASSETS	<u>\$ 5,093,505</u>	<u>\$ 5,054,527</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 1,646	\$ 8,167
Payroll taxes	2,342	1,079
Sales tax payable	31	405
Accrued compensation	27,875	54,661
Deferred revenue - memberships	74,392	71,924
Deferred revenue - other	2,626	9,718
TOTAL LIABILITIES	<u>108,912</u>	<u>145,954</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	3,206,537	3,140,075
Board-designated	117,534	104,275
Net assets with donor restrictions	1,660,522	1,664,223
TOTAL NET ASSETS	<u>4,984,593</u>	<u>4,908,573</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,093,505</u>	<u>\$ 5,054,527</u>

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

CHILDREN'S MUSEUM OF LA CROSSE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	YEAR ENDED DECEMBER 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE, GAINS, AND OTHER SUPPORT			
Public support			
Contributions and grants	\$ 233,134	\$ 7,743	\$ 240,877
Fundraising and special events	12,916	-	12,916
Operating revenue			
Admissions	39,372	-	39,372
Memberships	26,537	-	26,537
Programs, parties, and field trips	17,542	-	17,542
Gift shop	8,428	-	8,428
Investment return	174,922	-	174,922
Other income	33	-	33
Release of restrictions	81,250	(81,250)	-
TOTAL OPERATING REVENUE, GAINS, AND OTHER SUPPORT	594,134	(73,507)	520,627
OPERATING EXPENSES			
Program			
Gift shop cost of sales	4,710	-	4,710
Operations	246,816	-	246,816
Management and general	170,164	-	170,164
Public support	105,982	-	105,982
TOTAL OPERATING EXPENSES	527,672	-	527,672
CHANGE IN NET ASSETS FROM OPERATIONS	66,462	(73,507)	(7,045)
NON-OPERATING ACTIVITIES			
Non-operating investment return	13,259	13,535	26,794
Change in value of perpetual trust	-	56,271	56,271
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	13,259	69,806	83,065
CHANGE IN NET ASSETS	79,721	(3,701)	76,020
NET ASSETS AT BEGINNING OF YEAR	3,244,350	1,664,223	4,908,573
NET ASSETS AT END OF YEAR	\$ 3,324,071	\$ 1,660,522	\$ 4,984,593

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

CHILDREN'S MUSEUM OF LA CROSSE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	YEAR ENDED DECEMBER 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE, GAINS, AND OTHER SUPPORT			
Public support			
Contributions and grants	\$ 73,132	\$ 11,164	\$ 84,296
Fundraising and special events	18,728	-	18,728
Operating revenue			
Admissions	190,121	-	190,121
Memberships	133,969	-	133,969
Programs, parties, and field trips	73,826	-	73,826
Gift shop	32,504	-	32,504
Investment return	190,979	-	190,979
Other income	40	-	40
Release of restrictions	376,497	(376,497)	-
TOTAL OPERATING REVENUE, GAINS, AND OTHER SUPPORT	<u>1,089,796</u>	<u>(365,333)</u>	<u>724,463</u>
OPERATING EXPENSES			
Program			
Gift shop cost of sales	17,746	-	17,746
Operations	354,821	-	354,821
Management and general	334,655	-	334,655
Public support	81,402	-	81,402
TOTAL OPERATING EXPENSES	<u>788,624</u>	<u>-</u>	<u>788,624</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>301,172</u>	<u>(365,333)</u>	<u>(64,161)</u>
NON-OPERATING ACTIVITIES			
Non-operating investment return	15,714	16,418	32,132
Change in value of perpetual trust	-	105,922	105,922
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>15,714</u>	<u>122,340</u>	<u>138,054</u>
CHANGE IN NET ASSETS	316,886	(242,993)	73,893
NET ASSETS AT BEGINNING OF YEAR	<u>2,927,464</u>	<u>1,907,216</u>	<u>4,834,680</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,244,350</u>	<u>\$ 1,664,223</u>	<u>\$ 4,908,573</u>

