

IMAGINE CHILDREN'S MUSEUM
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2024 AND 2023

IMAGINE CHILDREN’S MUSEUM

TABLE OF CONTENTS

DECEMBER 31, 2024 AND 2023

	<u>Page</u>
INDEPENDENT AUDITORS’ REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9-24



- Business & Individual Tax
- Nonprofit Audit Specialists
- Bookkeeping & Payroll
- Tax Debt Negotiation

O 360.424.1040

F 360.424.4293

W padgettcpa.com

1302 Cleveland Avenue

Mount Vernon

Washington

98273

INDEPENDENT AUDITORS' REPORT

To The Finance Committee and Board of Directors
Imagine Children's Museum
Everett, WA

Opinion

We have audited the financial statements of Imagine Children's Museum (a nonprofit organization), which are comprised of the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Imagine Children's Museum as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Imagine Children's Museum and to meet 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Imagine Children's Museum's ability to continue as a going concern for time period within one year after the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 ***judgement 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 the 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 Imagine Children's Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Imagine Children's Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Padgett & Padgett, PLLC

May 20, 2025

Mount Vernon, Washington

IMAGINE CHILDREN'S MUSEUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	<u>ASSETS</u>	
	2024	2023 Restated *
Current assets:		
Cash and cash equivalents	\$ 1,797,799	\$ 2,201,760
Certificates of deposit	1,985,453	1,604,335
Accounts receivable	17,383	21,986
Pledges receivable	234,154	272,951
Inventory	29,687	60,933
Prepaid expenses and other assets	102,016	73,721
Total current assets	4,166,492	4,235,686
Noncurrent assets:		
Pledges receivable, noncurrent and net of discount	1,042,063	1,334,217
Property and equipment, net	24,581,770	24,429,318
Investments - reserves	6,080,841	5,657,516
Investments - endowment	1,942,293	1,638,105
Total noncurrent assets	33,646,967	33,059,156
TOTAL ASSETS	<u>\$ 37,813,459</u>	<u>\$ 37,294,842</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:		
Accounts payable	\$ 70,015	\$ 13,424
Accrued liabilities	268,564	199,478
Interest payable	-	-
Gift certificates outstanding	134,754	135,877
Deferred membership revenue	665,466	722,281
Deferred grant revenue	716,224	350,000
Deferred income all others	25,010	-
Total current liabilities	1,880,033	1,421,060
Long-term liabilities:		
Service award payable	15,000	15,000
Total long-term liabilities	15,000	15,000
Total liabilities	1,895,033	1,436,060
Net assets:		
Without donor restrictions		
Investment in property and equipment	24,581,770	24,429,318
Board designated - reserves	5,329,915	5,475,230
Total net assets without donor restrictions	29,911,685	29,904,548
With donor restrictions	6,006,741	5,954,234
Total net assets	35,918,426	35,858,782
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,813,459</u>	<u>\$ 37,294,842</u>

*Certain amounts shown here do not correspond to the 2023 financial statements and reflect adjustments made, referring to Note 13.

See accompanying notes to financial statements and independent auditors' report.

IMAGINE CHILDREN'S MUSEUM
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Admissions and program fees	\$ 1,837,222	\$ -	\$ 1,837,222
Memberships	1,397,214	-	1,397,214
Contributions and grants	803,079	50,577	853,656
Capital campaign contributions	-	281,034	281,034
Special events, net of direct expenses of \$17,717	267,086	-	267,086
Gift shop sales, net of cost of sales \$97,245	94,823	-	94,823
Divy's Grab & Go sales, net of costs of sales \$121,140	74,891	-	74,891
Parking revenue, net of cost of revenue of \$68,241	63,344	-	63,344
In-kind contributions	52,606	-	52,606
Unrealized gain	111,482	322,383	433,865
Interest and dividend	108,281	382,583	490,864
Payroll endowment		98,600	98,600
TOTAL SUPPORT AND REVENUE	4,810,028	1,135,177	5,945,205
RECLASSIFICATIONS - restrictions met	1,082,670	(1,082,670)	-
Total support, revenue and reclassifications	5,892,698	52,507	5,945,205
EXPENSES			
Program services	5,102,508	-	5,102,508
Management and general	558,219	-	558,219
Fundraising	224,834	-	224,834
TOTAL EXPENSES	5,885,561		5,885,561
CHANGE IN NET ASSETS	7,137	52,507	59,644
NET ASSETS, beginning of year*	29,904,548	5,954,234	35,858,782
NET ASSETS, end of year	\$ 29,911,685	\$ 6,006,741	\$ 35,918,426

*Certain amounts shown here do not correspond to the 2023 financial statements and reflect adjustments made, referring to Note 13

See accompanying notes to financial statements and independent auditors' report.

