

NATIONAL MUSEUM OF TOYS AND MINIATURES

FINANCIAL STATEMENTS

Year Ended December 31, 2023

with

Independent Auditors' Report

NATIONAL MUSEUM OF TOYS AND MINIATURES

FINANCIAL STATEMENTS

December 31, 2023

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Museum of Toys and Miniatures

Opinion

We have audited the financial statements of the **National Museum of Toys and Miniatures**, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **National Museum of Toys and Miniatures** as of December 31, 2023, 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 (GAAS). 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 **National Museum of Toys and Miniatures** and to meet our 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 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 **National Museum of Toys and Miniatures**' ability to continue as a going concern for one year after the date that the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

Prior Period Restatement

As part of our audit of the 2023 financial statements, we also audited the adjustments as described in Note 15 that were applied to restate the December 31, 2022 financial statements. Based on our audit, we are not aware of any material modifications that should be made to the adjustments described in Note 15 that were applied to restate the December 31, 2022 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Keller & Owen, LLC". The signature is fluid and cursive, with "Keller & Owen" on the top line and "LLC" on the bottom line.

Overland Park, Kansas
May 10, 2024

NATIONAL MUSEUM OF TOYS AND MINIATURES

STATEMENT OF FINANCIAL POSITION December 31, 2023

ASSETS

Cash and Cash Equivalents	\$ 961,241
Investments	31,138,840
Promises to Give	193,650
Accounts Receivable	10,592
Merchandise Inventory	5,961
Prepaid Expenses	16,013
Cash Restricted for Endowment and Long-Term Purposes	767,386
Right-of-Use Asset – Operating Lease, net	668,781
Property and Equipment, net	8,298,441
Collections	-
 Total Assets	 <u>\$ 42,060,905</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued liabilities	\$ 280,168
Lease liability	<u>674,005</u>
 Total Liabilities	 954,173

Net Assets:

Without donor restrictions	10,564,882
With donor restrictions	<u>30,541,850</u>
 Total Net Assets	 <u>41,106,732</u>
 Total Liabilities and Net Assets	 <u>\$ 42,060,905</u>

See accompanying notes

NATIONAL MUSEUM OF TOYS AND MINIATURES

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 633,786	\$ -	\$ 633,786
Nonfinancial contributions	1,079,700	-	1,079,700
Grants	14,170	-	14,170
Memberships	15,865	-	15,865
Admission sales	235,975	-	235,975
Merchandise sales	106,840	-	106,840
Investment return, net	391,287	3,589,325	3,980,612
Miscellaneous	2,191	-	2,191
Net assets released from restrictions	<u>1,473,213</u>	<u>(1,473,213)</u>	<u>-</u>
Total Support and Revenue	3,953,027	2,116,112	6,069,139
Expenses:			
Program services:			
Exhibits and collections management	1,839,981	-	1,839,981
Educational programs	300,609	-	300,609
Retail and visitor services	<u>272,919</u>	<u>-</u>	<u>272,919</u>
Total program services	2,413,509	-	2,413,509
Supporting services:			
General and administrative	165,549	-	165,549
Marketing and public relations	150,693	-	150,693
Development and fundraising	<u>192,090</u>	<u>-</u>	<u>192,090</u>
Total supporting services	508,332	-	508,332
Total Expenses	<u>2,921,841</u>	<u>-</u>	<u>2,921,841</u>
Change in Net Assets Before Changes			
Related to Collection Items not Capitalized	1,031,186	2,116,112	3,147,298
Change in Net Assets Related to Collection Items not Capitalized:			
Collection items purchased	<u>(101,520)</u>	<u>(41,863)</u>	<u>(143,383)</u>
Change in Net Assets	929,666	2,074,249	3,003,915
Net Assets at Beginning of Year			
As previously stated	9,788,029	28,314,788	38,102,817
Prior period restatement	<u>(152,813)</u>	<u>152,813</u>	<u>-</u>
As restated	<u>9,635,216</u>	<u>28,467,601</u>	<u>38,102,817</u>
Net Assets at End of Year	<u>\$ 10,564,882</u>	<u>\$ 30,541,850</u>	<u>\$ 41,106,732</u>