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

CHILDREN'S MUSEUM OF LA CROSSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	YEAR ENDED DECEMBER 31, 2020			
	Program Services	Management and General	Public Support	Total
Employee Compensation				
Salaries and wages	\$ 30,268	\$ 99,983	\$ 96,634	\$ 226,885
Employee benefits	4,182	17,203	8,211	29,596
Total Employee Compensation	34,450	117,186	104,845	256,481
Other Expenses				
Gift shop cost of sales	4,710	-	-	4,710
Program expenses	8,222	-	-	8,222
Repairs and maintenance	12,558	161	54	12,773
Exhibit rental and expense	2,345	-	-	2,345
Advertising and promotion	-	3,032	-	3,032
Utilities	13,183	169	56	13,408
Office expense	-	3,109	-	3,109
Dues and subscriptions	-	2,567	-	2,567
Insurance	15,659	201	67	15,927
Telephone	3,959	51	17	4,027
Permits and licenses	-	581	-	581
Postage and shipping	-	1,925	-	1,925
Printing and copies	-	3,645	-	3,645
Capital campaign	-	-	278	278
Depreciation	155,699	1,995	665	158,359
Professional fees	-	27,995	-	27,995
Bank and credit card fees	-	7,053	-	7,053
Other	741	494	-	1,235
TOTAL FUNCTIONAL EXPENSES	\$ 251,526	\$ 170,164	\$ 105,982	\$ 527,672

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

CHILDREN'S MUSEUM OF LA CROSSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	YEAR ENDED DECEMBER 31, 2019			
	Program Services	Management and General	Public Support	Total
Employee Compensation				
Salaries and wages	\$ 76,157	\$ 220,625	\$ 74,157	\$ 370,939
Employee benefits	8,608	23,103	4,669	36,380
Total Employee Compensation	84,765	243,728	78,826	407,319
Other Expenses				
Gift shop cost of sales	17,746	-	-	17,746
Program expenses	23,113	-	-	23,113
Repairs and maintenance	39,280	503	168	39,951
Exhibit rental and expense	34,102	-	-	34,102
Advertising and promotion	-	9,967	-	9,967
Utilities	23,063	295	99	23,457
Seminars and training	-	5,235	-	5,235
Office expense	-	6,472	-	6,472
Dues and subscriptions	-	5,325	-	5,325
Insurance	15,851	203	67	16,121
Telephone	3,944	51	17	4,012
Permits and licenses	-	426	-	426
Postage and shipping	-	2,535	-	2,535
Printing and copies	-	5,812	-	5,812
Capital campaign	-	-	1,667	1,667
Depreciation	130,703	1,675	558	132,936
Professional fees	-	35,510	-	35,510
Bank and credit card fees	-	14,040	-	14,040
Other	-	2,878	-	2,878
TOTAL FUNCTIONAL EXPENSES	\$ 372,567	\$ 334,655	\$ 81,402	\$ 788,624

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

CHILDREN'S MUSEUM OF LA CROSSE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>YEAR ENDED DECEMBER 31</u>	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 76,020	\$ 73,893
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	158,359	132,936
Net realized/unrealized (gains) losses on investments	(135,278)	(139,588)
Net (gain) loss on disposal of assets	741	-
Change in value of perpetual trust	(56,271)	(105,922)
Contributions restricted to long-term purpose	(7,743)	(3,953)
Changes in operating assets and liabilities		
Accounts receivable	7,895	(7,393)
Promises to give	760	580
Inventories	136	26
Prepaid expenses and deposits	(602)	27,280
Accounts payable	(6,521)	(26,977)
Other accrued liabilities	(25,897)	35,607
Deferred revenue - memberships	2,468	5,342
Deferred revenue - other	(7,092)	3,428
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>6,975</u>	<u>(4,741)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(80,490)	(286,692)
Net change in investments including investment income re-invested	(21,529)	(29,226)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(102,019)</u>	<u>(315,918)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted to capital campaign	82,845	267,826
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>82,845</u>	<u>267,826</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,199)	(52,833)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>485,336</u>	<u>538,169</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 473,137</u>	<u>\$ 485,336</u>

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

CHILDREN’S MUSEUM OF LA CROSSE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies

The Children’s Museum of La Crosse, Inc. (the “Museum”) was incorporated in July 1996 for the purpose of creating a hands-on, interactive environment for children; a family place where children can explore, create, experiment, learn, and exercise their imaginations. The Museum opened in February 1999.

A summary of significant accounting policies follows:

Basis of Accounting – The Museum utilizes the accrual method of accounting, whereby revenue is recognized when earned, and expenses are recognized when incurred. The Museum’s financial statements are prepared in accordance with professional standards. Under generally accepted accounting principles (GAAP), the Museum is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Museum and include those expendable resources which have been designated for special use by the Museum’s Board of Directors.

