

# Please Touch Museum

Financial Statements  
Years Ended September 30, 2022 and 2021



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

215/567-7770 | [bbdcpa.com](http://bbdcpa.com)

# PLEASE TOUCH MUSEUM

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## INDEPENDENT AUDITOR'S REPORT

**Board of Trustees  
Please Touch Museum  
Philadelphia, Pennsylvania**

### **Opinion**

We have audited the accompanying financial statements of Please Touch Museum (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Please Touch Museum as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### **Basis for Opinion**

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 Please Touch Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 Please Touch Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 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 Please Touch 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 Please Touch 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.

BBD 2LS

**Philadelphia, Pennsylvania**  
**January 25, 2023**

# PLEASE TOUCH MUSEUM

## STATEMENTS OF FINANCIAL POSITION

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,480,727	\$ 2,637,009
Investments	1,458,536	2,013,672
Receivables		
Grants and contributions	855,564	881,978
Other, net	165,123	327,605
Other current assets	<u>231,950</u>	<u>370,530</u>
<b>Total current assets</b>	5,191,900	6,230,794
<b>GRANTS AND CONTRIBUTIONS RECEIVABLE AFTER ONE YEAR</b>	540,000	658,289
<b>PROPERTY, EQUIPMENT AND EXHIBITS, NET</b>	25,856,540	26,529,507
<b>INVESTMENTS, TO BE MAINTAINED INDEFINITELY</b>	1,432,084	1,432,084
<b>COLLECTION</b>	-	-
<b>CASH HELD IN ESCROW</b>	<u>1,225,799</u>	<u>1,219,871</u>
<b>Total assets</b>	<u>\$ 34,246,323</u>	<u>\$ 36,070,545</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 700,000	\$ 700,000
Loans payable	10,039	111,375
Accounts payable and accrued expenses	405,623	461,945
Deferred revenue	<u>134,250</u>	<u>2,181,343</u>
<b>Total current liabilities</b>	1,249,912	3,454,663
<b>LOANS PAYABLE AFTER ONE YEAR</b>	<u>489,861</u>	<u>647,567</u>
<b>Total liabilities</b>	<u>1,739,773</u>	<u>4,102,230</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Operating	28,608,771	27,399,765
Board designated	<u>416,724</u>	<u>305,561</u>
	29,025,495	27,705,326
With donor restrictions		
Subject to expenditure for specific purposes or periods	2,048,971	2,830,905
To be maintained in perpetuity	<u>1,432,084</u>	<u>1,432,084</u>
<b>Total net assets</b>	<u>32,506,550</u>	<u>31,968,315</u>
<b>Total liabilities and net assets</b>	<u>\$ 34,246,323</u>	<u>\$ 36,070,545</u>

