

Perot Museum of Nature and Science

Financial Report
September 30, 2023

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Independent Auditor's Report

To the Board of Directors of
Perot Museum of Nature and Science
Dallas, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Perot Museum of Nature and Science (the Museum), which comprise the statements of financial position as of September 30, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, respectively, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended September 30, 2023, the Museum adopted ASU 2016-02, *Leases* ("Topic 842") effective October 1, 2022 respectively. Our opinion is not modified with respect to this matter.

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 the Museum's ability to continue as a going concern for one year after the date that the financial statements are issued (or when applicable, 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 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 the 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 the 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P

Fort Worth, Texas
February 28, 2024

Perot Museum of Nature and Science

Statements of Financial Position September 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 27,289,075	\$ 36,988,679
Short-term investments	15,000,000	-
Long-term investments	27,800,118	25,692,934
Accounts receivable	309,324	318,344
Contributions receivable, net	1,337,231	1,819,521
Grants receivable	1,077,835	-
Prepaid expenses	1,533,887	1,402,893
Property and equipment, net of depreciation	106,017,184	109,311,167
Right of use asset, operating, net of amortization	7,309,541	-
Intangible assets, net of amortization	767,121	910,447
Other assets	325,158	-
	\$ 188,766,474	\$ 176,443,985
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,547,215	\$ 2,583,860
Unearned revenue	932,466	785,120
Accrued license fees	115,133	-
Lease liability, operating	6,921,041	-
	10,515,855	3,368,980
Total liabilities		
NET ASSETS		
Without donor restrictions	157,290,257	152,886,598
With donor restrictions	20,960,362	20,188,407
	178,250,619	173,075,005
Total net assets		
	\$ 188,766,474	\$ 176,443,985
TOTAL LIABILITIES AND NET ASSETS		

The Notes to Financial Statements
are an integral part of these statements.

Perot Museum of Nature and Science

Statement of Activities Year Ended September 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Earned revenues			
General admission fees	\$ 10,648,298	\$ -	\$ 10,648,298
Theater admissions	845,198	-	845,198
Education programs	1,006,317	-	1,006,317
Memberships	371,558	-	371,558
Ancillary and other	3,518,418	-	3,518,418
Contributions			
Gifts and grants	3,024,510	6,825,164	9,849,674
City of Dallas	744,089	-	744,089
In-kind	44,477	60,680	105,157
Government grants	1,364,562	-	1,364,562
Special events	-	1,685,789	1,685,789
Investment income, net	2,930,732	806,397	3,737,129
Net assets released from restrictions	8,606,075	(8,606,075)	-
	<u>33,104,234</u>	<u>771,955</u>	<u>33,876,189</u>
Total revenues and other support			
EXPENSES			
Program services			
Exhibitions	5,541,684	-	5,541,684
Education	4,304,504	-	4,304,504
Scientific activities	1,149,823	-	1,149,823
Theater operations	238,759	-	238,759
Facilities	6,082,521	-	6,082,521
Supporting services			
General and administration	1,656,862	-	1,656,862
Fundraising	3,248,715	-	3,248,715
	<u>22,222,868</u>	<u>-</u>	<u>22,222,868</u>
Total expenses			
Change in net assets before depreciation and amortization	10,881,366	771,955	11,653,321
Depreciation and amortization	6,477,707	-	6,477,707
Change in net assets	4,403,659	771,955	5,175,614
NET ASSETS, beginning of year	<u>152,886,598</u>	<u>20,188,407</u>	<u>173,075,005</u>
NET ASSETS, end of year	<u>\$ 157,290,257</u>	<u>\$ 20,960,362</u>	<u>\$ 178,250,619</u>

The Notes to Financial Statements are an integral part of this statement.

Perot Museum of Nature and Science

Statement of Activities Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Earned revenues			
General admission fees	\$ 8,032,190	\$ -	\$ 8,032,190
Theater admissions	863,979	-	863,979
Education programs	862,999	-	862,999
Memberships	562,260	-	562,260
Ancillary and other	3,110,294	-	3,110,294
Contributions			
Gifts and grants	2,402,423	7,438,441	9,840,864
City of Dallas	744,089	37,500	781,589
In-kind	75,727	-	75,727
Government grants	4,464,920	-	4,464,920
Special events	120,834	1,801,656	1,922,490
Investment loss, net	(2,954,306)	(991,581)	(3,945,887)
Net assets released from restrictions	6,894,899	(6,894,899)	-
	25,180,308	1,391,117	26,571,425
EXPENSES			
Program services			
Exhibitions	3,786,881	-	3,786,881
Education	4,222,430	-	4,222,430
Scientific activities	1,032,574	-	1,032,574
Theater operations	267,153	-	267,153
Facilities	6,065,801	-	6,065,801
Supporting services			
General and administration	1,674,714	-	1,674,714
Fundraising	2,575,949	-	2,575,949
	19,625,502	-	19,625,502
Change in net assets before depreciation and amortization	5,554,806	1,391,117	6,945,923
Depreciation and amortization	8,716,582	-	8,716,582
Change in net assets	(3,161,776)	1,391,117	(1,770,659)
NET ASSETS, beginning of year	156,048,374	18,797,290	174,845,664
NET ASSETS, end of year	\$ 152,886,598	\$ 20,188,407	\$ 173,075,005

The Notes to Financial Statements
are an integral part of this statement.