See accompanying notes

NATIONAL MUSEUM OF TOYS AND MINIATURES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services				Supporting Activities				Total
	Exhibits and Collections Management	Educational Programs	Retail and Visitor Services	Total Program Activities	General and Administrative	Marketing and Public Relations	Development and Fundraising	Total Supporting Activities	
Payroll and benefits	\$ 247,705	\$ 189,437	\$ 171,117	\$ 608,259	\$ 97,817	\$ 89,875	\$ 133,032	\$ 320,724	\$ 928,983
Contributed facilities and maintenance	936,915	51,338	25,669	1,013,922	12,834	12,834	12,834	38,502	1,052,424
Depreciation	403,644	22,118	11,059	436,821	5,530	5,530	5,530	16,590	453,411
Facilities	53,793	2,948	1,474	58,215	737	737	737	2,211	60,426
Offsite storage and maintenance	60,327	-	-	60,327	-	-	-	-	60,327
Professional services	18,311	-	-	18,311	33,766	-	-	33,766	52,077
Exhibit development and fees	49,100	-	-	49,100	-	-	-	-	49,100
Cost of goods sold and freight	-	-	49,032	49,032	-	-	-	-	49,032
Utilities	28,854	1,581	791	31,226	395	395	395	1,185	32,411
Insurance	25,927	1,421	710	28,058	355	355	355	1,065	29,123
Fundraising	-	-	-	-	-	-	27,878	27,878	27,878
Travel and training	9,033	3,192	2,171	14,396	1,241	1,140	1,688	4,069	18,465
Software and website	-	-	-	-	-	8,686	9,641	18,327	18,327
Advertising	-	-	-	-	-	17,410	-	17,410	17,410
Programs and events	-	16,696	-	16,696	-	-	-	-	16,696
Printing and postage	-	-	-	-	-	13,457	-	13,457	13,457
Miscellaneous	546	11,878	-	12,424	654	-	-	654	13,078
Office expense	3,576	-	3,223	6,799	4,718	-	-	4,718	11,517
Bank and credit card fees	-	-	7,673	7,673	1,827	-	-	1,827	9,500
Contributed professional services	2,250	-	-	2,250	5,675	-	-	5,675	7,925
Dues and memberships	-	-	-	-	-	274	-	274	274
 Total Expenses	 <u>\$ 1,839,981</u>	 <u>\$ 300,609</u>	 <u>\$ 272,919</u>	 <u>\$ 2,413,509</u>	 <u>\$ 165,549</u>	 <u>\$ 150,693</u>	 <u>\$ 192,090</u>	 <u>\$ 508,332</u>	 <u>\$ 2,921,841</u>

See accompanying notes

NATIONAL MUSEUM OF TOYS AND MINIATURES

STATEMENT OF CASH FLOWS

Year Ended December 31, 2023

Cash Flows from Operating Activities:

Change in net assets	\$ 3,003,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	453,411
Collection of contributions restricted to capital projects	(276,810)
Net realized and unrealized gains	(3,230,425)
Contributed property and equipment	(19,351)
Change in operating assets and liabilities:	
Promises to give	158,850
Accounts receivable	(10,592)
Merchandise inventory	4,130
Prepaid expenses	(11,346)
Operating lease assets and liabilities	3,296
Accounts payable and accrued liabilities	<u>175,901</u>
Net Cash Provided by Operating Activities	250,979

Cash Flows from Investing Activities:

Purchases of property and equipment	(1,121,439)
Purchases of investments	(3,911,120)
Proceeds from sales and maturities of investments	<u>3,417,450</u>

Net Cash Used by Investing Activities

(1,615,109)

Cash Flows From Financing Activities:

Contributions restricted to capital projects	<u>276,810</u>
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Net Cash Provided by Financing Activities

276,810

Net Decrease in Cash, Cash Equivalents, and Restricted Cash

(1,087,320)

Cash, Cash Equivalents, and Restricted Cash at Beginning of Year

2,815,947

Cash, Cash Equivalents, and Restricted Cash at End of Year

\$ 1,728,627

Supplemental Disclosure of Cash Flow Information:

Cash paid for amounts included in the measurement of operating lease liability	<u>\$ 56,563</u>
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NONCASH INVESTING AND FINANCING ACTIVITIES

Purchases of Property and Equipment:

Using accounts payable	<u>\$ 5,150</u>
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See accompanying notes

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

1. NATURE OF THE ORGANIZATION

The National Museum of Toys and Miniatures (the “Museum”) is a Missouri not-for-profit corporation and a private operating foundation. The Museum opened its doors October 20, 1982 and is located in space leased from the University of Missouri – Kansas City (“UMKC”). The Museum began as the vision of its founders, avid collectors Marry Harris Francis and Barbara Marshall. The Museum’s mission is to educate, inspire, and delight people of all ages by collecting, preserving, and displaying toys and miniatures that illuminate diverse narratives and cultural heritage. The Museum’s collection features more than 93,000 objects.