See accompanying notes

# PLEASE TOUCH MUSEUM

## STATEMENTS OF ACTIVITIES

Years ended September 30, 2022 and 2021

	2022					2021				
	Without Donor Restrictions		With Restrictions			Without Donor Restrictions		With Restrictions		
	Operating	Board Designated	Purpose and Time Restrictions	To Be Maintained Indefinitely	Total	Operating	Board Designated	Purpose and Time Restrictions	To Be Maintained Indefinitely	Total
<b>REVENUES AND SUPPORT</b>										
Museum revenue										
Admissions	\$ 3,035,413	\$ -	\$ -	\$ -	\$ 3,035,413	\$ 998,270	\$ -	\$ -	\$ -	\$ 998,270
Memberships	982,098	-	-	-	982,098	288,207	-	-	-	288,207
Fees for special events	706,893	-	-	-	706,893	496,998	-	-	-	496,998
Museum store receipts	8,247	-	-	-	8,247	1,402	-	-	-	1,402
Grants and contributions	4,247,747	-	522,722	-	4,770,469	1,086,173	-	556,333	-	1,642,506
Donated goods and services	24,669	-	-	-	24,669	-	-	-	-	-
Interest and dividends	58,817	-	25,842	-	84,659	54,459	-	26,391	-	80,850
Net appreciation (depreciation) of investments, net of fees	(327,843)	-	(300,759)	-	(628,602)	233,146	-	256,868	-	490,014
Forgiveness of loans payable	733,942	-	-	-	733,942	718,814	-	-	-	718,814
Other revenue	-	-	-	-	-	122,732	-	-	-	122,732
Net assets released from restrictions										
Spending policy distribution	-	111,163	(111,163)	-	-	-	115,086	(115,086)	-	-
Satisfaction of purpose restrictions	918,576	-	(918,576)	-	-	1,650,060	-	(1,650,060)	-	-
<b>Total revenues and support</b>	<b>10,388,559</b>	<b>111,163</b>	<b>(781,934)</b>	<b>-</b>	<b>9,717,788</b>	<b>5,650,261</b>	<b>115,086</b>	<b>(925,554)</b>	<b>-</b>	<b>4,839,793</b>
<b>EXPENSES</b>										
Program services	7,134,966	-	-	-	7,134,966	4,784,435	-	-	-	4,784,435
Supporting services										
Management and general	1,553,585	-	-	-	1,553,585	1,051,194	-	-	-	1,051,194
Fundraising	491,002	-	-	-	491,002	410,493	-	-	-	410,493
<b>Total expenses</b>	<b>9,179,553</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,179,553</b>	<b>6,246,122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,246,122</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,209,006</b>	<b>111,163</b>	<b>(781,934)</b>	<b>-</b>	<b>538,235</b>	<b>(595,861)</b>	<b>115,086</b>	<b>(925,554)</b>	<b>-</b>	<b>(1,406,329)</b>
<b>NET ASSETS</b>										
Beginning of year	27,399,765	305,561	2,830,905	1,432,084	31,968,315	27,995,626	190,475	3,756,459	1,432,084	33,374,644
<b>End of year</b>	<b>\$ 28,608,771</b>	<b>\$ 416,724</b>	<b>\$ 2,048,971</b>	<b>\$ 1,432,084</b>	<b>\$ 32,506,550</b>	<b>\$ 27,399,765</b>	<b>\$ 305,561</b>	<b>\$ 2,830,905</b>	<b>\$ 1,432,084</b>	<b>\$ 31,968,315</b>

See accompanying notes

# PLEASE TOUCH MUSEUM

## STATEMENTS OF FUNCTIONAL EXPENSES

Years ended September 30, 2022 and 2021

	2022				2021			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries	\$ 2,437,042	\$ 790,841	\$ 296,568	\$ 3,524,451	\$ 1,604,536	\$ 576,970	\$ 260,997	\$ 2,442,503
Payroll taxes and employee benefits	351,744	114,141	42,803	508,688	252,868	90,928	41,132	384,928
Education, programming and exhibits	360,455	-	-	360,455	203,308	-	-	203,308
Professional fees and affiliations	339,528	182,022	64,090	585,640	119,082	55,161	84,619	258,862
Donated goods and services	-	-	24,669	24,669	-	-	-	-
Insurance	189,534	63,178	-	252,712	186,296	18,285	-	204,581
Interest	-	20,332	-	20,332	-	-	-	-
Bad debt expense	-	-	-	-	-	39,591	-	39,591
Depreciation	1,466,177	135,295	13,976	1,615,448	1,388,842	128,159	13,238	1,530,239
Maintenance	922,674	65,433	3,767	991,874	468,722	33,240	1,915	503,877
Office administration	262,760	140,581	27,816	431,157	151,867	82,849	5,907	240,623
Marketing and advertising	331,367	-	6,662	338,029	84,392	-	941	85,333
Travel and entertainment	9,954	9,673	4,060	23,687	1,855	3,678	540	6,073
Printing	43,547	2,291	4,875	50,713	27,563	1,405	-	28,968
Utilities and telephone	420,184	29,798	1,716	451,698	295,104	20,928	1,204	317,236
	<u>\$ 7,134,966</u>	<u>\$ 1,553,585</u>	<u>\$ 491,002</u>	<u>\$ 9,179,553</u>	<u>\$ 4,784,435</u>	<u>\$ 1,051,194</u>	<u>\$ 410,493</u>	<u>\$ 6,246,122</u>