Perot Museum of Nature and Science
Statement of Functional Expenses
Year Ended September 30, 2023

	Program Services					Total Program Expenses	Supporting Services		Total Supporting Expenses	Total Expenses
	Exhibitions	Education	Scientific Activities	Theater Operations	Facilities		General and Administration	Fundraising		
Salaries and benefits	\$ 2,912,814	\$ 3,361,822	\$ 917,192	\$ -	\$ 934,255	\$ 8,126,083	\$ 790,219	\$ 1,715,810	\$ 2,506,029	\$ 10,632,112
Travel and professional development	14,273	70,387	15,464	-	18,453	118,577	135,202	24,105	159,307	277,884
Consultants and professional services	244,422	46,340	15,454	4,538	65,805	376,559	288,269	418,341	706,610	1,083,169
Advertising and promotion	614,515	462,674	108,473	-	-	1,185,662	-	133,803	133,803	1,319,465
Office expenses	1,514	4,232	372	-	1,403,714	1,409,832	5,173	6,413	11,586	1,421,418
Exhibition rental and maintenance	1,497,244	36	930	193,845	200	1,692,255	151,772	5,000	156,772	1,849,027
Supplies	256,902	353,096	35,701	40,376	88,205	774,280	150,268	945,243	1,095,511	1,869,791
Occupancy	-	5,917	56,237	-	2,892,130	2,954,284	135,959	-	135,959	3,090,243
Building and equipment maintenance/repairs	-	-	-	-	679,759	679,759	-	-	-	679,759
Total expenses before depreciation	5,541,684	4,304,504	1,149,823	238,759	6,082,521	17,317,291	1,656,862	3,248,715	4,905,577	22,222,868
Depreciation and amortization	1,557,838	555,651	411,068	33,331	3,899,017	6,456,905	16,177	4,625	20,802	6,477,707
TOTAL EXPENSES	\$ 7,099,522	\$ 4,860,155	\$ 1,560,891	\$ 272,090	\$ 9,981,538	\$ 23,774,196	\$ 1,673,039	\$ 3,253,340	\$ 4,926,379	\$ 28,700,575

The Notes to Financial Statements
are an integral part of this statement.

Perot Museum of Nature and Science
Statement of Functional Expenses
Year Ended September 30, 2022

	Program Services					Total Program Expenses	Supporting Services		Total Supporting Expenses	Total Expenses
	Exhibitions	Education	Scientific Activities	Theater Operations	Facilities		General and Administration	Fundraising		
Salaries and benefits	\$ 2,139,812	\$ 3,172,479	\$ 822,072	\$ -	\$ 1,180,321	\$ 7,314,684	\$ 849,883	\$ 1,402,177	\$ 2,252,060	\$ 9,566,744
Travel and professional development	25,264	55,580	14,228	1,242	12,627	108,941	48,833	25,262	74,095	183,036
Consultants and professional services	223,682	47,267	6,001	83	3,501	280,534	428,564	320,891	749,455	1,029,989
Advertising and promotion	479,383	542,855	112,028	-	-	1,134,266	-	145,307	145,307	1,279,573
Office expenses	2,050	393	30	-	1,101,659	1,104,132	9,894	18,276	28,170	1,132,302
Exhibition rental and maintenance	775,691	7,142	14	221,846	2,418	1,007,111	67,134	919	68,053	1,075,164
Supplies	140,999	389,607	27,604	43,982	83,241	685,433	141,948	663,117	805,065	1,490,498
Occupancy	-	7,107	50,597	-	3,153,008	3,210,712	128,458	-	128,458	3,339,170
Building and equipment maintenance/repairs	-	-	-	-	529,026	529,026	-	-	-	529,026
Total expenses before depreciation	3,786,881	4,222,430	1,032,574	267,153	6,065,801	15,374,839	1,674,714	2,575,949	4,250,663	19,625,502
Depreciation and amortization	3,958,958	481,627	395,963	30,975	3,747,313	8,614,836	101,746	-	101,746	8,716,582
TOTAL EXPENSES	\$ 7,745,839	\$ 4,704,057	\$ 1,428,537	\$ 298,128	\$ 9,813,114	\$ 23,989,675	\$ 1,776,460	\$ 2,575,949	\$ 4,352,409	\$ 28,342,084

The Notes to Financial Statements
are an integral part of this statement.

Perot Museum of Nature and Science
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,175,614	\$ (1,770,659)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized (gain) loss on investments	(2,655,803)	4,056,178
Depreciation and amortization	6,477,707	8,716,582
Amortization of right-of-use asset	146,097	-
Forgiveness of note payable	-	(1,949,797)
Change in accounts receivable	9,020	218,165
Change in contributions receivable	482,290	446,620
Change in grants receivable	(1,077,835)	-
Change in prepaid expenses	(130,994)	40,773
Change in accounts payable and accrued expenses	(36,645)	(421,663)
Change in unearned revenue	147,346	18,967
Change in lease liability	(534,597)	-
	8,002,200	9,355,166
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(29,081,776)	(1,589,654)
Sale of investments	14,630,395	2,354,045
Purchase of property and equipment	(3,250,423)	(2,063,582)
	(17,701,804)	(1,299,191)
Net cash used in investing activities	(17,701,804)	(1,299,191)
Net change in cash and cash equivalents	(9,699,604)	8,055,975
CASH AND CASH EQUIVALENTS, beginning of year	36,988,679	28,932,704
CASH AND CASH EQUIVALENTS, end of year	\$ 27,289,075	\$ 36,988,679
NON-CASH SUPPLEMENTAL INFORMATION		
Intangible assets obtained through accrued license fees	\$ 115,133	\$ -
Right-of-use assets obtained through lease liabilities	\$ 7,455,638	\$ -

The Notes to Financial Statements are an integral part of these statements.