IMAGINE CHILDREN'S MUSEUM
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Admissions and program fees	\$ 2,069,330	\$ -	\$ 2,069,330
Memberships	1,302,904	-	1,302,904
Contributions and grants	644,374	-	644,374
Capital campaign contributions	-	12,009	12,009
Special events, net of direct expenses of \$13,721	387,755	-	387,755
Gift shop sales, net of cost of sales \$93,701	110,756	-	110,756
Divy's Grab & Go sales, net of costs of \$86,934	103,968	-	103,968
Parking revenue, net of cost of revenue of \$50,136	96,382	-	96,382
Investment return (loss)	109,386	338,461	447,847
In-kind contributions	50,594	-	50,594
Unrealized gain on pledges	-	7,701	7,701
Interest	103,935	-	103,935
Payroll endowment	-	90,000	90,000
TOTAL SUPPORT AND REVENUE	4,979,384	448,171	5,427,555
RECLASSIFICATIONS - restrictions met	1,926,959	(1,926,959)	-
Total support, revenue and reclassifications	6,906,343	(1,478,788)	5,427,555
EXPENSES *			
Program services	4,408,252	-	4,408,252
Management and general	383,851	-	383,851
Fundraising	223,883	-	223,883
TOTAL EXPENSES	5,015,986	-	5,015,986
CHANGE IN NET ASSETS	1,890,357	(1,478,788)	411,569
NET ASSETS, beginning of year	28,014,191	7,433,022	35,447,213
NET ASSETS, end of year	\$ 29,904,548	\$ 5,954,234	\$ 35,858,782

*Certain amounts shown here do not correspond to the 2023 financial statements and reflect adjustments made, referring to Note 13.

See accompanying notes to financial statements and independent auditors' report.

IMAGINE CHILDREN'S MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services	Management and General	Fundraising	Total 2024
Salaries and wages	\$ 2,608,285	\$ 216,249	\$ 129,690	\$ 2,954,224
Payroll taxes	241,591	20,030	12,013	273,634
Benefits	147,279	12,211	7,323	166,813
	<u>2,997,155</u>	<u>248,490</u>	<u>149,026</u>	<u>3,394,671</u>
Depreciation	1,037,204	95,704	44,989	1,177,897
In-kind	26,028	-	-	26,028
IT/Telecom/Security	165,882	15,306	7,195	188,383
Investment and endowment management fees	-	39,200	-	39,200
Capital expansion campaign	16,148	-	-	16,148
Insurance, included claims	87,225	8,048	3,784	99,057
Repairs and maintenance	52,467	4,841	2,276	59,584
Janitorial and janitorial supplies	171,586	15,832	7,443	194,861
Utilities and garbage	54,590	5,037	2,368	61,995
Bank and credit card fees	123,972	-	-	123,972
Professional fees and recruiting	11,946	1,102	518	13,566
Office, supplies and furniture fixture	41,958	3,871	1,820	47,649
Advertising and community relations	43,868	3,490	2,492	49,850
Miscellaneous	4,777	1,813	-	6,590
Printing and postage	14,182	1,309	615	16,106
Staff uniform	8,904	-	-	8,904
Professional development & membership	12,917	1,192	560	14,669
License and dues	3,491	-	-	3,491
Business tax	1,755	162	76	1,993
Contract services	23,007	2,123	998	26,128
Program related expenses	177,394	-	-	177,394
Meeting and mileage	1,831	169	79	2,079
Bad debt	10,500	-	-	10,500
Loss on disposal	13,721	1,266	595	15,582
CEO transition expense	-	109,264	-	109,264
Total expenses	<u>5,102,508</u>	<u>558,219</u>	<u>224,834</u>	<u>5,885,561</u>

See accompanying notes to financial statements and independent auditors' report.