The Museum has agreed to follow the American Alliance for Museum’s *National Standards & Best Practices of U.S. Museums*, which calls for a commitment to public accountability and transparency as well as compliance with applicable local, state, and federal laws, codes, and regulations.

The Museum and its programs are supported by donor contributions, an agreement with UMKC for the lease and maintenance of the museum, an endowment, and revenues for admissions, memberships, and the sale of merchandise. The museum’s donors, members, and patrons generally reside in the greater Kansas City area.

For financial statement purposes, the Museum’s programs consist of the following:

Exhibits and collections management: Consists of activities related to cataloging, preserving, storing, researching, and exhibiting the Museum’s collections.

Educational programs: Consists of activities related to the Museum’s public and educational programs.

Retail and visitor services: Includes costs associated with the Museum’s gift shop and visitor services.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable – Accounts receivable at December 31, 2023 consists of vendor refunds due to the Museum.

Advertising Costs – Advertising costs, which the Museum expenses as incurred, totaled \$17,410 in 2023.

Basis of Accounting – The financial statements of the Museum are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Restricted Cash – For purposes of the statement of cash flows, the Museum defines its cash and cash equivalents to include all liquid investments purchased with original maturity dates of three months or less. Cash and cash equivalents held in brokerage accounts until suitable investments are identified, which are part of investments on the statement of financial position, are excluded from this definition. Included in cash and cash equivalents are amounts restricted by a donor for long-term purposes, see Notes 3 and 4.

Collections – The Museum's collections consist of toys and miniatures held for educational, research, and curatorial purposes and acquired through purchases and contributions since the Museum's inception. The Museum does not recognize its collections as assets on the statement of financial position.

The Museum records collection items purchased as decreases in net assets without donor restrictions in the year it acquires them, and as decreases in net assets with donor restrictions when acquired using donor-restricted assets. The financial statements do not reflect contributed collection items. The Museum records proceeds from deaccessions or insurance recoveries as increases in the appropriate net asset classes.

Concentrations of Credit Risk – The Museum maintains its cash in bank accounts in amounts that may exceed federally insured limits at times. The Museum has not experienced any losses in these accounts in the past, and management does not believe the Museum has significant credit risk exposure. Management periodically evaluates the strength of the financial institutions in which it deposits funds. At December 31, 2023, the Museum had approximately \$1,470,000 in deposits in excess of federally insured limits.

Investments are made by various investment managers whose performance is monitored by management and the Museum's board of directors. There are various risk exposures, including interest rates, market fluctuation, and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statement of financial position. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Museum believes its investment policies and guidelines are prudent for the Museum's long-term welfare.

Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses – The statement of activities summarizes the costs of providing programs and other activities on a functional basis. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses attributable to more than one of the Museum’s programs or supporting functions, which requires allocation on a reasonable and consistently applied basis. The Museum allocates payroll and benefits based on estimated time and effort. The Museum allocates contributed facilities and maintenance, depreciation, facilities, utilities, and insurance based on square footage.

Income Taxes – The Museum was originally organized as a private operating foundation under Internal Revenue Code (“IRC”) Section 509 and therefore qualified to be exempt from federal income taxes under Section 501(c)(3) of the IRC.

The Museum filed the necessary forms in December 2019 with the Internal Revenue Service stating its intent to voluntarily terminate its private foundation status under Section 507(b)(1)(B) of the IRC by operating as a public charity for a period of 60 continuous months commencing January 1, 2020. The Museum will not be subject to the excise tax because of this election. However, if the Museum does not meet the requirements for public charity status during the 60-month period, it will be liable for any excise taxes that would have been due. In addition, contributions to the Museum qualify as tax-deductible charitable contributions.

