Austin Children's Museum, Inc.
dba Thinkery

Consolidated Financial Statements
as of and for the Year Ended
September 30, 2024 and
Independent Auditors' Report

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Independent Auditors' Report

To the Board of Directors of
Austin Children's Museum, Inc. dba Thinkery:

Opinion

We have audited the accompanying consolidated financial statements of Austin Children's Museum, Inc. dba Thinkery and its affiliate (nonprofit organizations) (collectively, the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2024**,** and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the consolidating supplemental schedules of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Maxwell Locke & Ritter LLP

Austin, Texas
April 11, 2025

Austin Children's Museum, Inc. dba Thinkery

Consolidated Statement of Financial Position
September 30, 2024

Assets	
Cash and cash equivalents	$ 1,207,139
Investments	3,326,440
Accounts receivable	66,483
Contributions receivable, net	1,833,479
Prepaid expenses and other assets	82,850
Property and equipment, net	12,060,252
Operating lease right-of-use assets, net	1,661,634
Finance lease right-of-use assets, net	85,045
Loan receivable	1,700,000
Total assets	$ 22,023,322
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	$ 469,911
Deferred revenue	673,325
Operating lease obligations	1,267,545
Finance lease obligations	85,839
Notes payable	4,850,000
Total liabilities	7,346,620
Net assets:	
Without donor restrictions:	
Undesignated	9,460,969
Board-designated	763,288
With donor restrictions	4,452,445
Total net assets	14,676,702
Total liabilities and net assets	$ 22,023,322

See notes to consolidated financial statements.

Austin Children's Museum, Inc. dba Thinkery

Consolidated Statement of Activities
Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and net assets released from restriction:			
Grants and contributions	$ 1,429,257	1,790,719	3,219,976
Admissions	1,836,930	-	1,836,930
Program fees	1,772,301	-	1,772,301
Membership fees	772,020	-	772,020
Investment income, net	186,409	472,054	658,463
Special events	273,497	-	273,497
Contributed goods and services	237,646	1,000	238,646
Other revenues	244,179	-	244,179
Net assets released from restrictions	246,995	(246,995)	-
Total revenues and net assets released from restrictions	6,999,234	2,016,778	9,016,012
Expenses:			
Program services			
Exhibits	3,587,997	-	3,587,997
Classes/events	2,954,148	-	2,954,148
Store	134,869	-	134,869
Total program expenses	6,677,015	-	6,677,015
Management and general	754,969	-	754,969
Fundraising	537,966	-	537,966
Total expenses	7,969,949	-	7,969,949
Change in net assets	(970,715)	2,016,778	1,046,063
Net assets, beginning of year	11,194,972	2,435,667	13,630,639
Net assets, end of year	$ 10,224,257	4,452,445	14,676,702

See notes to consolidated financial statements.