See accompanying notes

# PLEASE TOUCH MUSEUM

## STATEMENTS OF CASH FLOWS

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 538,235	\$ (1,406,329)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	1,615,448	1,530,239
Net (appreciation) depreciation of investments	628,602	(490,014)
Forgiveness of loans payable	(733,942)	(718,814)
Bad debt expense	-	(39,591)
(Increase) decrease in		
Grants and contributions receivable	144,703	1,517,738
Other receivables	162,482	(272,953)
Other current assets	138,580	(25,922)
Increase (decrease) in		
Accounts payable and accrued expenses	(56,322)	(151,628)
Deferred revenue	<u>(2,047,093)</u>	<u>1,973,956</u>
<b>Net cash provided by operating activities</b>	<u>390,693</u>	<u>1,916,682</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(685,164)	(706,065)
Proceeds from sales of investments	611,698	655,721
Additions to property, equipment and exhibits	<u>(942,481)</u>	<u>(947,200)</u>
<b>Net cash used for investing activities</b>	<u>(1,015,947)</u>	<u>(997,544)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans payable	<u>474,900</u>	<u>733,942</u>
<b>Net change in cash and cash equivalents</b>	(150,354)	1,653,080
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>3,856,880</u>	<u>2,203,800</u>
<b>End of year</b>	<u>\$ 3,706,526</u>	<u>\$ 3,856,880</u>

### **CASH AND RESTRICTED CASH**

The following table provides a reconciliation of cash and restricted deposits reported within the statements of financial position to the total of such amounts shown in these statements of cash flows:

Cash	\$ 2,480,727	\$ 2,637,009
Escrowed cash	<u>1,225,799</u>	<u>1,219,871</u>
	<u>\$ 3,706,526</u>	<u>\$ 3,856,880</u>

See accompanying notes



# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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### (1) NATURE OF OPERATIONS

Please Touch Museum (the "**Museum**") is a Pennsylvania 501(c)(3) nonprofit organization established in 1976; operating at Memorial Hall in Fairmount Park, a National Historic site built in 1876 for the Nation's Centennial celebration.

Please Touch Museum's mission is to "Change a child's life as they discover the power of learning through play." Our Museum is where lifelong learning begins, curiosity is encouraged, and every child is always welcome. Underpinning this mission is a promise, "To be a leader in 21st century children's museums as a key resource of learning through play, and expand our reach and impact in the Philadelphia region and beyond." To fulfill this promise, Please Touch Museum will continue to be inclusive, open and accessible to all communities.

Our interactive exhibits, programs and special events are designed to focus on creativity, collaboration, communication and critical thinking as core elements. With this, children discover, learn and play and as a result develop the intellectual, social and emotional skills they need to succeed in school and life.

### (2) SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

#### **Financial Statement Presentation**

The Museum reports information regarding its financial position and activities according to the following classes of net assets:

##### ***Without donor restrictions***

Net assets that are not subject to donor-imposed restrictions.

This category also includes board designated net assets which include distributions from endowment that require board approval to be spent.

##### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Museum and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting the Museum to expend the income generated in accordance with the provisions of the contribution.

#### **Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America ("**GAAP**"), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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### Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Museum. Unobservable inputs reflect the Museum's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the Museum's own assumptions.

### Cash and Cash Equivalents

The Museum considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in operating accounts at major financial institutions and also in money market mutual funds, in which the Museum is exposed to market and credit risk.

### Investments and Investment Income

Investments in debt and equity securities with readily determinable fair values are reported at fair value as determined by quoted market prices with gains and losses included in the statements of activities. Dividend and interest income is recorded as earned. Restricted investment income whose restrictions are satisfied in the same period are reported as unrestricted. Donated investments are recorded at fair value at the date of receipt.

The Museum invests in a professionally-managed portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

### Property, Equipment and Exhibits

Property, equipment and exhibits are stated at cost as determined by either the purchase price, or, for donated assets, their appraised value at the time of the donation. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets as follows:

Real estate interest and improvements	35 years
Equipment and fixtures	3 – 5 years
Exhibits	7 years

Depreciation expense for the years ended September 30, 2022 and 2021 was \$1,615,448 and \$1,530,239 respectively.

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# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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### **Collections**

The collection, which has been acquired through purchases and contributions since the Museum's inception, is not recognized as an asset on the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The core of the Museum's collection is the Contemporary Toy Collection (toys post-1945 through present) which showcases changing ideas of play, childhood, education, gender and socialization and other topics of importance and relevance to 21st century families. The Museum collects, catalogs, exhibits and borrows only those objects for which it is able to care, store and exhibit in a manner consistent with its educational purpose and with generally accepted museum practice. Collection management policies have been adopted to ensure that Please Touch Museum carries out its responsibilities for its collections in a manner consistent with its mission and its responsibilities as a non-profit museum accredited by the American Association of Museums.

### **Cash Held in Escrow**

Under a lease with the City of Philadelphia, the Museum is required to deposit \$1.5 million into a capital repairs and replacements escrow every ten years for the term of the lease. The lease is more fully described in Note 12.