The Organization’s policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there is no such position as of December 31, 2023, and accordingly, has not accrued a liability.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities with readily determinable market prices are stated at fair value. Fair values are based on quoted market prices. Investments are recorded at fair value at the date of the donation, in the case of gifts. Investment-specific money market funds are reported at cost, which approximates fair value.

Net investment return is reported in the statement of activities and consists of interest and dividend income, real and unrealized capital gains and losses, less external and direct internal investment expenses.

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases – For leases with a lease term greater than one year, the Museum recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The Museum determines whether an arrangement is, or contains, a lease at contract inception. The Museum includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Museum has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Museum has applied the risk-free rate option to all classes of assets.

The Museum has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis. Operating leases with a duration of one year or greater are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities in the statement of financial position. Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate certain leases. The option to extend or terminate a lease is reflected in the valuation of the lease liability and related ROU asset if it is reasonably certain management will exercise an option to extend or terminate a lease. Lease expense is recognized on a straight-line basis over the expected lease term.

Merchandise Inventory – Inventory consists of merchandise for resale and is carried at the lower of cost or net realizable value.

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. They also include any designations by the governing Board.

Net assets with donor restrictions – Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued) –

Net assets with donor restrictions (continued) – The Museum reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Nonfinancial Contributions – The financial statements reflect contributed goods and services at their estimated fair market value at the date of donation.

The Museum records contributed services if these services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not donated. The value of services meeting these requirements, to the extent measurable, is reflected in the accompanying financial statements.

Promises to Give – Management reports unconditional promises to give at the amount it expects to collect on balances outstanding at year-end. Based on an assessment of the collection history with those having outstanding balances and current relationships with donors, management has concluded any uncollectible promises to give will be insignificant.

Unconditional promises to give that are expected to be received within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows, using a risk-free interest rate applicable to the year in which the contribution is made. Management has concluded the present value discount for unconditional promises to give made in 2023 and prior years was insignificant, and discounting was not performed.

Property and Equipment – Property and equipment is depreciated and is stated at cost. Contributed property and equipment is recorded at its fair value at the date of donation. Contributions of property and equipment are recorded as support without donor restrictions. Expenditures for acquisitions exceeding \$1,500 and major renewals or betterments exceeding \$1,500 that extend the useful life of assets are capitalized. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets.

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued) –

The estimated useful lives are as follows:

Leasehold improvements	5 to 50 years
Furniture and fixtures	5 to 10 years
Equipment	3 to 5 years

Depreciation expense amounted to \$453,411 in 2023.

Revenue Recognition – Museum admission and merchandise sales revenue from customers requires payment due at the point of sale. The nature of these sales does not give rise to contract costs of any variable consideration or warranties. Revenue is recognized when the services and products are provided, in an amount that reflects the consideration that the Museum expects to be entitled to in exchange for those services or products. Membership revenue is nonrefundable and is recognized over the membership period. Management believes the amount of unearned revenue from memberships benefitting future periods is not material.

The Museum recognizes contributions when cash, securities, or other assets, an unconditional promise to give commitment, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance barrier or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met, at which point they become unconditional.

Subsequent Events – Management has evaluated events and transactions that have occurred since December 31, 2023 and reflected their effects, if any, in these financial statements through May 10, 2024, the date the financial statements were available to be issued.

3. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

Cash and cash equivalents	\$ 961,241
Cash restricted for long-term purposes	637,310
Cash restricted for endowment	<u>130,076</u>
Total Cash, Cash Equivalents, and Restricted Cash	\$ <u>1,728,627</u>

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Museum's financial assets available for general expenditures within one year as of December 31, 2023:

Cash, cash equivalents, and restricted cash	\$ 1,728,627
Investments	31,138,840
Promises to give	193,650
Accounts receivable	<u>10,592</u>
Total financial assets	33,071,709
Less: amounts unavailable for general expenditures within one year due to donor restrictions	(<u>30,541,850</u>)
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 2,529,859</u>

In addition to financial assets available to meet general expenditures over the next year, the Museum operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The statement of cash flows identifies the sources and uses of the Museum's cash. The donor-restricted portion of the Museum's endowment must be retained in perpetuity. However, the unrestricted portion of the endowment may be drawn upon for operational needs. The underlying investments are highly liquid, with no withdrawal restrictions.

5. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

5. FAIR VALUE MEASUREMENTS (continued)

The following tables set forth information about the levels within the fair value hierarchy at which the Museum's financial assets and liabilities are measured on a recurring basis at December 31, 2023:

	Level 1	Total
Investments:		
Cash and cash equivalents (at cost)	\$ -	\$ 1,497,441
Equity investments:		
Domestic exchange traded funds	12,867,320	12,867,320
International exchange traded funds	3,338,519	3,338,519
International equity mutual funds	<u>1,834,613</u>	<u>1,834,613</u>
Total equity investments	18,040,452	18,040,452
Publicly traded fixed income investments	10,204,788	10,204,788
Publicly traded alternative investments:		
Hedge funds	1,185,417	1,185,417
Master limited partnership	<u>210,742</u>	<u>210,742</u>
Total alternative investments	<u>1,396,159</u>	<u>1,396,159</u>
Total Investments	<u><u>\$ 29,641,399</u></u>	<u><u>\$ 31,138,840</u></u>

6. PROPERTY AND EQUIPMENT

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

Leasehold improvements	\$ 12,662,148
Furniture and fixtures	244,874
Equipment	<u>111,747</u>
Property and equipment, at cost	13,018,769
Less accumulated depreciation	<u>(4,720,328)</u>
Total Property and Equipment, net	<u>\$ 8,298,441</u>

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

7. PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at December 31, 2023:

Within one year	\$ 103,650
In one to five years	<u>90,000</u>
Total Promises to Give	<u>\$ 193,650</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions are restricted for the following purposes or periods at December 31, 2023:

Subject to the passage of time	\$ 22,500
Purpose restricted:	
Accumulated endowment earnings	7,057,261
Campaign funds restricted for capital improvements	607,714
Antique toy conservation and preservation	29,596
Miniature Masterworks Showcase (approx. once every 4 years)	2,000,000
Time and purpose restricted:	
Promises to give restricted for capital improvements	141,150
Antique toy conservation and preservation	30,000
Restricted in perpetuity	<u>20,653,629</u>
Total Net Assets with Donor Restrictions	<u>\$ 30,541,850</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events by the donors as follows for the year ended December 31, 2023:

Satisfaction of time restrictions	\$ 87,188
Satisfaction of purpose restrictions:	
Operating support	745,671
Capital improvements	640,354
Antique toy acquisition and conservation	<u>41,863</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 1,515,076</u>

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

9. ENDOWMENTS

The Museum's endowment consists of donor-restricted endowment funds and earnings on those funds to support operations, toy conservation, capital improvements and maintenance needs, and to acquire objects for the collection. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Investment returns are reflected in net assets with donor restrictions until appropriated for spending in accordance with the investment policy adopted by the Board of Directors.

The Board of Directors of the Museum has interpreted the Missouri 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 retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. The Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment Net Asset Composition by Type of Fund as of December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	\$ _____ -	\$ 27,710,890	\$ 27,710,890
Total Endowment Assets	\$ _____ -	\$ 27,710,890	\$ 27,710,890

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

9. ENDOWMENTS (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 24,867,236	\$ 24,867,236
Investment return, net	-	3,589,325	3,589,325
Amounts appropriated for expenditure	-	(745,671)	(745,671)
Endowment net assets, end of year	\$ -	\$ 27,710,890	\$ 27,710,890
The portion of perpetual endowment funds that is required to be retained in perpetuity either by explicit donor stipulation or by UPMIFA			\$ 20,653,629
The portion of endowment funds subject to a purpose restriction under UPMIFA			<u>7,057,261</u>
Total Endowment Funds as of December 31, 2023			<u>\$ 27,710,890</u>

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a reasonable rate of return as a source of funding to programs supported by its endowments. Under the investment policy, endowment assets are to be invested in various asset classes while assuming a reasonable level of investment risk.

To satisfy its long-term objectives of equity preservation and growth, the Museum has adopted a total return strategy for investment returns through both capital appreciation and current income using an asset allocation policy that allows for investing in equity-related securities to achieve its return objective.

The Museum's spending policy allows for the use of up to 4% of the prior three year-end average market values.