Austin Children's Museum, Inc. dba Thinkery

Consolidated Statement of Functional Expenses
Year Ended September 30, 2024

	Program Services				Supporting Services		
	Exhibits	Classes/ Events	Store	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	2,359,040	1,747,728	76,770	4,183,538	142,712	85,245	4,411,495
Professional fees	208,052	299,872	12,775	520,699	303,025	269,090	1,092,814
Depreciation and amortization	311,018	133,299	2,647	446,965	17,572	19,688	484,224
Occupancy	217,269	130,739	9,293	357,301	74,972	18,430	450,703
Employee benefits	171,524	154,424	8,469	334,417	15,862	9,427	359,706
Fees and permits	65,468	90,925	10,296	166,689	14,386	8,011	189,086
Supplies	40,866	75,759	61	116,686	3,369	63,344	183,399
Bank fees	2,879	22,117	442	25,438	143,925	8,580	177,943
Equipment	22,848	56,622	819	80,289	-	430	80,719
Insurance	32,096	31,749	2,846	66,691	3,705	3,705	74,101
Bad debt	28,037	25,587	2,364	55,988	3,110	13,905	73,003
Catering	4,193	31,100	52	35,345	7,809	17,312	60,466
Advertising	11,806	39,610	1,384	52,800	2,895	2,895	58,590
Travel	4,871	28,044	364	33,279	7,332	7,651	48,262
Repairs and maintenance	29,330	13,231	1,048	43,609	1,428	1,428	46,465
Printing	33,777	5,859	42	39,678	2,339	3,585	45,602
Performance and instructors	2,334	32,105	6	34,445	900	-	35,345
Training and conferences	3,851	14,111	124	18,086	3,506	1,629	23,221
Fabrication	21,108	-	740	21,848	-	-	21,848
Equipment and event rental	1,728	7,409	105	9,242	218	1,740	11,200
Postage	7,876	-	-	7,876	1,392	757	10,025
Professional dues	3,096	3,686	275	7,057	1,614	637	9,308
Miscellaneous	4,930	10,172	3,947	19,049	2,898	477	22,424
Total expenses	$ 3,587,997	2,954,148	134,869	6,677,015	754,969	537,966	7,969,949

See notes to consolidated financial statements.

Austin Children's Museum, Inc. dba Thinkery

Consolidated Statement of Cash Flows
Year Ended September 30, 2024

Cash Flows from Operating Activities:	
Change in net assets	$ 1,046,063
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized and unrealized gain on investments	(537,607)
Change in net present value discount on contributions receivable	60,213
Bad debt provision	62,209
Depreciation and amortization expense	484,224
Noncash lease expense	179,942
Contributions restricted for investment in building construction	(874,000)
Changes in operating assets and liabilities that provided (used) cash:	
Accounts receivable	(41,819)
Contributions receivable	(1,394,930)
Prepaid expenses and other assets	34,974
Accounts payable and accrued expenses	20,161
Deferred revenue	168,383
Operating lease obligation	(100,050)
Net cash used in operating activities	(892,237)
Cash Flows from Investing Activities:	
Purchases of investments	(1,712,917)
Sales of investments	1,825,990
Purchases of property and equipment	(2,933,289)
Net cash used in investing activities	(2,820,216)
Cash Flows from Financing Activities:	
Payments on finance lease obligations	(18,475)
Issuance of loan receivable	(1,700,000)
Proceeds from notes payable	4,700,000
Contributions restricted for investment in building construction	874,000
Net cash provided by financing activities	3,855,525
Net change in cash and cash equivalents	143,072
Cash and cash equivalents, beginning of year	1,064,067
Cash and cash equivalents, end of year	$ 1,207,139
Supplemental Cash Disclosure-	
Interest paid in cash	$ 145,053
Supplemental Noncash Disclosures:	
Operating lease obligations resulting from the addition of right-of-use assets	$ 1,342,746
Finance lease obligations from the addition of right-of-use assets	$ 90,728

See notes to consolidated financial statements.

1. Organization

Austin Children's Museum, Inc. ("ACM") and Austin Children's Museum Holdings, Inc. ("ACM Holdings") (collectively, the "Organization") were incorporated as Texas nonprofit organizations with a mission to create innovative learning experiences that equip and inspire the next generation of creative problem solvers. The Organization established the Little Thinkers PreSchool program in 2020 for children to learn through a hands-on, play-based approach centered on their interest, skills, and needs.