Net assets with donor restrictions consist of net assets that are subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Museum’s choices of when to use these resources.

Restricted and Unrestricted Promises to Give, Revenue, and Support – Contributions are recognized when the donor makes a promise to give to the Museum, that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor 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.

Program Revenue – The Museum recognizes revenue from admissions at the time of admission. Membership dues, which are nonrefundable, are based on the value of benefits provided. The Museum recognizes the membership dues over the membership period. The Museum records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place. Revenue from field trips, programs, and party fees are recognized when the event takes place.

Cash and Cash Equivalents – For the purpose of the statements of cash flows, the Museum considers all deposits in financial institutions, with a maturity of three months or less, to be cash equivalents.

Concentrations of Credit Risk – The Federal Deposit Insurance Corporation (FDIC) currently insures up to \$250,000 of substantially all depository accounts held at each financial institution. At various times during the year, the Museum’s cash deposits may exceed the federally insured limits and at December 31, 2020 and 2019, its uninsured deposits totaled \$208,098 and \$226,772, respectively. The Museum has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

CHILDREN'S MUSEUM OF LA CROSSE, INC.
NOTES TO THE FINANCIAL STATEMENTS – Continued
DECEMBER 31, 2020 AND 2019

NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies – Continued

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Inventories – Materials held for sale are stated at the lower of cost (first-in, first-out) or market and consist of gift shop items for resale.

Contributed Services – During the years ended December 31, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Income Tax Status – The Museum is recognized by the Internal Revenue Service to be an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

In accordance with professional standards, the Museum follows the statutory requirements for their income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Museum's tax-exempt status would not have a material effect on the accompanying financial statements.

The Museum is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

Property and Equipment – Property and equipment in excess of \$1,000 are capitalized at cost or at their estimated fair value at date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Fair Value Measurements – The Museum uses a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset. The fair value of the perpetual trusts held by third-parties is based upon the market value of the pro-rata share of the investment pool as reported by the third-parties. These are considered to be Level 3 measurements within the hierarchy.

Advertising – The Museum expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2020 and 2019, was \$3,032 and \$9,967, respectively.

Expense Allocation – The costs of providing the Museum's various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. The expenses that are allocated include occupancy costs such as utilities, insurance, repairs and maintenance, telephone expenses, and depreciation, which are allocated on a square footage basis, and employee compensation, which is allocated on the basis of time and effort.

CHILDREN'S MUSEUM OF LA CROSSE, INC.
NOTES TO THE FINANCIAL STATEMENTS – Continued
DECEMBER 31, 2020 AND 2019

NOTE 1 – Nature of Organization and Summary of Significant Accounting Policies – Continued

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications – Certain amounts have been reclassified in the prior year financial statements to conform with the current year financial statement presentation. The reclassifications have no effect on the total change in net assets for the prior year.

Subsequent Events – The Museum has evaluated subsequent events through November 5, 2021, the date which the financial statements were available to be issued.

NOTE 2 – Investments

Investments consist of the following at December 31:

	<u>2020</u>		<u>2019</u>	
	FAIR VALUE	COST	FAIR VALUE	COST
Trust Point	<u>\$ 1,396,740</u>	<u>\$ 1,129,349</u>	<u>\$ 1,239,948</u>	<u>\$ 1,086,242</u>

Aggregate carrying amounts by major types are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Cash Equivalents	\$ 16,649	\$ 11,656
Bond Funds	464,337	508,807
Stock Funds	<u>915,754</u>	<u>719,485</u>
TOTAL	<u>\$ 1,396,740</u>	<u>\$ 1,239,948</u>

Reconciliation to the statements of financial position:

	<u>2020</u>	<u>2019</u>
Investments	\$ 1,156,989	\$ 1,026,991
Investments - quasi-endowment	117,534	104,275
Investments - endowment	<u>122,217</u>	<u>108,682</u>
TOTAL	<u>\$ 1,396,740</u>	<u>\$ 1,239,948</u>