Perot Museum of Nature and Science

Notes to Financial Statements

Note 1. Purpose of Organization

Purpose

The Perot Museum of Nature and Science (the Museum or Organization), is a Texas not-for-profit corporation whose mission is to inspire minds through nature and science. The Museum was founded in 1936 as part of the Texas Centennial and was one of the first natural history museums in the region. It is the only public collections-based, research driven, natural history museum in the region.

In June 2006, the Museum acquired the net assets of the Southwest Museum of Science and Technology (The Science Place). The Science Place was founded in 1946 as the Dallas Health Museum and is one of the oldest science museums in the nation. In October 2006, the Museum acquired the net assets of the Dallas Children's Museum. In December 2012, the Museum moved from its original facility in Fair Park, which was provided by the City of Dallas to a newly constructed facility in Downtown Dallas' Victory Park area. The new facility, known as the Perot Museum of Nature and Science, is an 180,000 square foot, state-of-the-art exhibit and education space, which includes 11 permanent exhibit halls, six learning labs/classrooms, a temporary exhibit hall, a 3D digital theater, auditorium, museum shop, cafe and outdoor science park.

In 1993, operation of the Museum was transferred from the City of Dallas (which owns a portion of the collections). The City of Dallas continues to support the Museum with direct support of \$744,089 in 2023 and \$781,589 in 2022.

Note 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), which recognizes revenues when earned and expenses when incurred.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant estimates include but are not limited to the fair value of investments, allowance and discount on contributions receivable and estimated useful lives of property and equipment.

Perot Museum of Nature and Science

Notes to Financial Statements

Basis of Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Restrictions – Net assets that are not subject to donor-imposed stipulations. Restricted contributions received and released in the current year will be reported as activity between the applicable classes of assets.
- Net Assets with Restrictions – Net assets with restrictions include net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time to be used generally for capital expenditures and program support. Net assets with restrictions also include net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be retained permanently. Generally, the donors of these assets permit the Museum to use all or part of the income earned on related investments for general or specific purposes, including program support.

Revenues are reported as increases in net assets without restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with restriction (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

On October 1, 2019, the Museum adopted ASC Topic 606, *Revenue from Contracts with Customers*, (ASC 606) using the modified retrospective approach, which only applies to contracts that were not completed as of the date of initial application.

Support arising from donated services, goods, or property and equipment is recorded as both revenues and as an expense or asset based on the fair value at the date of the donation.

Revenue from the sale of tickets to the public, reservations for school programs, and tickets to the theater for dates after the end of the year is deferred as unearned revenue. Membership revenues are recognized ratably over the terms of the memberships. Amounts included in ancillary and other revenues include facilities rentals, café revenues, gift shop revenues, and parking revenues for which revenue is recognized in accordance with agreements and contracts.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs, principally in board activities, scientific laboratories, and educational programs. The value of this contributed time is not reflected in these financial statements because it does not meet criteria for recognition under the GAAP.

Perot Museum of Nature and Science

Notes to Financial Statements

Support funded by grants is recognized as the Museum meets the condition prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreement. Grant activities and outlays are subject to audit and acceptance by the granting agency, and as a result of such audit, adjustments could be required. Grants restricted based on grant requirements are released once those requirements are met.

Cash and Cash Equivalents

The Museum considers cash and cash equivalents to be cash on hand, money market accounts, and all highly liquid investments purchased with an initial maturity of three months or less. Cash and cash equivalents are reported at cost, which approximates fair value. The Organization maintains cash balances at various financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

The Museum records investments at fair value (except for the privately managed funds and private equity funds, which are reported at Net Asset Value). Under this method of accounting, fair value fluctuations are recorded in the period in which they occur by adjusting the carrying value of such investments and recognizing a net unrealized gain or loss. Realized gains and losses are recognized in the period in which they are earned or incurred. Interest income is recorded as earned. Investment income is reported in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law.

Short-term investments consist of certificates of deposit or U.S. treasuries with maturities of up to twelve months but not less than three, and are reported at cost, which approximates fair value.

Accounts Receivable

Accounts receivable consist of amounts owed on various agreements and contracts, and are included on the accompanying statements of financial position. Management determines the need for an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and by identifying troubled accounts. Historically, the Organization has not experienced significant losses on accounts receivables. Based on past experience and analysis of current receivable collectability, no allowance for doubtful accounts was considered necessary as of September 30, 2023 and 2022.

Contributions

Unconditional promises by donors to give are included on the financial statements as contributions receivable and revenue in the appropriate net asset category. The Organization reports contributions as restricted support if the support is received with donor restrictions that limit the use of the donated assets. When and if a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions, including those contributions received and released within one year, are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions in the reporting period in which the support is recognized.

Perot Museum of Nature and Science

Notes to Financial Statements

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique using a discounted rate commensurate with the risks involved. Unconditional promises to give received during the years ended September 30, 2023 and 2022 have been discounted at 4.19% and 3.60%, respectively. The resulting discount of \$35,397 and \$46,979 at September 30, 2023 and 2022, respectively, is amortized using the level-yield method.