ACM was formed on October 17, 1983 to operate an Organization for the primary benefit of children and to provide ancillary educational programs for children. ACM Holdings was formed on September 12, 2012 to construct, own and lease to ACM the property and improvements at 1803 Simond Avenue for operation as a children's Organization. ACM Holdings' financial statements are consolidated into the financial statements of ACM because ACM has control over and an economic interest in ACM Holdings. All significant intercompany transactions and balances have been eliminated upon consolidation.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Without Donor Restrictions **-** These net assets are not subject to donor-imposed stipulations. 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. Net assets without donor restrictions are those currently available for use, or at the discretion of the Board of Directors (the "Board") for the Organization's use. The Board has designated net assets as a general operating reserve.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations, which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. Net assets which are required to be maintained permanently are not available for use in operations and limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 **-** Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 **-** Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 **-** Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach **-** uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach **-** uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach **-** uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments - Investments are reported at fair value in the consolidated statement of financial position. Investment transactions are recorded on the trade date and investment income is recorded in the consolidated statement of activities when earned. Net investment income (loss) includes interest, dividends, realized and unrealized gains and losses, and capital gain distributions, less any investment fees. Realized gains and losses are recorded as the difference between historical cost and the proceeds earned from the sale of an investment. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods.

Contributions Receivable - Contributions receivable are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization performs an ongoing evaluation of contributions receivable for collectability.

Property and Equipment - Property and equipment acquisitions are capitalized at cost if purchased and at fair value on the date of receipt, if donated. The Organization capitalizes all acquisitions of property and equipment in excess of $2,500. Depreciation and amortization expense is calculated using the straight-line method over the following estimated useful lives:

Building and improvements	5-40 years
Furniture, fixtures, and equipment	5 years
Exhibits	3.5 - 5 years
Vehicles	5 years

Interest costs that directly relate to, and are incurred during a project's construction period, are capitalized. Land is not depreciable, and construction-in-progress is not depreciated until placed in service. Repairs and maintenance costs are charged to expense as incurred.

Costs to Obtain or Fulfill Contracts - As performance obligations in the Organization's contracts with customers are satisfied over a period of one year or less, the Organization applies the practical expedient to expense costs to obtain a contract as incurred. The Organization does not incur significant fulfillment costs requiring capitalization.

Leases - The Organization leases space and equipment under long-term lease agreements. Management assesses contracts at inception to determine whether an arrangement is or includes a lease, which conveys the Organization's right to control the use of an identified asset for a period of time in exchange for consideration. A determination is made at inception as to whether the lease is an operating lease or a finance lease, and lease determinations are reassessed in the event of a change in lease terms. Right-of-use ("ROU") assets and the associated liabilities are recognized at the commencement date and initially measured based on the present value of future minimum lease payments over the expected lease term, with ROU assets increased for initial direct costs and prepaid lease payments and reduced by any lease incentives received from the lessor.

The majority of the Organization's lease agreements do not explicitly state the discount rate implicit in the lease; therefore, the Organization elects to use a risk-free rate to determine the value of its lease obligations when the implicit rate is not readily determinable. Leases with an initial term of twelve months or less are classified as short-term leases and are not recognized on the consolidated statement of financial position unless the lease contains a purchase option that is reasonably certain to be exercised. Lease payments for short-term leases are recognized on a straight-line basis over the lease term.

Lease agreements may include periodic adjustments to payment amounts for inflation or other variables, or may require payments for taxes, insurance, maintenance or other expenses, which are generally referred to as non-lease components. The Organization elects the practical expedient to account for non-lease components together with the related lease components for all classes of leased assets. Certain lease agreements include renewal options to extend the lease term, and/or options to purchase the leased asset. Management assesses these options using a threshold of reasonably certain, which is a high threshold; therefore, the Organization's lease agreements do not generally include renewal periods or purchase options for the measurement of the ROU asset and the associated lease liability. Lease term, discount rate, variable lease costs and future minimum lease payment determinations require the use of judgment and are based on the facts and circumstances of each lease. Economic incentives, intent, past history and business need are among the factors considered to determine if renewal and/or purchase options are reasonably certain to be exercised. The Organization's lease agreements do not contain residual value guarantees, restrictions, or covenants.