CHILDREN'S MUSEUM OF LA CROSSE, INC.
NOTES TO THE FINANCIAL STATEMENTS – Continued
DECEMBER 31, 2020 AND 2019

NOTE 2 – Investments – Continued

Investment return consisted of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Operating investment return:		
Operating interest, dividends, and distributions	\$ 71,574	\$ 85,612
Net realized gains (losses)	20,377	(951)
Net unrealized gains (losses)	91,797	114,910
Investment fees	<u>(8,826)</u>	<u>(8,592)</u>
Total operating investment return	<u>174,922</u>	<u>190,979</u>
Non-operating investment return:		
Non-operating interest and dividends	5,519	8,289
Net realized gains (losses)	1,217	(3,065)
Net unrealized gains (losses)	21,887	28,694
Investment fees	<u>(1,829)</u>	<u>(1,786)</u>
Total non-operating investment return	<u>26,794</u>	<u>32,132</u>
TOTAL	<u>\$ 201,716</u>	<u>\$ 223,111</u>

NOTE 3 – Promises to Give

Unconditional promises to give at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 46,481	\$ 85,335
Receivable in one to five years	6,591	44,321
Receivable in more than five years	<u>1,160</u>	<u>2,180</u>
	54,232	131,836
Less discount to net present value at 4%	<u>(686)</u>	<u>(2,428)</u>
Net unconditional promises to give	<u>\$ 53,546</u>	<u>\$ 129,408</u>

The Museum considers all promises to give to be collectible.

CHILDREN'S MUSEUM OF LA CROSSE, INC.
NOTES TO THE FINANCIAL STATEMENTS – Continued
DECEMBER 31, 2020 AND 2019

NOTE 4 – Property and Equipment

	<u>2020</u>	<u>2019</u>
Land	\$ 77,000	\$ 77,000
Building and improvements	2,688,575	2,688,575
Fixtures and equipment	173,797	175,279
Exhibits	1,152,431	1,127,666
Assets not placed into service	<u>105,746</u>	<u>50,021</u>
	4,197,549	4,118,541
Accumulated depreciation	<u>(1,934,256)</u>	<u>(1,776,638)</u>
Property and equipment - net	<u>\$ 2,263,293</u>	<u>\$ 2,341,903</u>

Depreciation expense for the years ended December 31, 2020 and 2019, was \$158,359 and \$132,936, respectively.

NOTE 5 – Pension Plan

The Museum implemented a savings incentive match plan for employees (SIMPLE) in January 2010. The Museum matches eligible employee contributions up to 3% of the compensation deferred by the employee. The match expense was \$7,076 and \$8,573 for the years ended December 31, 2020 and 2019, respectively.

NOTE 6 – Capital Campaign

In 2016, the Museum began soliciting contributions for a \$2 million capital campaign. Pledges and contributions are to be used to renovate and remodel the Museum facility and provide additions to the Museum's endowment fund in order to carry out the mission and endeavors of the Museum. Enhancements to the Museum include refurbishing and re-imaging museum exhibits and updating the building interior and exterior. Various contracts have been entered into in the current year to provide services and supplies to facilitate the renovations and updates.

NOTE 7 – Revenue from Contracts with Customers

The following table provides information about significant changes in the contract liabilities for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deferred membership dues, beginning of year	\$ 71,924	\$ 66,582
Prior year deferred membership dues recognized as revenue	(20,245)	(66,582)
Increase in deferred revenue due to cash received during the period	<u>22,713</u>	<u>71,924</u>
Deferred membership dues, end of year	<u>\$ 74,392</u>	<u>\$ 71,924</u>

CHILDREN'S MUSEUM OF LA CROSSE, INC.
NOTES TO THE FINANCIAL STATEMENTS – Continued
DECEMBER 31, 2020 AND 2019

NOTE 8 – Payroll Protection Program

In April 2020, the Museum entered into a Paycheck Protection Program loan agreement with a local financial institution in the amount of \$73,665, the proceeds of which were to be used for payroll and employee benefit costs. The Museum has deemed the proceeds of this loan, in substance, as a government grant that is expected to be forgiven, which, in accordance with its accounting policies and FASB ASC 958-605 *Not-for-Profit Entities: Revenue Recognition* is to be accounted for as a conditional contribution. As of December 31, 2020, this loan, in its entirety, has been recognized as revenue in the statements of activities. In October 2020, this loan was forgiven in its entirety.

In March 2021, the Museum entered into an additional Paycheck Protection Program loan agreement with a local financial institution in the amount of \$73,665, the proceeds of which are to be used for payroll and employee benefit costs. This loan is scheduled to mature March 30, 2026. Some or all of this loan may be forgiven if certain conditions are met.