IMAGINE CHILDREN'S MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising	2023 Total * Restated
Salaries and wages	\$ 1,913,905	\$ 180,357	\$ 112,458	\$ 2,206,720
Payroll taxes	189,834	17,889	11,154	218,877
Benefits	92,205	8,689	5,418	106,312
	<u>2,195,944</u>	<u>206,935</u>	<u>129,030</u>	<u>2,531,909</u>
Depreciation	973,882	94,313	53,701	1,121,897
In-kind	50,594	-	-	50,594
IT/Telecom/Security	160,129	15,090	9,409	184,628
Investment and endowment management fees	-	16,642	-	16,642
Capital expansion campaign	208,617	-	-	208,617
Insurance, included claims	28,005	2,639	1,646	32,290
Repairs and maintenance	77,424	7,296	4,549	89,269
Janitorial and janitorial supplies	158,498	14,936	9,313	182,747
Utilities and garbage	52,752	4,971	3,100	60,823
Bank and credit card fees	135,682	-	-	135,682
Professional fees	55,490	5,230	3,260	63,980
Office, supplies and furniture fixture	39,687	3,740	2,332	45,759
Advertising and community relations	75,789	7,142	4,477	87,408
Miscellaneous	6,928	258	161	7,347
Printing and postage	16,835	1,586	989	19,410
Professional development & membership	14,948	1,409	878	17,235
License and dues	2,426	-	-	2,426
Business tax	3,307	312	194	3,813
Contract services	13,863	1,306	815	15,984
Program related expenses	136,923	-	-	136,923
Meeting and mileage	479	46	29	554
Bad debt	50	-	-	50
Total expenses	<u>4,408,252</u>	<u>383,851</u>	<u>223,883</u>	<u>5,015,986</u>

* Certain amounts shown here do not correspond to the 2023 financial statements and reflect adjustments made, referring to Note 13.

See accompanying notes to financial statements and independent auditors' report.

IMAGINE CHILDREN'S MUSEUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

CASH FLOWS FROM OPERATING ACTIVITIES	2024	2023 Restated*
Changes in net assets	\$ 59,643	\$ 411,569
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,177,897	1,121,896
Investment (return) loss	(433,865)	(447,847)
Capital campaign contributions	(281,034)	(12,009)
Changes in discount on long-term pledges	(4,364)	(7,701)
(Increase) decrease in assets		
Accounts receivable	4,603	(2,686)
Inventory	31,246	(33,310)
Prepaid expenses	(28,295)	(6,108)
Increase (decrease) in liabilities		
Accounts payable	56,591	(28,418)
Accrued liabilities	69,086	10,923
Interest payable	-	(8,412)
Deferred membership revenue	(56,815)	47,937
Deferred grant revenue	366,224	350,000
Other deferred income	25,010	(57,510)
Gift certificates outstanding	(1,123)	13,113
Net cash provided (used) by operating activities	<u>984,804</u>	<u>1,351,437</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,330,349)	(1,322,393)
Change in value and purchases of certificate of deposits	(381,118)	(1,524,589)
Net proceeds from (purchases of) investments	<u>(289,283)</u>	<u>(407,326)</u>
Net cash used by investing activities	<u>(2,000,750)</u>	<u>(3,254,308)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received for capital campaign	611,985	1,120,651
Change in service award payable	-	(10,000)
Proceeds from (payments on) long-term debt, net	<u>-</u>	<u>(3,041,958)</u>
Net cash provided (used) by financing activities	<u>611,985</u>	<u>(1,931,307)</u>
NET INCREASE (DECREASE) IN CASH	<u>(403,961)</u>	<u>(3,834,178)</u>
CASH - beginning of year	2,201,760	6,035,938
CASH - end of year	<u>\$ 1,797,799</u>	<u>\$ 2,201,760</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non-cash investment activity:		
Reinvestment of interest and dividends	<u>\$ (490,863)</u>	<u>\$ (338,461)</u>

*Certain amounts shown here do not correspond to the 2023 financial statements and reflect adjustments made, referring to Note 13.

See accompanying notes to financial statements and independent auditors' report.

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities – Imagine Children's Museum (the Museum) was established November 27, 1991, as a nonprofit corporation in the State of Washington. The Museum is in Everett, WA. The Museum's mission is to utilize playful learning to enrich children's lives. The Museum is committed to:

- Celebrating creativity and imagination
- Helping young learners thrive
- Instilling a community connection
- Learning experiences powered by play
- Developing unique exhibits and programs
- Reaching out to all children
- Embracing diversity and inclusion
- Nurturing child/caring adult interaction

Basis of accounting – The Museum prepares its financial statements on the accrual basis of accounting and accordingly reflects all significant assets, payables, and other liabilities. Revenues are recognized when earned or contributed and expenditures are recognized when incurred.