The Organization reports contributions of land, buildings, equipment, and other long-lived assets as revenue without donor restrictions, unless explicit donor restrictions specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization evaluates the need for an allowance for uncollectible accounts based on management's analysis of specific pledges, historical collection experience, type of contribution, and nature of the fund-raising activity, and is adjusted for those contributions receivable for which collection is uncertain. Historically, the Organization has experienced minimal losses on receivables. Based on their review of the criteria above, management has recorded an allowance for uncollectible accounts of \$30,000 and \$2,000 for the years ended September 31, 2023 and 2022, respectively.

Conditional promises to give depend on the occurrence of a specified future and uncertain event to bind the potential donor. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. No amounts have been recognized in the financial statements for conditional promises to give, which generally arise from the Organization being named as a beneficiary in a revocable will or trust, because the conditions on which such contributions depend have not been substantially met.

Grants Receivable

Grants receivable consist of amounts due to the Museum related to the Employee Retention Credit.

Property and Equipment

Purchased property and equipment are stated at cost, representing the purchase price or fair market value at the date of gift, less accumulated depreciation. Depreciation expense is computed using the straight-line method over estimated useful lives of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

	<u>Estimated Useful Life</u>
Building & building improvements	3 - 40 years
Exhibits and renovations	6 - 10 years
Land improvements	5 - 15 years
Equipment and furniture	3 - 15 years
Leasehold improvements	20 years

Perot Museum of Nature and Science

Notes to Financial Statements

The Organization capitalizes property and equipment with a cost greater than \$5,000 and a useful life of greater than three years. The Organization reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired or that the depreciation or amortization period may need to be changed. If circumstances indicate the long-lived asset will not be recoverable, based upon undiscounted cash flows of the long-lived asset over the remaining life, the carrying value of the long-lived asset will be reduced by the estimated shortfall of discounted cash flows. The Organization does not believe there are any indicators that would require an adjustment of the carrying value of its long-lived assets or their remaining useful lives as of September 30, 2023 and 2022.

Collections

A portion of the collections of the Museum are owned by the City of Dallas, and a portion are owned by the Museum. The Museum's collections are comprised of objects of historical, cultural or scientific significance that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved and cared for, and monitored according to professional museum standards, and activities verifying its existence and assessing its condition are performed continuously. The collections are subject to a policy that requires proceeds from sales of collection items be used to acquire other items for collections or provide for the direct care of existing collections.

In accordance with the practice generally followed by museums, the value of objects in the collections is excluded from the financial statements. Such collections have been acquired through purchases, contributions, and fieldwork since the Museum's inception. 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 decreases in restricted net assets 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 net assets. There were no sales of collection items in 2023 or 2022.

Unearned Revenue

The Organization directly solicits memberships. Membership dues received are recognized as revenue upon receipt for the portion of the dues that are considered a contribution to the Museum, while the portion of the dues that relates to the service the Museum will provide the member is recognized as revenue ratably over the term of the membership period. Amounts not yet earned by the end of the fiscal year are reported as unearned revenue on the statements of financial position.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a nonprofit corporation exempt from federal income tax on its income, under Section 501(c)(3) of the Internal Revenue Code. The Organization follows the provisions of ASC 740-10, Income Taxes, related to unrecognized tax positions. The Organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the taxing authorities, based on the technical merits of the positions. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Perot Museum of Nature and Science

Notes to Financial Statements

The Organization does not believe there are any material uncertain tax positions and accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended September 30, 2023 and 2022, there were no interest or penalties recorded or included in the financial statements. The Organization is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof. The Organization's informational returns are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Organization is no longer subject to income tax examinations by tax authorities for years prior to 2020.

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the Statement of Functional Expenses. Salaries and related payroll expenses are recorded based on actual segregation of personnel by program or supporting services, when available. Distribution of all other expenses is based on actual usage or management's estimate of usage applicable to various programs and supporting services benefited.

Advertising Costs

The Organization uses advertising to promote its programs. The production costs of advertising are expensed as incurred and include direct media, promotional items, and advertising contracts for public relations development. For the years ended September 30, 2023 and 2022, advertising costs were approximately \$1,319,463 and \$1,279,600, respectively, and are included in advertising and promotion expenses on the statement of activities.

Deferred Compensation

The Organization holds an investment in a 457(b) plan. In accordance with GAAP, the Organization has recorded an investment - deferred compensation and a corresponding deferred compensation liability on the statement of financial position. The investment - deferred compensation is recorded at fair value. All activity related to this investment, including contributions, gain or loss and investment income, is recorded as increases or decreases to the investment and accrued expenses accounts.

Special Events

Special event revenue consists of ticket sales and contributions for the Museum's annual Night at the Museum gala. Tickets are recorded as revenue when the event has occurred. Contributions are recorded as revenue when the promise to give is determined to be unconditional.

Intangible Assets

Intangibles consist of internal-use software and film/digital media, and are valued at historical cost.

Software costs capitalized as of September 30, 2023 are \$328,006 less accumulated amortization of \$28,317 as of September 30, 2023. Amortization expense was \$28,317 for the year ended September 30, 2023.

Film/digital media costs capitalized as of September 30, 2023 were \$1,329,044, less accumulated amortization of \$861,612 as of September 30, 2023. Amortization expense was \$443,015 for year ended September 30, 2023.