Operating lease expense is recorded as occupancy expense, over the term of the lease on a straight-line basis. Fixed costs for operating leases are composed of initial base rent amounts plus any fixed annual increases. Finance ROU assets are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the related assets and included with depreciation and amortization expense on the consolidated statement of functional expenses.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment at the asset group level whenever events and changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Grants and Contributions Revenues - The Organization recognizes contributions when cash, securities, other assets, or unconditional promises to give are received. All contributions, including grants, special events, and membership dues revenues, are recorded at their fair values and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related restricted net assets are reclassified to net assets without donor restrictions. This is reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. Conditional promises to give, defined as those with a measurable performance or other barrier and a right to return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Organization reports contributions of goods and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Recognition - Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services by following a five-step process: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Organization satisfies a performance obligation, as further described below.

The Organization recognizes admissions revenue at the point of sale of the tickets or goods. Organization program fees include tuition for childcare and camps. Student tuition and fee payments received prior to the start of the Organization's Organization term are deferred until the term begins and recognized in the consolidated statement of activities as program fees over the childcare term and as fee revenue once the childcare term begins. Other revenues includes facility rentals and parties revenue.

Deferred revenue consists of cash that has been received for future facility rentals and parties and memberships; and will be recognized once the rental or party has taken place or over the period of the membership. The timing of revenue recognition, billings, and cash collections resulted in deferred revenue of $474,092 as of September 30, 2023.

The following table presents earned revenue streams disaggregated by timing of revenue recognition for the year ended September 30, 2024:

Revenue recognized at a point in time	$ 1,963,257
Revenue recognized over time	2,544,321
Total revenue	$ 4,507,578

Contributed Goods and Services - Services, materials, facilities, and other in-kind contributions are recorded at their fair value on the date they are received. Donated services are recognized as contributions during the period services are rendered if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Many individuals volunteer their time to assist the Organization in performing program services. However, these services do not meet the recognition criteria and are not recorded in the consolidated financial statements.

Functional Expenses - The accompanying consolidated financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among the programs and supporting services using a variety of cost allocation techniques such as square footage and time and effort.

Advertising Costs - Advertising costs are expensed as incurred.

Federal Income Taxes - ACM and ACM Holdings are nonprofit organizations that are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. The Organization did not incur any significant tax liabilities due to unrelated business income during the year ended September 30, 2024. The Organization files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its tax returns; however, there are no examinations currently in process.

3. Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year for general expenditure were as follows, as of September 30, 2024:

Cash and cash equivalents	$ 1,207,139
Investments	3,326,440
Accounts receivable	66,483
Contributions receivable due within one year, excluding capital campaign pledges	660,407
	5,260,469
Less amounts unavailable for general expenditure within one year:	
Board-designated net assets	763,288
Donor-restricted endowments	2,563,152
Total financial assets available to management for general expenditure within one year	$ 1,934,029

The Board ensures the Organization's financial stability by approving an annual budget prior to the start of each fiscal year. The Organization maintains financial policies to ensure funds are allocated in a manner consistent with the mission of the Organization. Amounts related to the capital campaign are excluded from financial assets available to management for general expenditure. Board-designated net assets without restrictions could be made available by the Board for current operations to manage unanticipated liquidity needs.

4. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist of cash and cash equivalents, investments, contributions receivable, and loan receivable. The Organization places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the consolidated statements of financial position. The Organization does not maintain collateral for its receivables. As of September 30, 2024 , two donors represented 57% of gross contributions receivable. During the year ended September 30, 2024, three donors represented 57% of grants and contributions revenue. The loan receivable is with one borrower that is further discussed in note 9.

5. Contributions Receivable

Contributions receivable consisted of the following as of December 31:

Contributions due in less than one year	$ 1,135,407
Contributions due in one to five years	864,999
	2,000,406
Less allowance for uncollectible promises	(89,047)
Less discount to net present value	(77,880)
Contributions receivable, net	$ 1,833,479

As of September 30, 2024, pledges related to the capital campaign totaled $1,025,000. A discount rate of 7.25% was used to discount the anticipated cash flows on long-term contributions receivable as of September 30, 2024.