### **Revenue Recognition**

The Museum recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Contributions and grants are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and grants whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Admissions revenue is recognized in the period in which the Museum visit took place. Membership fees are recognized when received. Fees for special events are recognized in the period in which the event took place. Fees for future special events are included in deferred revenue on the statements of financial position.

Amounts received from cost-reimbursement grants and contracts which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses are recognized as revenue when the Museum has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. At September 30, 2022 and 2021, the Museum had conditional promises to give of \$1,000,000 and \$1,992,509, respectively, that had not been recognized as revenue because qualifying expenditures had not yet been incurred.

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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### **Other Accounts Receivable**

Other accounts receivable are stated at the amount management expects to collect from outstanding balances. One customer represents 87% of the other accounts receivable balance owed to the Museum as of September 30, 2022 and 2021. The Museum uses the allowance method to determine uncollectible other accounts receivable. The allowance is based on historical experience, current economic conditions and management's analysis of outstanding balances. No allowance was recorded as of September 30, 2022. The Museum recorded an allowance of \$39,591 as of September 30, 2021.

### **Advertising**

The Museum expenses advertising costs as incurred. For the years ended September 30, 2022 and 2021, marketing and advertising expenses were \$338,029 and \$85,333, respectively.

### **Functional Allocation of Expenses**

The costs of providing the various program and supporting services have been presented on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The financial statements have certain categories of expenses that are attributed to more than one program or supporting function, therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated on the basis of estimates of time and effort include certain salaries and wages and related benefits and payroll taxes. Expenses that are allocated based on estimates of square footage include depreciation, maintenance, and utilities and telephone.

### **Income Tax Status**

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Museum's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Museum believes that it had no uncertain tax positions as defined in GAAP.

### **Concentration of Credit Risk**

Financial instruments which potentially subject the Museum to concentration of credit risk are cash and cash equivalents, grants and contributions receivable and other accounts receivable. The Museum maintains its cash at various financial institutions. At times, such deposits may exceed federally-insured limits.

At September 30, 2022 and 2021, 72% and 65% of grants and contributions receivable was due from one donor, respectively.

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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### (3) LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions that allow their use during the 12 months after the statements of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,480,727	\$ 2,637,009
Receivables	1,560,687	1,867,872
Investments	<u>2,890,620</u>	<u>3,445,756</u>
Total financial assets	6,932,034	7,950,637
Less: financial assets not available for general operations within one year		
Subject to expenditure for specific purposes or periods	(2,048,971)	(2,830,905)
To be maintained indefinitely	(1,432,084)	(1,432,084)
Board designated assets	<u>(416,724)</u>	<u>(305,561)</u>
Total financial assets available within one year	<u>\$ 3,034,255</u>	<u>\$ 3,382,087</u>

#### Liquidity Management

The Museum manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

### (4) INVESTMENTS

Investments, as of September 30, were comprised as follows:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 336,550	\$ 386,606
Mutual funds		
Fixed-income	220,466	150,357
Equity	305,174	314,176
Exchange-traded funds		
Fixed-income	714,461	774,944
Equity	<u>1,313,969</u>	<u>1,819,673</u>
	<u>\$ 2,890,620</u>	<u>\$ 3,445,756</u>

The fair value of investments are based upon quoted prices in active markets. These investments have been classified within Level 1 of the valuation hierarchy.

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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### (5) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable were comprised as follows:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 855,564	\$ 881,978
Due in one to five years	<u>540,000</u>	<u>664,937</u>
	1,395,564	1,546,915
Less discount to present value	<u>-</u>	<u>(6,648)</u>
	<u>\$ 1,395,564</u>	<u>\$ 1,540,267</u>

The Museum uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on historical experience, current economic conditions and management's analysis of outstanding contributions receivable. Management has determined that no allowance was necessary as of September 30, 2022 and 2021.

### (6) PROPERTY, EQUIPMENT AND EXHIBITS

Property, equipment and exhibits consisted of the following at September 30:

	<u>2022</u>	<u>2021</u>
Real estate interest and improvements	\$ 41,063,516	\$ 41,062,122
Equipment and fixtures	3,034,017	2,754,349
Exhibits	<u>15,246,739</u>	<u>14,585,320</u>
	59,344,272	58,401,791
Less accumulated depreciation	<u>(33,487,732)</u>	<u>(31,872,284)</u>
	<u>\$ 25,856,540</u>	<u>\$ 26,529,507</u>

### (7) LINE OF CREDIT

The Museum has a \$1,200,000 line of credit which bears interest at the Bloomberg Short-Term Bank Yield Index plus 135 basis points and expires in May 2023. The interest rate on the line of credit is 4.84% at September 30, 2022. Advances under this credit line are secured by the Museum's investments. The line of credit has advances outstanding of \$700,000 at September 30, 2022 and 2021.