Perot Museum of Nature and Science

Notes to Financial Statements

Other Assets

Other assets consist of capitalized implementation costs related to cloud computing arrangements, which are amortized on a straight-line basis over the expected term of the hosting arrangement. Capitalized implementation costs were \$422,705 as of September 30, 2023. Amortization expense of the implementation costs was \$97,547 for the year ended September 30, 2023.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on changes in net assets.

Subsequent Events

The Museum evaluated its financial statements for subsequent events through February 28, 2024, the date the financial statements were available to be issued, and determined that no events have occurred subsequent to September 30, 2023 that warrant recognition or disclosure in the accompanying financial statements.

New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842), a comprehensive new standard that amends various aspects of existing accounting guidance for leases, including the recognition of a right of use asset and a lease liability for leases with duration greater than one year. This new standard supersedes Accounting Standards Codification (ASC) 840, Leases, and replaces it with ASC 842, Leases. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Museum adopted the standard effective October 1, 2022 (the beginning of the period of adoption), and recorded ROU assets and liabilities of \$7,455,638 at that date. The Museum has elected the package of practical expedients to account for any existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under ASC Topic 842, (b) whether the classification of capital leases or operating leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

Perot Museum of Nature and Science

Notes to Financial Statements

Note 3. Contributions Receivable

As of September 30, unconditional promises to give are expected to be collected in the following periods:

	2023	2022
Due in the next year	\$ 1,092,628	\$ 1,458,500
Due in one to five years	310,000	410,000
	1,402,628	1,868,500
Less unamortized discount	(35,397)	(46,979)
Less allowance for uncollectible pledges	(30,000)	(2,000)
Total contributions receivable	\$ 1,337,231	\$ 1,819,521

Pledges and other contributions receivable are discounted at a rate of 4.19% and 3.6% at September 30, 2023 and 2022, respectively.

Note 4. Fair Value of Investments

The Organization's long-term investments are recorded at fair value and consisted of the following at September 30, 2023 and 2022:

	2023	2022
Mutual funds	\$ 10,440,830	\$ 8,696,638
Privately managed funds - equities	12,034,303	12,046,648
Private equity funds	5,324,985	4,949,648
	\$ 27,800,118	\$ 25,692,934

Short-term investments of \$15,000,000 consist of certificates of deposits with a maturity of 6 to 9 months, and are exempt from the fair value hierarchy.

Investment income at September 30, 2023 and 2022 consisted of the following:

	2023	2022
Dividends and interest	\$ 1,081,282	\$ 110,291
Net unrealized gain (loss)	2,655,847	(4,056,178)
	\$ 3,737,129	\$ (3,945,887)

Perot Museum of Nature and Science

Notes to Financial Statements

The Organization follows FASB ASC Topic 820, *Fair Value Measurements*, which provides the framework for measuring fair value. FASB ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

Level 1 Quoted prices are available in active markets that the Organization has the ability to access for identical investments as of the reporting date, without adjustment. The type of investments in Level I include listed mutual funds.

Level 2 Other significant observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices of identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Significant unobservable inputs. Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Organization evaluates its hierarchy disclosures each reporting period and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Organization expects that changes in classifications between different levels will not have a significant effect on the financial statements.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Perot Museum of Nature and Science

Notes to Financial Statements

The fair value of each asset and liability in the tables below was measured using FASB ASC 820 input guidance and valuation techniques. The following tables present the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023 and 2022:

Assets at Fair Value as of September 30, 2023						
	Liquidity	Notice Period	Level 1	Level 2	Level 3	Total
Investment - deferred compensation						
Various equity mutual funds	Daily	N/A	\$ 279,592	\$ -	\$ -	\$ 279,592
Various mutual funds	Daily	N/A	<u>10,161,238</u>	<u>-</u>	<u>-</u>	<u>10,161,238</u>
Total investments in fair value hierarchy			<u>\$ 10,440,830</u>	<u>\$ -</u>	<u>\$ -</u>	10,440,830
Investments measured at net asset value						
Japanese equities	Quarterly	60 Days				785,811
Multi-Strategy funds	Annually	90 Days				8,310,532
International equities	Quarterly	60 Days				2,937,960
Private equity fund 1	Illiquid	N/A				199,010
Private equity fund 2	Illiquid	N/A				2,796,221
Private equity fund 3	Illiquid	N/A				1,778,143
Biotechnology funds	Annually	90 days				<u>551,611</u>
Total long-term investments						<u>\$ 27,800,118</u>

Assets at Fair Value as of September 30, 2022						
	Liquidity	Notice Period	Level 1	Level 2	Level 3	Total
Investment - deferred compensation						
Various equity mutual funds	Daily	N/A	\$ 195,653	\$ -	\$ -	\$ 195,653
Various mutual funds	Daily	N/A	<u>8,500,985</u>	<u>-</u>	<u>-</u>	<u>8,500,985</u>
Total investments in fair value hierarchy			<u>\$ 8,696,638</u>	<u>\$ -</u>	<u>\$ -</u>	8,696,638
Investments measured at net asset value						
Japanese equities	Quarterly	60 Days				744,911
Multi-Strategy funds	Annually	90 Days				8,706,333
International equities	Quarterly	60 Days				2,595,404
Private equity fund 1	Illiquid	N/A				273,141
Private equity fund 2	Illiquid	N/A				2,850,744
Private equity fund 3	Illiquid	N/A				1,324,922
Biotechnology funds	Annually	90 days				<u>500,841</u>
Total Investments						<u>\$ 25,692,934</u>