Basis of presentation – The Museum reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets with donor restrictions – Support received subject to donor-imposed restrictions or time restrictions that will be met either through actions of the Museum or by passage of time, including contributions restricted by the donor to be invested in perpetuity. In accordance with purposes stipulated by donors, earnings from such assets may be classified as net assets without donor restrictions or net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. In the period donor restrictions are met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of restrictions. In addition, if a restriction is fulfilled in the same year in which the contribution is received, the Museum reports the support as without donor restrictions.

Cash and cash equivalents – Cash and cash equivalents consist of cash in banks and all highly liquid instruments purchased with an initial maturity of three months or less for statement of cash flow purposes. Cash equivalents exclude cash and cash equivalents balances included in the Museum's investment portfolio and subject to its investment policy. The Museum maintains its cash in bank accounts that may exceed federally insured limits at times during the year. The majority of the Museum's cash is held in accounts that are protected through the CDARS (Certificate of Deposit Account Registry Service) and ICS (Insured Cash Sweep) programs, which provide expanded FDIC insurance coverage across a network of banks. The Museum has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Certificates of deposit – Certificates of deposit are recorded at cost plus accrued interest.

Accounts receivable – Accounts receivable, including reimbursable grants receivable, are recorded at their net realizable value. Net realizable value is equal to the gross amount of accounts receivable less an estimated allowance for doubtful accounts. Management of the Museum bases its estimates of doubtful accounts on several factors. These factors included the Museum's prior experience collecting accounts receivable, the aging of the receivables at year-end, and management's appraisal of current economic conditions. Based on the above factors, management considers all accounts receivables to be fully collectible and therefore has not made any allowance for uncollectible accounts receivable. All accounts receivable are expected to be collected within one year.

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges receivable – Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realizable value. Pledges expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designated to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectible pledges based on historical experience, assessment of economic conditions, and a review of subsequent collections. Pledges are written off when deemed uncollectable. Based on the above factors, management considers all pledges to be fully collectible and therefore has not made any allowance for uncollectible pledges.

Inventory – Inventory consists of merchandise and food sold in the gift shop and Divy's Grab & Go and is valued at the lower of cost or market using the first in, first out (FIFO) method.

Property and equipment – The Museum capitalizes all property and equipment acquisitions in excess of \$2,500. Property and equipment are recorded at cost or, if acquired as a donation, at the estimated fair market value on the date acquired. Property and equipment are depreciated using the straight-line method over estimated useful lives of 3 to 30 years. Major expenditures for new property, and those which substantially increase useful lives of existing property, are capitalized. Maintenance, repairs and minor renewals are expenses as incurred.

Investments – Investment consist of marketable securities and are recorded at fair value. Realized and unrealized investment gains and losses, interest and dividends, and investment fees are included in investment return on the statement of activities. Investment return or loss is reported as an increase or decrease in net assets without donor restrictions unless the investment return on restricted assets also is restricted by the donor or law, resulting in such investment return being recorded as with donor restrictions until time or purpose restrictions are satisfied.

Revenue recognition – The transaction price is the amount of consideration to which the Museum expects to be entitled in exchange for transferring goods and services to the customer. Admissions and program fees and special events are recognized at the later of the point of sale or when the related program occurs. Memberships provided by the Museum are purchased for one-year terms. Membership revenue is the only revenue stream recognized over time and is recognized ratably over the course of the year, beginning in the month purchase. Deferred membership revenue is recorded as a contract liability when consideration is received prior to revenue being recognized. Deferred membership revenue totaled \$665,466 and \$722,281 as of December 31, 2024 and 2023, respectively. Gift shop sales, Divy's Grab & Go, and parking revenue are recognized at the point of sale, which is when the Museum's performance obligation is satisfied.

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from these activities as a percentage of total support and revenue totaled:

	2024	2023
Admission and program fees	31.0%	41.0%
Memberships	24.0%	24.0%
Capital campaign contributions	5.0%	0.2%
Gift shop (net of cost of sales)	2.0%	2.0%
Divy's Grab & Go (net of cost of sales)	1.3%	1.9%
Parking (net of cost of revenue)	1.0%	2.0%

Results of activities are substantially impacted by economic conditions, which can vary significantly by market and can be impacted by consumer disposable income and spending habits.