6. Investments

Investments consisted of the following as of December 31:

Mutual funds - stock equities	$ 2,578,387
Exchange traded funds	667,257
Cash equivalents and money market funds	80,736
Total investments	$ 3,326,440

All investments were valued using the market approach and the inputs were considered Level 1 under the fair value hierarchy. The Organization's investments hold the Board-designated net assets and the donor-restricted endowments.

7. Property and Equipment

Property and equipment consisted of the following as of December 31:

Building and improvements	$ 11,210,015
Exhibits	5,405,831
Furniture, fixtures, and equipment	1,697,781
Vehicles	23,616
	18,337,243
Less accumulated depreciation and amortization	(7,354,059)
Land	1,077,068
Total property and equipment, net	$ 12,060,252

Capitalized interest related to the notes payable for construction costs (Note 9) for the year ended September 30, 2024 totaled $133,793, and all capitalized interest was placed in-service and included in building and improvements. Depreciation and amortization expense totaled $466,469 during the year ended September 30, 2024.

8. Leases

The following is a summary of the Organization's lease expense for the year ended September 30, 2024:

Finance lease expense:	
Amortization of ROU assets	$ 17,991
Interest on lease obligations	2,808
Operating lease expense	177,134
Total	$ 197,933

Future minimum lease payments due under long-term lease agreements, excluding payments for real estate taxes and common area maintenance, as of September 30, 2024, were as follows:

	Operating Leases	Finance Leases
2025	$ 332,432	$ 19,788
2026	335,133	19,788
2027	284,260	19,788
2028	273,996	19,788
2029	159,832	16,490
Total minimum lease payments	1,385,653	95,642
Less amounts representing interest	(118,108)	(9,803)
Lease obligations	$ 1,267,545	$ 85,839

As of September 30, 2024, operating leases had a remaining lease term of 4.35 years and a discount rate of 4.24% and finance leases had a weighted average remaining lease term of 4.83 years and a weighted average discount rate of 4.65%.

In July 2012, the Organization paid a third party $1,040,000 as consideration for the right to use the parking at its Mueller facility. The parking lease expires on May 15, 2032. The Organization is amortizing the prepaid on a straight-line basis over the term of the lease. As of September 30, 2024, the prepaid balance totaled $396,340 and was recorded as an operating lease right-of-use asset in the consolidated statement of financial position, and $52,000 was recorded as occupancy expense during the year then ended.

9. Notes Payable

In March 2024, the Organization entered into notes payable agreements under the New Market Tax Credit (NMTC) program for purposes of the development and equipping of a child development center in Del Valle, Texas. The program, administered by the U.S. Department of the Treasury, provides funds from outside investors to eligible organizations for investment in qualified low-income community investments. Outside investors receive new markets tax credits to be applied against their federal tax liability. Program compliance requirements include creation of promissory notes and investments in qualified community development entities ("CDE"). Tax credit recapture is required if compliance requirements are not met over a seven-year period. In connection with the NMTC program, the Organization secured the NMTC Notes as detailed below.

The loan receivable of $1,700,000, referred to as loan A, plus the $3,000,000 tax credit investor loan, make up the NMTC Notes discussed below. The compliance period is from March 21, 2024 to March 19, 2031. Upon successful completion of the seven-year compliance period, loan A reverts to the Organization in which it can be cancelled. The NMTC notes are subject to certain financial covenants including a debt service coverage ratio.