Perot Museum of Nature and Science

Notes to Financial Statements

Fair Value of Investments that Calculate Net Asset Value

The Organization invests in the following investment companies that are reported at net asset value. Investments reported at net asset value are excluded from the fair value hierarchy. The following table summarizes investments measured at fair value based on net asset value (NAVs) per share as of September 30, 2023:

<u>September 30, 2023</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Private equity fund 1 (a)	\$ 199,010	\$ 34,024	See (a)	See (a)
Private equity fund 2 (a)	2,796,221	490,000	See (a)	See (a)
Private equity fund 3 (a)	1,778,143	1,858,000	See (a)	See (a)
International equities (b)	2,937,960	-	See (b)	See (b)
Multi-strategy funds (c)	8,310,532	-	See (c)	See (c)
Japanese Equities (d)	785,811	-	See (d)	See (d)
Biotechnology funds (e)	551,611	-	See (e)	See (e)

The following table summarizes investments measured at fair value based on net asset value (NAVs) per share as of September 30, 2022:

<u>September 30, 2022</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Private equity fund 1 (a)	\$ 273,141	\$ -	See (a)	See (a)
Private equity fund 2 (a)	2,850,744	660,000	See (a)	See (a)
Private equity fund 3 (a)	1,324,922	1,575,500	See (a)	See (a)
International equities (b)	2,595,404	-	See (b)	See (b)
Multi-strategy funds (c)	8,706,333	-	See (c)	See (c)
Japanese Equities (d)	744,911	-	See (d)	See (d)
Biotechnology funds (e)	500,841	-	See (e)	See (e)

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A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Organization's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

- (a) Private equity funds – The private equity fund contains interest in various established private equity funds and interest in operating companies owned by private equity funds. Due to the nature of the investments, restrictions on redemptions exist in some of the private equity funds and amounts are considered illiquid.
- (b) International equities – The international equities includes an investment in a fund of funds that invests primarily in long U.S. and international equities with a long-term investment horizon. Withdrawals may be made at the end of any fiscal quarter by giving notice no later than 60 days prior to the quarter end of the withdrawal.
- (c) Multi-strategy funds – The multi-strategy funds include investments in various relative value arbitrage strategies which use varying degrees of hedging and leverage, a diversified group of long and short equity funds that attempt to minimize market risk through a hedged approach, and various other securities and funds. Withdrawals may be made on an annual basis.
- (d) Japanese Equities – The Japanese equities fund include investments in various domestic Japanese securities. Withdrawals may be made on a quarterly basis.
- (e) Biotechnology funds – The biotechnology funds include privately managed investment vehicles in the biotechnology sector. Withdrawals may be made at the end of the year by giving notice no later than 90 days prior to year-end of the withdrawal.

Note 5. Property and Equipment

Property and equipment consisted of the following as of September 30:

	2023	2022
Building and building improvements	\$ 113,587,892	\$ 112,484,802
Exhibits and renovations	35,951,850	35,716,806
Land and land improvements	26,134,554	25,918,402
Equipment and furniture	8,401,578	8,565,965
Leasehold improvements	1,581,120	1,581,120
Artwork	201,953	201,953
Work in progress	1,707,462	1,138,546
	187,566,409	185,607,594
Less accumulated depreciation and amortization	(81,549,225)	(76,296,427)
	\$ 106,017,184	\$ 109,311,167

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Notes to Financial Statements

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are summarized as follows:

	2023	2022
Accounts payable	\$ 829,443	\$ 489,062
Other accrued expenses	458,097	654,395
Deferred compensation	242,372	211,146
Accrued compensation and benefits	1,017,303	1,229,257
	\$ 2,547,215	\$ 2,583,860

Note 7. Revolving Line of Credit

On September 14, 2021, the Museum entered into a revolving line of credit with borrowing limit of \$10,000,000, with an unpaid balance due, if any, at September 14, 2024. The line of credit has a variable interest rate of LIBOR rate plus 1.25%. The Museum had a balance of \$0 outstanding under the revolving line of credit at September 30, 2023 and 2022, respectively. Interest expense for the line of credit for the years ended September 30, 2023 and 2022 was \$0.

Note 8. Defined Contribution Plan

The Museum has established a 401(k) Plan for the benefit of all its employees. Employees are eligible to participate on the first day of the month subsequent to their hire. Each eligible employee may contribute to the plan. The Museum may, at the Board's discretion, match contributions based upon the employee's contribution to the plan. The Museum recognized an expense of approximately \$273,000 and \$246,000 in 2023 and 2022, respectively, representing its matching contribution, and is included within salaries and benefits expenses on the statement of activities.