### (8) LOANS PAYABLE

On April 13, 2020, The Museum received loan proceeds in the amount of \$718,814 under the Paycheck Protection Program ("**PPP**"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("**Cares Act**"), the PPP provides for loans to qualifying businesses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. On July 8, 2021 the loan was fully forgiven by the Small Business Administration and is recognized as a gain in the 2021 statement of activities.

On February 4, 2021 the Museum received a second PPP loan in the amount of \$733,942. In April 2022 the loan was fully forgiven by the Small Business Administration and is recognized as a gain in the 2022 statement of activities.

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

### September 30, 2022 and 2021

In July 2020, the Museum received an unsecured loan in the amount of \$25,000 from the Small Business Administration Economic Injury Disaster Loan program. In January 2022, the loan was modified and increased to \$500,000. The loan is due in July 2050 and bears interest at a rate of 2.75% per annum. The note had an outstanding balance of \$ 499,900 and \$25,000 at September 30, 2022 and 2021.

Annual principal payments required for the next five fiscal years and thereafter are as follows:

#### Year ending September 30,

2023	\$ 10,039
2024	12,568
2025	12,918
2026	13,277
2027	13,647
Thereafter	<u>437,451</u>
	<u>\$ 499,900</u>

### (9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes:

	<u>September 30,</u> <u>2021</u>	<u>Additions</u>	<u>Releases</u>	<u>September 30,</u> <u>2022</u>
Subject to expenditure for specific purposes or periods				
Floor restoration	\$ 1,046,125	\$ -	\$ (20,000)	\$ 1,026,125
Exhibit Sponsorship/Other	1,071,568	465,700	(609,100)	928,168
Available for future periods	<u>454,098</u>	<u>57,022</u>	<u>(289,476)</u>	<u>221,644</u>
	<u>2,571,791</u>	<u>522,722</u>	<u>(918,576)</u>	<u>2,175,937</u>
Endowments				
Subject to appropriation and expenditure when a specified event occurs:				
Excess endowment earnings available to support the programs, services and mission of the Museum	259,114	(274,917)	(111,163)	(126,966)
To be maintained indefinitely				
Endowment, with an historic dollar value of \$1,432,084	<u>1,432,084</u>	<u>-</u>	<u>-</u>	<u>1,432,084</u>
Total endowments	<u>1,691,198</u>	<u>(274,917)</u>	<u>(111,163)</u>	<u>1,305,118</u>
Total net assets with donor restrictions	<u>\$ 4,262,989</u>	<u>\$ 247,805</u>	<u>\$ (1,029,739)</u>	<u>\$ 3,481,055</u>
	<u>September 30,</u> <u>2020</u>	<u>Additions</u>	<u>Releases</u>	<u>September 30,</u> <u>2021</u>
Net assets restricted for specific purposes or periods				
Floor restoration	\$ 1,048,625	\$ -	\$ (2,500)	\$ 1,046,125
Exhibit Sponsorship/Other	2,171,189	160,000	(1,259,621)	1,071,568
Available for future periods	<u>445,704</u>	<u>396,333</u>	<u>(387,939)</u>	<u>454,098</u>
	<u>3,665,518</u>	<u>556,333</u>	<u>(1,650,060)</u>	<u>2,571,791</u>

# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

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Subject to appropriation and expenditure when a specified event occurs: Excess endowment earnings available to support the programs, services and mission of the Museum	90,941	283,259	(115,086)	259,114
To be maintained indefinitely Endowment, with an historic dollar value of \$1,432,084	<u>1,432,084</u>	<u>-</u>	<u>-</u>	<u>1,432,084</u>
Total endowments	<u>1,523,025</u>	<u>283,259</u>	<u>(115,086)</u>	<u>1,691,198</u>
Total net assets with donor restrictions	<u>\$ 5,188,543</u>	<u>\$ 839,592</u>	<u>\$ (1,765,146)</u>	<u>\$ 4,262,989</u>

### (10) ENDOWMENT

The endowment consists of donor-restricted endowment gifts that are currently invested and participate in the Museum's investment pool. The funds were established to support its general operations.

Accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). The Museum is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

In 2018, the Museum's Board of Directors adopted Commonwealth of Pennsylvania law and has interpreted this law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies net assets to be maintained indefinitely as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with and at the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the Museum while preserving the long-term, real purchasing power of its endowment assets.

The Museum can appropriate for distribution each year between 2% and 7% of its endowment fund's three-year average value. In establishing this policy, the Museum seeks to reduce the variability of the annual fund distributions by factoring past spending and portfolio asset values into its current spending policy, its target asset allocation, or both. The spending policy calculates the amount of money annually distributed from the permanently restricted endowment fund to support various programs. The current spending policy allows the Museum to distribute an amount equal to 7% of an average of the trailing twelve quarters of the fair value of the endowment fund.

The endowment to be maintained indefinitely is underwater by approximately \$126,966 at September 30, 2022. For the years ended September 30, 2022 and 2021, the Museum's endowment net assets had the following activity:



# PLEASE TOUCH MUSEUM

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022 and 2021

	<u>Year ended September 30, 2022</u>			
	<u>Board</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Designated</u>	<u>Excess</u> <u>Endowment</u> <u>Earnings</u>	
Endowment net assets, beginning of the year	\$305,561	\$ 259,114	\$ 1,432,084	\$ 1,996,759
Interest and dividends	-	25,842	-	25,842
Net appreciation (depreciation) of investments	-	(300,759)	-	(300,759)
Spending policy distribution	111,163	(111,163)	-	-
Endowment net assets, end of year	<u>\$416,724</u>	<u>\$(126,966)</u>	<u>\$ 1,432,084</u>	<u>\$ 1,721,842</u>

  

	<u>Year ended September 30, 2021</u>			
	<u>Board</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Designated</u>	<u>Excess</u> <u>Endowment</u> <u>Earnings</u>	
Endowment net assets, beginning of the year	\$190,475	\$ 90,941	\$ 1,432,084	\$ 1,713,500
Interest and dividends	-	26,391	-	26,391
Net appreciation of investments	-	256,868	-	256,868
Spending policy distribution	115,086	(115,086)	-	-
Endowment net assets, end of year	<u>\$305,561</u>	<u>\$ 259,114</u>	<u>\$ 1,432,084</u>	<u>\$ 1,996,759</u>

### (11) RETIREMENT PLAN

The Museum contributes to a retirement plan for eligible employees under contracts with the Teachers Insurance and Annuities Associates–College Retirement Equities Fund (TIAA–CREF) and Massachusetts Mutual Life Insurance Company. The Museum makes a contribution on behalf of each eligible employee equal to 3.5% of the employee's compensation, provided the employee's elective deferral equals or exceeds 1% of the employee's compensation. Retirement plan expense was \$36,220 and \$36,218 in 2022 and 2021, respectively.

### (12) COMMITMENTS

In 2005, the Museum entered into an 80-year lease agreement (including option period) with the City of Philadelphia for the use of Memorial Hall, a national historic landmark in Fairmount Park. The lease requires annual nominal rent for the lease term provided that the Museum uses Memorial Hall for the purposes described in Note 1.

Another requirement under this lease is that the Museum make required contributions into the Memorial Hall Trust which is included in cash held in escrow on the statements of financial position, the balance of which was \$1,225,799 and \$1,219,871 as of September 30, 2022 and 2021, respectively. The Museum was required to make a contribution of \$1.5 million in 2012 which was completed. The next required contribution was in 2021 for another \$1.5 million and the same amount is required in years 2031, 2041 and 2051. In 2061, the contribution is \$1.75 million and in 2071 and 2081, the contribution is \$2.25 million each.

## **PLEASE TOUCH MUSEUM**

### ***NOTES TO FINANCIAL STATEMENTS***

#### **September 30, 2022 and 2021**

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Management is in discussions with the City of Philadelphia to renegotiate the trust payments and, as a result, has not completed the 2021 contribution of \$1.5 million to the trust as required under the lease agreement and is currently in default of the lease agreement.

Under the terms of the lease, all building, improvements and remaining balance of Memorial Hall Trust become the property of the City of Philadelphia at the termination of the lease.

#### **(13) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 25, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2022 that require recognition or disclosure in the financial statements.