10. RELATED PARTY TRANSACTIONS

In 1987, the Museum entered into an agreement with UMKC for the use of certain facilities as a museum, educational center, and exhibition area for antique toys and miniatures at no cost to the Museum, with three options to extend the agreement through December 31, 2067, if all three options are exercised. In August 2013, the Museum exercised the second extension of the lease through December 31, 2041.

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

10. RELATED PARTY TRANSACTIONS (continued)

Utilities, other than telephone services, are paid by UMKC, which is responsible for external and structural maintenance and repair of the facilities, including year-round maintenance. The Museum has recognized the fair value of contributed facilities and maintenance in the amount of \$1,052,424 for the year ended December 31, 2023.

In addition, employees of the Museum are treated as employees of the University of Missouri system, and the Museum reimburses UMKC for all compensation. Museum employees are covered under the University of Missouri system pension plan. The Museum incurred payroll and benefits expenses totaling \$928,983 in 2023, and its payable to UMKC was \$272,657 at December 31, 2023.

11. NONFINANCIAL CONTRIBUTIONS

Nonfinancial contributions recognized within the statement of activities in 2023 included:

Contributed facilities and maintenance	\$ 1,052,424
Professional services	<u>27,276</u>
Total	<u>\$ 1,079,700</u>

Contributed facilities and maintenance benefitted the Museum's program and supporting activities and was valued and reported at estimated fair value based on current rates for comparable space and UMKC's allocation of contributed wages, utilities, repairs, and maintenance costs.

Leasehold improvements include contributed project management services capitalized during construction amounting to \$19,351. Professional services of \$7,925 expensed within the statement of functional expenses include accounting services and project management costs related to construction closeout and warranty items, which benefitted the Museum's supporting activities. Contributed professional services were valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

12. CONCENTRATIONS

Two donors comprised approximately 71% of total 2023 contributions. Nonfinancial contributions from UMKC comprised approximately 97% of 2023 nonfinancial contributions.

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

13. OPERATING LEASE COMMITMENT

In April 2022, the Museum signed a non-cancellable lease agreement for 8,000 square feet of offsite storage space with an initial monthly lease payment of \$4,667 for 60 months beginning in July 2022 and ending June 2027, with lease payments escalating 2% annually on the anniversary of the lease commencement. The annual rent amounts includes common area operating expenses and electric utility expenses.

There are two additional five-year options for the Museum to renew the storage space lease, and management believes the Museum is reasonably certain to exercise its option to renew the lease. The annual lease rate for the two optional 60-month terms beginning in July 2027 and ending June 2037 will be based on the market rate at the time of renewal but no less than the rate charged in June 2027, which is \$60,640 annually.

Other operating lease information for the year ended December 31, 2023 is as follows:

Weighted-average remaining lease term (in years):	13.5
Weighted-average discount rate (as a %):	2.88%

The ROU asset for the operating lease consists of the following at December 31, 2023:

ROU asset	\$ 728,395
Less: accumulated amortization	<u>(59,614)</u>
ROU Asset – Operating Lease, net	<u>\$ 668,781</u>

Future maturities of the lease liability is presented in the following table, for the fiscal years ended December 31:

<u>Year Ending December 31:</u>	
2024	\$ 57,680
2025	57,840
2026	60,040
2027	60,640
2028	60,640
2029 – 2033	303,200
2034 – 2037	<u>212,240</u>
Total remaining cash payments	812,280
Less: present value discount	<u>(138,275)</u>
Total Lease Liability	<u>\$ 674,005</u>

NATIONAL MUSEUM OF TOYS AND MINIATURES

NOTES TO FINANCIAL STATEMENTS December 31, 2023

14. CONDITIONAL PROMISE TO GIVE

In 2023, the Museum was awarded a matching, cost-reimbursement grant in the amount of \$200,915. At December 31, 2023, contributions of \$189,915 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met.

15. PRIOR PERIOD RESTATEMENT

At December 31, 2022, promises to give restricted for capital campaign purposes were not reflected in net assets with donor restrictions; therefore, those amounts as of December 31, 2022 have been restated. The effect of this restatement is as follows.

	As Reported, <u>December 31, 2022</u>	Adjustments	As Restated, <u>December 31, 2022</u>
Net Assets:			
Without donor restrictions	\$ 9,788,029	\$ (152,813)	\$ 9,635,216
With donor restrictions	28,314,788	152,813	28,467,601