Note 9. Net Assets

Net assets without donor restrictions included certain amounts that were designated by the Museum's board to be spent for the following purposes at September 30:

	2023	2022
Endowment	\$ 17,419,075	\$ 16,055,455
Innovation Reserve	7,000,000	-
Building	-	1,288,768
Exhibits	-	4,104,503
Technology	-	1,135,840
	\$ 24,419,075	\$ 22,584,566

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Net assets with donor restrictions are restricted for the following purposes at September 30:

	2023	2022
Campaign for Excellence	\$ -	\$ 500,000
Education programs	2,900,993	3,606,652
Fundraising development	5,608,500	6,487,796
Exhibits/Renovations	2,379,008	-
Endowment investment activity	2,571,861	2,093,959
Restricted in perpetuity	7,500,000	7,500,000
	\$ 20,960,362	\$ 20,188,407

Net assets were released from restrictions by incurring expenses to satisfy the following purpose restrictions or by the passage of time during the years ended September 30:

	2023	2022
Campaign for Excellence	\$ 500,000	\$ 1,086,751
Bio-Lab	-	100,000
Education programs	3,452,079	2,988,178
Exhibits	1,206,532	-
Fundraising development	3,118,969	2,448,394
Endowment investment income	328,495	271,576
	\$ 8,606,075	\$ 6,894,899

Note 10. Endowment

Interpretation of Relevant Law

The Museum follows FASB ASC 958-205, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds, which provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the 2006 UPMIFA. The Museum, relying on information and advice from legal counsel and appointed officers, has interpreted UPMIFA to require the preservation of the historic dollar value of the donor restricted endowment fund pool, absent explicit donor direction to the contrary.

The Museum's endowment consists of numerous accounts established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi endowment). Board designated quasi-endowment funds are resources that the Board of Directors, rather than an external donor, has determined are to be retained and managed like an endowment. Corpus, income and unrealized gains (and losses) of these funds may be utilized at the discretion of the Board of Directors and are therefore classified within the net assets without donor restrictions category.

Net Assets with Donor Restrictions – held in perpetuity

Net assets with donor restrictions include the original historic dollar value of donor-restricted endowment assets, including any subsequent gifts and any required accumulations to be made in accordance with the donor gift instrument (mandatory capitalization) that are restricted in perpetuity.

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Notes to Financial Statements

Net Assets with Donor Restrictions – time and purpose

Net assets with donor restrictions also include unrealized gains and losses, realized gains and losses, and any accumulations made on donor-restricted endowment assets. These amounts are subject to the discretionary capitalization policy and will be considered restricted until those amounts are appropriated for expenditure in accordance with the standard of care required by UPMIFA.

Net Assets without Donor Restrictions

Income from external endowment assets to be used to support current operations is classified as net assets without donor restrictions.

Endowment net assets consist of the following at September 30:

	2023		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 17,419,075	\$ -	\$ 17,419,075
Donor restricted endowment funds	-	10,071,861	10,071,861
Total endowed net assets	\$ 17,419,075	\$ 10,071,861	\$ 27,490,936
	2022		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 16,055,455	\$ -	\$ 16,055,455
Donor restricted endowment funds	-	9,593,959	9,593,959
Total endowed net assets	\$ 16,055,455	\$ 9,593,959	\$ 25,649,414

Changes in the endowment for the years ended September 30, 2023 and 2022 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment, October 1, 2021	\$ 19,588,682	\$ 10,857,119	\$ 30,445,801
Investment income	89,133	30,375	119,508
Unrealized loss	(3,034,463)	(1,021,715)	(4,056,178)
Change in restriction	(587,897)	(271,820)	(859,717)
Endowment, September 30, 2022	16,055,455	9,593,959	25,649,414
Investment income	119,274	44,224	163,498
Unrealized gains	1,893,629	762,173	2,655,802
Change in restriction	(649,283)	(328,495)	(977,778)
Endowment, September 30, 2023	\$ 17,419,075	\$ 10,071,861	\$ 27,490,936

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From time to time, the fair value of assets associated with individual donor-restricted endowment accounts may fall below the level that the donor or UPMIFA requires the Museum to retain for perpetuity. A deficiency of this nature would be reported in net assets without donor restrictions. No individual donor-restricted endowment accounts fell below this threshold, and donor-restricted endowment funds contained no deficiency for the years ending September 30, 2023 and 2022.

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs and scholarships supported by endowment while seeking to maintain the real purchasing power of the endowment. Endowment assets are invested to yield a level of return to meet the objectives of the fund while adhering to a prudent level of risk.

Strategies Employed for Achieving Objectives

The Museum investment objective is to earn inflation-offsetting returns that preserve the real value of the assets and where possible earn enhanced returns to achieve the spending objectives of the operations supported by the endowments. The endowment assets are invested in a diversified investment portfolio designed to achieve a balance of income and growth objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate to Spending Policy

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

1. The duration and preservation of the fund;
2. The purposes of the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Museum; and
7. The investment policies of the Museum.

After maintaining the real value of the permanent endowment funds, any remainder of total return is available for appropriation. The Museum appropriates investment earnings, as considered prudent, to meet the Museum's long term and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions.

Note 11. Leases

The Museum leases a parking lot under a long-term, non-cancelable lease agreement. The Museum determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term, utilizing the discount rate implicit in the lease. The ROU assets also include any lease pre-payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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In evaluating contracts to determine if they qualify as a lease, the Museum considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment. None of the Museum's lease agreements contain contingent rental payments, material residual value guarantees or material restrictive covenants. The depreciable life of related leasehold improvements is based on the shorter of the useful life or the lease term. The Museum has no sublease agreements. The Museum performs interim reviews of its long-lived assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable, and The Museum did not recognize an impairment expense associated with operating lease assets during 2023.