Contributions and grants – Contributions are recognized upon the earlier of receipt or when an unconditional promise to give is made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grant advances received by the Museum that are in excess of current year grant expenditures are recognized as deferred grant revenue. Such amounts are restricted funds and as such can only be maintained and used in accordance with the respective grant contracts.

Donated goods and services – Donations of goods and services are recorded at their estimated fair values at the date of donation. Donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased. In addition, many volunteers have donated significant amounts of time to the Museum's activities. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition.

Advertising – Advertising costs are expensed as incurred. Advertising expense is presented as advertising expense in the statements of functional expenses and totaled \$49,850 and \$87,408 for the year ended December 31, 2024, and 2023 respectively.

Sales taxes – Taxes collected from customers for amounts assessed by governmental authorities on revenue producing transactions are recorded on a net basis and are not included in the amounts on the accompanying statements of activities.

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal income taxes – The Museum is a non-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Museum files IRS Form 990 which is open for IRS examination for three years after the filing due date.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited and have been allocated on a reasonable basis that is consistently applied. Salaries and wages, benefits, and payroll taxes are allocated based on time and effort. All other allocated expenses are allocated based on estimates of usage.

Use of 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. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivables are due according to the following schedule:

	2024	2023
Receivable in less than one year	\$ 234,154	\$ 272,951
Receivable in more than one year	1,046,484	1,343,002
Total pledges receivable, gross	1,280,638	1,615,953
Less discount to net present value at rates ranging from 1.13% to 4.5%	(4,421)	(8,785)
	<u>\$ 1,276,217</u>	<u>\$ 1,607,168</u>

Pledges receivable from four donors and grants from the Washington State Department of Commerce and Institute of Museum and Library Services made up to 88% and 67% of total pledges for the year ended December 31, 2024 and 2023, respectively.

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2024 and 2023:

	2024	2023*
Land	4,156,048	4,156,048
Buildings and improvements	21,242,343	20,263,602
Exhibits	5,697,092	5,124,337
Furniture and equipment	657,194	819,629
Capital campaign project pre-construction and Tall Timbers refurbishment	61,304	722,907
Total property and equipment, at cost	31,813,981	31,086,523
Less accumulated depreciation	(7,232,211)	(6,657,205)
Total property and equipment, net	24,581,770	24,429,318

*Contain amounts shown here do not correspond to the 2023 financial statements and reflect adjustments made, referring to Note 13.

NOTE 4 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted price in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Observable inputs to the valuation methodology that are quoted prices(unadjusted) for identical assets or liabilities in active markets.

Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs include quoted prices for identical assets in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology that are unobservable for the asset or liability and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for the investments measured at fair value:

Money market funds, mutual funds, and equities: investments are measured at fair value based on the actively traded daily closing price. These investments are registered with the Securities and Exchange Commission and are required to publish their daily net asset value and to transact at that price. These investments held by the Museum are deemed to be actively traded.

Fixed income securities: Bonds are valued using either the yields currently available on comparable securities of issuers with similar credit ratings or using a discounted cash flows approach that utilizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in methodologies used during the year ended December 31, 2024.

The following tables are set for the by level within the fair value hierarchy, the Museum's investments at fair value as of December 31, 2024 and 2023:

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

	2024			
	Level 1	Level 2	Level 3	Total
Cash and equivalents, money market funds	\$ 362,727	\$ -	\$ -	\$ 362,727
Fixed income securities	2,485,710	-	-	2,485,710
Equities	4,689,258	-	-	4,689,258
Mutual funds and miscellaneous assets	485,439	-	-	485,439
	<u>\$ 8,023,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,023,134</u>

	2023			
	Level 1	Level 2	Level 3	Total
Cash and equivalents, money market funds	\$ 5,712,381	\$ -	\$ -	\$ 5,712,381
Fixed income securities	549,665	-	-	549,665
Equities	938,760	-	-	938,760
Mutual funds	94,815	-	-	94,815
	<u>\$ 7,295,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,295,621</u>

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Museum evaluated the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets. For the year ended December 31, 2024, there were no significant transfers between Levels 1 and 2 and no transfers out of Level 3.