NOTE 9 – Net Assets without Donor Restrictions

Net assets without donor restrictions at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 3,206,537	\$ 3,140,075
Board-designated endowment	117,534	104,275
TOTAL	<u>\$ 3,324,071</u>	<u>\$ 3,244,350</u>

The board-designated net assets consist of funds invested for long-term growth as more fully described in Note 11.

NOTE 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of promises to give, campaign collections, donor-restricted endowment earnings, and donor-restricted endowments and perpetual trusts as more fully described in Notes 11 and 12, respectively.

Net assets with donor restrictions consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Promises to give - restricted for time	\$ 960	\$ 1,720
Capital campaign promises to give - restricted for time and use	52,585	127,688
Capital campaign collections - restricted for use	624,367	622,011
Endowment investment earnings - restricted for use	22,217	8,682
Gelatt Family Endowment	100,000	100,000
Perpetual trusts	860,393	804,122
TOTAL	<u>\$ 1,660,522</u>	<u>\$ 1,664,223</u>

CHILDREN’S MUSEUM OF LA CROSSE, INC.
NOTES TO THE FINANCIAL STATEMENTS – Continued
DECEMBER 31, 2020 AND 2019

NOTE 11 – Endowment Funds

As described below, the Museum’s endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Museum has interpreted the State of Wisconsin enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Museum, and (7) the Museum’s investment policies.

Following is a description of the Museum’s endowment funds:

Board-Designated Endowment

In 2004, the Museum established a fund that is to function as an endowment. The purpose of the fund is to receive and hold property transferred to the Museum in perpetuity. The net income of the fund is to be distributed, from time to time, for the benefit of the Museum. Principal payments may be made, at the discretion of the Board of Directors, for necessary or appropriate purposes. These designated assets are held and maintained under agency agreements with Trust Point and are subject to the Museum’s investment policy.

Donor-Restricted Endowment

In 2017, the Gelatt Family Endowment was established. The purpose of this fund is to receive and hold property transferred to the Museum. Original contributions will be held in perpetuity and investment earnings are to be distributed to support the Museum’s mission.

From time to time, the fair value of the assets associated with donor-restricted endowment funds may fall below the level that the benefactor or UPMIFA requires to be retained as a fund of perpetual duration. It is the Museum’s policy to consult with the funds’ benefactors before spending from underwater funds. Deficiencies of this nature are reported in net assets with donor restrictions.

CHILDREN'S MUSEUM OF LA CROSSE, INC.
NOTES TO THE FINANCIAL STATEMENTS – Continued
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NOTE 11 – Endowment Funds – Continued

Endowment net asset composition by type of fund as of December 31, 2020, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 117,534	\$ -	\$ 117,534
Endowment funds	-	122,217	122,217
TOTAL	<u>\$ 117,534</u>	<u>\$ 122,217</u>	<u>\$ 239,751</u>

Endowment net asset composition by type of fund as of December 31, 2019, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 104,275	\$ -	\$ 104,275
Endowment funds	-	108,682	108,682
TOTAL	<u>\$ 104,275</u>	<u>\$ 108,682</u>	<u>\$ 212,957</u>

Changes in endowment net assets for the year ended December 31, 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at beginning of year	\$ 104,275	\$ 108,682	\$ 212,957
Donations	-	-	-
Investment return, net	13,259	13,535	26,794
Distributions	-	-	-
BALANCE AT END OF YEAR	<u>\$ 117,534</u>	<u>\$ 122,217</u>	<u>\$ 239,751</u>

Changes in endowment net assets for the year ended December 31, 2019, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at beginning of year	\$ 92,734	\$ 96,611	\$ 189,345
Donations	-	-	-
Investment return, net	15,714	16,418	32,132
Distributions	(4,173)	(4,347)	(8,520)
BALANCE AT END OF YEAR	<u>\$ 104,275</u>	<u>\$ 108,682</u>	<u>\$ 212,957</u>

CHILDREN’S MUSEUM OF LA CROSSE, INC.
NOTES TO THE FINANCIAL STATEMENTS – Continued
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NOTE 12 – Perpetual Trusts

Net assets with donor restrictions include funds held in a perpetual trust and administered by the La Crosse Community Foundation (the “Foundation”). The funds are subject to the distribution policy and variance power of the Foundation and investment decisions of the funds held in perpetual trust are determined by the Foundation rather than the Museum. Distributions are at the discretion of the Foundation and are to be used to support continued access to the Museum for economically disadvantaged families. The distributions are recognized as investment income when they are distributed. The Museum may request additional distributions only with authorization from the Board of Directors of the Foundation.