The Museum has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Museum accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. The present value of The Museum's lease payments may include: (1) rental payments adjusted for inflation or market rates, and (2) lease terms with options to renew the lease when it is reasonably certain the Museum will exercise such an option.

The exercise of lease renewal options is generally at the Museum's discretion. Payments based on a change in an index or market rate are not considered in the determination of lease payments for purposes of measuring the related lease liability. The Museum also elected not to restate comparative prior periods, and to utilize the transition date (September 30, 2022) as the date of initial application, as permitted by ASC Topic 842. The Museum has elected to apply the short-term lease exemption whereby leases that are less than twelve months in duration are not included as ROU assets and lease liabilities. The Museum has lease agreements with lease and non-lease components, which are generally accounted for separately. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Museum's leases contain various terms and expire at various dates. For leases containing renewal options, The Museum has evaluated whether it is reasonably certain to renew.

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Notes to Financial Statements

The components of lease expense, cash flow information, and other information for the year-ended September 30, 2023:

Lease Cost		
Operating lease cost	\$	388,500
Total lease cost		388,500
Cash paid for amounts included in the measurement of lease liabilities	\$	534,597
Operating cash flows from operating leases	\$	146,097
Operating lease assets obtained in exchange for lease liabilities, net	\$	7,455,638
Weighted-average remaining lease term		28.25 years
Weighted-average discount rate		3.43%

The supplemental statement of financial position information related to leases for the period is as follows:

Current portion of lease liabilities - operating	\$	388,500
Long-term portion of lease liabilities - operating		10,489,500
Total future minimum lease payments		10,878,000
Less: imputed interest		(3,956,959)
Total future minimum lease payments	\$	6,921,041

Maturities of the Museum's lease liabilities are as follows:

Year Ending September 30		
2024	\$	388,500
2025		388,500
2026		388,500
2027		388,500
2028		388,500
Thereafter		8,935,500
		10,878,000
Less: imputed interest		(3,956,959)
Total future minimum lease payments	\$	6,921,041

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Notes to Financial Statements

Prior Disclosures under ASC 840

Total lease expense was approximately \$1,412,485 in 2022.

The Museum entered into a 20-year lease of a parking lot beginning in January 2012 with the City of Dallas. The lease calls for minimum annual payments of \$388,500. The agreement also calls for additional rent based upon collections, as defined in the agreement. The agreement also allows for two 10-year lease extensions. The lease is being expensed in the Museum's financial statements in level amounts over the lease terms.

Scheduled minimum payments under leases is as follows at September 30, 2022:

Year Ending September 30,		
2023	\$	388,500
2024		388,500
2025		388,500
2026		388,500
2027		388,500
2028 and thereafter		1,651,125
	\$	3,593,625

Note 12. Concentrations

At September 30, 2023, the Museum had outstanding pledges due from one donor that accounted for approximately 30% of contributions receivable. At September 30, 2022, the Museum had outstanding pledges due from four donors that accounted for approximately 78% of contributions receivable.

Note 13. Liquidity

The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments. For the purposes of analyzing resources available to meet general expenditures within 12 months, the Museum considers all expenditures related to its programs, management, and fundraising to be general expenditures. Amounts not available include endowment net assets, board designated reserves, and donor-restricted net assets as well as long-term assets not available within one year. As of September 30, 2023, the following financial assets could readily be made available within one year to meet general expenditures:

Cash and cash equivalents	\$	14,895,620
Accounts receivable		285,091
Grants receivable for general expenditure due in one year or less		1,077,835
Contributions receivable for general expenditure due in one year or less		404,541
Board-approved endowment distribution in next 12 months		948,000
Short-term investments available in next 12 months		15,000,000
Financial assets due within one year of statement of financial position date for general expenditure	\$	32,611,087

Perot Museum of Nature and Science

Notes to Financial Statements

Note 14. Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended September 30, 2023 consisted of the following:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Contributed services	\$ 44,477	Exhibits, Education, and Supporting Services	No associated donor restrictions	Contributed services are valued at the estimated fair value based on current rates for similar services.
Contributed goods	<u>60,680</u>	Exhibits, Education, and Supporting Services	No associated donor restrictions	Contributed goods are valued at the estimated fair value based on current rates for similar goods.
Total contributed nonfinancial assets	<u>\$ 105,157</u>			

Contributed nonfinancial assets for the year ended September 30, 2022 consisted of the following:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Contributed services	<u>\$ 75,727</u>	Exhibits, Education, and Supporting Services	No associated donor restrictions	Contributed services are valued at the estimated fair value based on current rates for similar services.
Total contributed nonfinancial assets	<u>\$ 75,727</u>			

Note 15. PPP Loan

On March 26, 2021, the Museum entered into a promissory note under the Paycheck Protection Program (PPP) pursuant to the CARES Act in the amount of \$1,949,797. On May 6, 2022, the Museum's application for forgiveness was accepted by the Small Business Administration and the note was fully forgiven and is included within government support on the statement of activities for year ended September 30, 2022.

Note 16. Employee Retention Credit

The Museum is eligible for the Employee Retention Credit ("ERC") under the Cares Act.

Grants received for the ERC at September 30, 2023 are \$1,077,835, which represents refunds due on the 2021 Form 941-X Employer Quarterly Federal Tax Return for the quarters ending March 31, 2021 and June 30, 2021. Grants receivable under ERC were recorded as government grant revenue on the accompanying statement of activities for year ended September 30, 2023.