NOTE 5 – SERVICE AWARD PAYABLE

Beginning November 1, 2007, Museum employees who worked five years or 10,400 hours were eligible to receive a service award. The estimated liability for this program was \$15,000 as of both December 31, 2024 and 2023. The program is not currently active, and no new awards are being granted under this policy.

NOTE 6 – BOARD DESIGNATED NET ASSETS

The Board of Directors of Imagine Children's Museum is committed to ensuring long-term financial sustainability. To that end, board-designated reserves have been established to safeguard the Museum from financial disruptions and to support future initiatives. These reserves

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – BOARD DESIGNATED NET ASSETS (CONTINUED)

are not donor-restricted but are designated by the Board for specific purposes aligned with the Museum's mission and strategic plan.

Board-designated reserves include the following:

- Operating Reserve – Funds intended to sustain operations during unforeseen or uncontrollable events, such as natural disasters or economic downturns. The reserve is targeted to approximate six months of operating expenses.
- Unanticipated Main Museum Facility Expense Reserve – Designated for unexpected capital needs or maintenance for the main facility.
- Annex Building/Parking Lot Reserve – Funds set aside for improvements or future needs related to the annex building and adjacent parking.
- Exhibit Major Repair Reserve – Established to address substantial repairs or refurbishments to existing exhibits.
- Capacity Building Funds – Supports strategic growth initiatives, professional development, and infrastructure improvements.
- Expansion Flooring Remediation and Replacement – Reserved for maintenance or replacement of specialty flooring associated with the Museum expansion.
- Employer of Choice Project – Funds allocated to support initiatives enhancing employee engagement, compensation, and workplace culture.
- Strategic Projects Fund – A flexible reserve designated to support priority projects as identified by the Board.

Board-designated net assets were \$5,329,915 and \$5,475,230 as of December 31, 2024 and 2023, respectively.

**Certain amounts shown here do not correspond to the 2023 financial statements and reflect adjustments made, referring to Note 13.*

IMAGINE CHILDREN'S MU SEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following on December 31, 2024 and 2023

	2024	2023
Capital campaign	\$ 1,893,371	\$ 2,312,685
Endowment principal	688,600	590,000
Endowment earnings not yet appropriated	1,253,692	1,048,105
Other programs	2,171,078	2,003,444
	<u>\$ 6,006,741</u>	<u>\$ 5,954,234</u>

NOTE 8 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year consist of the following as of December 31, 2024 and 2023:

	2024	2023 *
Cash and cash equivalents	\$ 1,797,799	\$ 2,281,618
Certificate of deposit	1,985,453	1,604,335
Accounts receivable	17,383	21,986
Pledges receivable	1,276,217	1,607,168
Investments	8,023,134	7,295,621
Less amounts not available for general expenditure within one year		
Certificate of deposit	-	(1,524,477)
Pledge receivable collectible in greater than one year	(1,042,063)	(1,334,217)
Donor - restricted	(6,006,741)	(5,954,234)
Board designated - reserves	(5,329,915)	(5,475,230)
	<u>\$ 721,267</u>	<u>\$ (1,477,430)</u>

**Certain amounts shown here do not correspond to the 2023 financial statements and reflect adjustments made, referring to Note 13.*

The Museum has certain donor-restricted assets limited to use, which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have not been included in the qualitative information above.

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – LIQUIDITY AND AVAILABILITY (CONTINUED)

The Museum maintains board designated reserves and a donor restricted endowment for purposes other than general expenditure. The board designated reserves may be drawn upon, if necessary, to meet unexpected needs (see additional descriptions in Note 6). The non-principal balance of the donor restricted endowment represents accumulated earnings, which have not been appropriated by the Board as of December 31, 2024. These earnings could be appropriated for general expenditure, if necessary

NOTE 9 – ENDOWMENT

The Museum's endowment consists of one individual fund as of December 31, 2024.

Interpretation of relevant law – The State of Washington has passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Governors of the Museum has interpreted UPMIFA as requiring the preservation of the fair value of the original gift at the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with donor restrictions a) the original value of the gifts donated to the donor-restricted endowment plus b) the original value of subsequent gifts to the donor -restricted endowment. The remaining portion of the donor-restricted endowment fund that is time-or purpose-restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Museum in a manner of consistent with the standards of UPMIFA.