The following is a summary of notes payable as of September 30, 2024:

$3,000,000 note payable to a lender issued in connection with the NMTC Program, with annual interest-only payments at 4.98% due until maturity of March 2031, at which point remaining principal and unpaid accrued interest is due; secured by the Organization's contributions, exhibits and equipment	$ 3,000,000
$1,700,000 note payable to a lender issued in connection with the NMTC Program, with interest-only payments at 6.5% per annum until January 2026 at which point monthly principal and interest payments are due amortized over 25 years with a maturity of March 2031; secured by property assets of ACM	1,700,000
$150,000 Economic Injury Disaster Loan note payable to the Small Business Administration received June 2020, with monthly principal and interest payments (interest rate of 2.75%) of $641 due to maturity of June 2050; secured by all tangible and intangible assets of ACM	150,000
Total notes payable	$ 4,850,000

Future minimum payments under the notes payable consisted of the following as of September 30, 2024:

2025	$ 20,121
2026	25,053
2027	33,756
2028	35,849
2029	38,077
Thereafter	4,697,144
Total notes payable	$ 4,850,000

10. Net Assets with Donor Restrictions

Net assets with donor restrictions had the following restrictions as of September 30, 2024:

Permanent restrictions-	
Endowments	$ 1,683,738
Temporary restrictions:	
Thinkery Del Valle - capital campaign	975,000
Endowments	879,414
Early childhood exhibits and programming	465,361
Pledges receivable (time restriction)	370,764
Other purposes	78,168
Total net assets with donor restrictions	$ 4,452,445

11. Endowments

The Endowment Fund has interpreted the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") 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. Donor-restricted net assets are classified at the original value of gifts donated to the permanent endowment, plus the original value of subsequent gifts to the permanent endowment. The earnings portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those funds are appropriated for expenditure through the budget process in a manner consistent with the standard of prudence prescribed by TUPMIFA and in accordance with Board-approved appropriations. In accordance with TUPMIFA, the Endowment Fund 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 Endowment Fund, and (7) the Endowment Fund's investment policies.

Four donor-restricted endowment funds have been established at the Organization. The Early Childhood Endowment provides early childhood programming to supplement the Organization's exhibits and programming. Earnings from the General Endowment Fund have not been restricted as to their use. The Weaver Family Adventurer Fund supports the Open Door Access program which reaches audiences with financial need. The Andrew Alsup Scholarship Endowment provides a summer camp scholarship for a deserving child each year.

Net assets restricted in perpetuity and their stipulated purposes were as follows as of September 30, 2024:

Early Childhood Endowment	$ 1,014,452
General Endowment Fund	638,636
Weaver Family Adventurer Fund	25,000
Andrew Alsup Scholarship Endowment	5,650
Total endowments restricted in perpetuity	$ 1,683,738

The Organization may withdraw annually, based upon approval of the Board of Directors, up to 5% of the average quarter end market value for the previous 12 quarters; provided that the distribution does not cause the fund to drop below the balance calculated as if the fund had grown at an accumulated rate of return of 1% plus the Consumer Price Index (CPI) since inception. As of September 30, 2024, there were no endowments that were deficient.

The investment policy adopted by the Organization was established to 1) preserve capital, 2) be risk averse, and 3) adhere to an investment discipline that outlines an expected rate of return for each of the capital markets in which the Organization holds investments. The Organization wants 1) the true return, after fees and expenses, to meet or exceed the rate of inflation (as measured by the CPI) by 4% and 2) the return of the benchmarks corresponding to the managers as shown on the quarterly reports.

Changes in endowment net assets were as follows during the year ended September 30, 2024:

Endowment net assets, beginning of year	$ 2,272,654
Unrealized and realized gains	415,220
Interest and dividends	72,526
Investment expenses	(15,692)
Appropriations of earnings	(181,556)
Endowment net assets, end of year	$ 2,563,152

12. Contributed Goods and Services

The Organization received the following contributed nonfinancial assets, recorded as contributed goods and services in the consolidated statement of activities, during the year ended September 30, 2024:

	2024	Usage in Programs or Activities	Monetized or Utilized	Fair value techniques and inputs
Contracted services	$ 72,334	Program services	Utilized	Current rates for similar services
Rent	68,500	Program services	Utilized	Current rates for similar space
Auction items	56,112	Fundraising	Monetized	Gross selling price received from auctions
Equipment	28,800	Support services	Utilized	Current rates for similar products
Other	12,900	Support services	Utilized	Current rates for similar services
	$ 238,646			

Donor-imposed restrictions associated with the donated services and assets totaled $1,000 as of September 30, 2024.