The Museum is one of the beneficiaries of the Evelyn Bach Combined Foundation Trust. This perpetual trust, administered by a third-party trustee, provides the irrevocable right to receive unrestricted income distributions in perpetuity.

Perpetual trusts consist of the following at December 31:

	2020	2019
Children's Museum of La Crosse Endowment (component fund of La Crosse Community Foundation)	\$ 45,957	\$ 43,065
Evelyn Bach Combined Foundation Trust	814,436	761,057
TOTAL	\$ 860,393	\$ 804,122

Changes in perpetual trusts for the years ended December 31 are as follows:

	2020	2019
Perpetual trusts - beginning of year	\$ 804,122	\$ 698,200
Contributions	-	-
Net appreciation	99,316	148,767
Distributions	(43,045)	(42,845)
Perpetual trusts - end of year	\$ 860,393	\$ 804,122

NOTE 13 – Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at December 31, 2020, are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments	\$ 1,396,740	\$ 1,396,740	\$ -	\$ -
Perpetual trusts	860,393	-	-	860,393
TOTAL	\$ 2,257,133	\$ 1,396,740	\$ -	\$ 860,393

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NOTES TO THE FINANCIAL STATEMENTS – Continued
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NOTE 13 – Fair Values Measured on Recurring Basis – Continued

Fair values of assets measured on a recurring basis at December 31, 2019, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 1,239,948	\$ 1,239,948	\$ -	\$ -
Perpetual trusts	804,122	-	-	804,122
TOTAL	<u>\$ 2,044,070</u>	<u>\$ 1,239,948</u>	<u>\$ -</u>	<u>\$ 804,122</u>

NOTE 14 – Liquidity and Availability of Financial Assets

The Museum monitors its liquidity so that it is able to meet its operating needs. The following table reflects the Museum's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when not liquid or not convertible into cash within one year, are assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the board of directors has designated funds for specific reserves or long-term investments such as board-designated quasi-endowments. The board-designated amounts could be used within one year if approved by the Museum's Board of Directors.

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 473,137	\$ 485,336
Investments	1,156,989	1,026,991
Accounts receivable	243	8,138
Certificate of deposit - UC Reserve	5,451	5,436
Investments - quasi-endowment	117,534	104,275
Promises to give - net	53,546	129,408
Investments - endowment	122,217	108,682
Perpetual trusts	860,393	804,122
Total financial assets	2,789,510	2,672,388
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions	(624,367)	(622,011)
Certificate of deposit - UC Reserve	(5,451)	(5,436)
Investments - quasi-endowment	(117,534)	(104,275)
Promises to give - net	(53,546)	(129,408)
Investments - endowment	(122,217)	(108,682)
Perpetual trusts	(860,393)	(804,122)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,006,002</u>	<u>\$ 898,454</u>

CHILDREN'S MUSEUM OF LA CROSSE, INC.
NOTES TO THE FINANCIAL STATEMENTS – Continued
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NOTE 15 – Contingencies

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of the Museum. As of March 17, 2020, staff began working remotely from their homes; programming had been moved to virtual platforms; and staff, finance, and Board meetings have been held virtually. In June 2020, staff was downsized by 7 FTE's through terminations. The Museum reopened to the public in a limited capacity with certain restrictions on June 3, 2021.

The Museum's policies and procedures were modified to accommodate these changes and maintain internal controls and segregation of duties to the fullest extent possible. The finance committee continues to review the Museum's investments and financial position on a monthly basis and is confident in the Museum's long-term investment policy.

NOTE 16 - Effect of New Accounting Standards on Current Period Financial Statements

The Financial Accounting Standards Board (FASB) has approved the following:

- Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which requires recognition of rights and obligations from lease contracts longer than one year as assets and liabilities on the statement of net position. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021.
- Accounting Standards Update (ASU) No. 2020-07, *Not-For-Profit Entities* (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets, which requires presentation and disclosure of contributed nonfinancial assets received. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021.

When they become effective, application of these standards may restate portions of these financial statements.