In accordance with UPMIFA, the Museum considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Museum and the donor restricted endowment fund
- General economic conditions
- Possible effects of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Museum
- Investment policies of the Museum

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – ENDOWMENT (CONTINUED)

The composition of net assets by type of endowment fund as of December 31, 2024 and 2023:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted principal	\$ -	\$ 688,600	\$ 688,600
Earnings not yet appropriated	-	1,253,693	1,253,693
Total endowment net assets	<u>\$ -</u>	<u>\$ 1,942,293</u>	<u>\$ 1,942,293</u>

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor -restricted principal	\$ -	\$ 590,000	\$ 590,000
Earnings not yet appropriated	-	1,048,105	1,048,105
Total endowment net assets	<u>\$ -</u>	<u>\$ 1,638,105</u>	<u>\$ 1,638,105</u>

Changes in endowment net assets for the year ended December 31, 2024 and 2023:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,638,105	\$ 1,638,105
Contributions	-	98,600	98,600
Endowment investment return	-	205,588	205,588
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,942,293</u>	<u>\$ 1,942,293</u>

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,358,259	\$ 1,358,259
Contributions	-	90,000	90,000
Endowment investment return	-	189,846	189,846
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,638,105</u>	<u>\$ 1,638,105</u>

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – ENDOWMENT (CONTINUED)

Return objective and risk parameters – It is the policy of the Museum to invest its endowments to support operations in perpetuity. The Museum has developed investment guidelines which have been designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

The endowment investment objective is to ensure that the future growth of the fund is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the fund. This will be accomplished through carefully planned and executed long-term investment strategy. The objective of the investment strategy is to enhance the fund's long-term viability by maximizing the value of the fund within a prudent risk level.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Museum seeks an investment return, over a full market cycle, which exceeds the amount distributed for use plus the average rate of inflation over that market cycle. The target asset allocation for endowment investments is 50-70% equity, 25-45% fixed income investments, with the balance in cash equivalents and other investments. Within these broad categories, the Museum seeks investments that provide diversification and enhance fund returns.

Spending policy and how the investment objectives relate to spending policy – The Board of Directors has approved an endowment spending policy that allows for continuing support of Museum operations. The policy allows for annual distributions from the endowment of 4% of the assets based on a three-year rolling average. The Museum did not take any distributions from the endowment during 2024 nor 2023.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Museum is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA (underwater endowments). The Museum has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies of this nature for the years ended December 31, 2024 and 2023.

NOTE 10 - RETIREMENT PLAN

The Museum sponsors a Simple IRA plan (the Plan). Employees that received \$5,000 in gross wages in the prior year and the current year are eligible for the Plan. The employer contribution for eligible employees is 3% of gross wages and totaled \$19,935 and \$19,874 for the year ended December 31, 2024, and 2023, respectively.

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – RELATED PARTY

In 2024, the Museum received in-kind donations of architectural services of \$420 from one of the board members. Additionally, the Museum paid \$109,824 and \$83,496 in 2024 and 2023, respectively, to an insurance firm where a board member is employed, for insurance premiums.

NOTE 12 – IN-KIND CONTRIBUTIONS

Donated professional fees are recorded at their estimated fair market value when received. The in-kind contributions are separately stated in the statement of activities and are comprised of the following:

	<u>2024</u>	<u>2023</u>
Goods and services donated for fundraisers	\$ 26,028	\$ 44,965
Architectural services	420	1,750
Construction services	<u>26,158</u>	<u>3,879</u>
	<u>\$ 52,606</u>	<u>\$ 50,594</u>

IMAGINE CHILDREN'S MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – CORRECTION OF A PRIOR-PERIOD ERROR

During the preparation of the 2024 financial statements, the Organization discovered a bookkeeping error that had occurred in the prior year. The depreciation expense was formulated incorrectly in the Excel worksheet, resulting in an understated depreciation expense. Consequently, assets and revenues were overstated in the 2023 financial statements.

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

Impact on net assets (increase/decrease in equity)

	2023
Accumulated Depreciation	316,776
Total assets	(316,776)
Net impact on net assets	\$ (316,776)

Impact on statement of activities (increase/decrease in net assets)

	2023
Depreciation Expense	316,776
Total expense	316,776
Net impact on net assets	\$ (316,776)

NOTE 14 – SUBSEQUENT EVENTS

Management of the Museum has evaluated events and transactions occurring after December 31, 2024 through May 20, 2025, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and disclosures in the financial statements.