13. Retirement Plan

The Organization has a 403(b) retirement plan (the "Plan") that is offered to substantially all of its employees after meeting certain eligibility requirements. The Plan allows for discretionary employer contributions for employees participating in the Plan. The Organization did not make any contributions to participant accounts during the year ended September 30, 2024.

14. Related Party Transactions

Certain members of the Board contributed $39,445 to the Organization during the year ended September 30, 2024, and the Organization had outstanding contributions receivables from certain Board members totaling $95,741 as of September 30, 2024.

15. Subsequent Events

The Organization evaluated subsequent events through April 11, 2025 (the date the consolidated financial statements were available to be issued), and no events have occurred from the consolidated statement of financial position date through that date that would impact the consolidated financial statements.

Supplemental Schedules

Austin Children's Museum, Inc. dba Thinkery

Consolidating Schedule of Financial Position
September 30, 2024

	Austin Children's Museum, Inc.	Austin Children's Museum Holdings, Inc.	Eliminations	Total
Assets				
Cash and cash equivalents	$ 1,207,139	-	-	1,207,139
Investments	3,326,440	-	-	3,326,440
Accounts receivable	66,483	-	-	66,483
Contributions receivable, net	1,833,479	-	-	1,833,479
Prepaid expenses and other assets	82,850	-	-	82,850
Property and equipment, net	3,405,722	8,654,530	-	12,060,252
Operating lease right-of-use assets, net	1,265,294	396,340	-	1,661,634
Finance lease right-of-use assets, net	85,045	-	-	85,045
Loan receivable	1,700,000	-	-	1,700,000
Total assets	$ 12,972,452	9,050,870	-	22,023,322
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 398,711	71,200	-	469,911
Deferred revenue	673,325	-	-	673,325
Operating lease obligations	1,267,545	-	-	1,267,545
Finance lease obligations	85,839	-	-	85,839
Notes payable	4,850,000	-	-	4,850,000
Total liabilities	7,275,420	71,200	-	7,346,620
Net assets:				
Without donor restrictions:				
Undesignated	481,299	8,979,670	-	9,460,969
Board-designated	763,288	-	-	763,288
With donor restrictions	4,452,445	-	-	4,452,445
Total net assets	5,697,032	8,979,670	-	14,676,702
Total liabilities and net assets	$ 12,972,452	9,050,870	-	22,023,322

Austin Children's Museum, Inc. dba Thinkery

Consolidating Schedule of Activities
Year Ended September 30, 2024

	Austin Children's Museum, Inc.	Austin Children's Museum Holdings, Inc.	Eliminations	Total
Revenues:				
Grants and contributions	$ 3,219,976	-	-	3,219,976
Admissions	1,836,930	-	-	1,836,930
Program fees	1,772,301	-	-	1,772,301
Membership fees	772,020	-	-	772,020
Investment income, net	658,463	-	-	658,463
Special events	273,497	-	-	273,497
Contributed goods and services	238,646	-	-	238,646
Other revenues	244,179	-	-	244,179
Total revenues and net assets released from restrictions	9,016,012	-	-	9,016,012
Expenses:				
Program services:				
Exhibits	3,587,997	-	-	3,587,997
Classes/events	2,638,487	315,661	-	2,954,148
Store	134,869	-	-	134,869
Total program expenses	6,361,354	315,661	-	6,677,015
Management and general	754,969	-	-	754,969
Fundraising	537,966	-	-	537,966
Total expenses	7,654,288	315,661	-	7,969,949
Change in net assets	1,361,724	(315,661)	-	1,046,063
Net assets, beginning of year	4,335,454	9,295,185	-	13,630,639
Net assets, end of year	$ 5,697,178	8,979,524	-	14,676,702