

**ExpERIENCE Children's
Museum**

AUDITED FINANCIAL STATEMENTS

June 30, 2013 and 2012



***Coleman
& Co, P.C.***

Certified Public Accountants

ExpERIEnce Children's Museum

AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
ExpERIEence Children's Museum

We have audited the accompanying financial statements of ExpERIEence Children's Museum (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activity, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes 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.

Auditor Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Erie Philharmonic, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited ExpERIEncE Children's Museum's 2012 financial statements, and our report dated January 15, 2013, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Coleman & Co., P.C.

COLEMAN & CO., PC
April 22, 2014

STATEMENTS OF FINANCIAL POSITION June 30, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash	\$ 265,761	\$ 205,847
Receivables, less allowance of \$0		
Promises to Give (Note 3)	93,000	93,000
Receivables less allowance of \$0	685	641
Inventory	2,605	1,468
Prepaid Insurance	629	2,447
Total Current Assets	<u>362,680</u>	<u>303,403</u>
PROPERTY AND EQUIPMENT, Net (Note 2)	480,485	536,527
PROMISES TO GIVE (Note 3)	0	60,000
OTHER ASSETS:		
Beneficial Interest in a Perpetual Trust (Note 6)	48,318	45,436
Interest in a Pooled Investment Fund (Note 6)	64,237	60,348
Total Other Assets	<u>112,555</u>	<u>105,784</u>
TOTAL ASSETS	<u><u>\$ 955,720</u></u>	<u><u>\$ 1,005,714</u></u>

LIABILITIES and NET ASSETS

CURRENT LIABILITIES		
Current Portion of Long-Term Debt (Note 9)	\$ 2,778	\$ 2,620
Line of Credit (Note 8)	17,500	18,000
Accounts Payable	15,448	77,555
Accrued Payroll and Related	10,056	9,373
Deferred Income	28,075	0
Total Current Liabilities	<u>73,857</u>	<u>107,548</u>
LONG-TERM DEBT		
Notes Payable (Note 9)	80,739	83,440
NET ASSETS:		
Unrestricted	373,569	377,727
Temporarily Restricted (Note 4)	315,000	331,215
Permanently Restricted (Note 5)	112,555	105,784
Total Net Assets	<u>801,124</u>	<u>814,726</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 955,720</u></u>	<u><u>\$ 1,005,714</u></u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITY For the years ended June 30, 2013 and 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013	2012
SUPPORT AND REVENUE					
Admissions	\$ 109,667	\$ 0	\$ 0	\$ 109,667	\$ 95,139
Fundraising	2,901	0	0	2,901	8,097
Gift Shop Revenue	5,841	0	0	5,841	6,708
Memberships	33,880	0	0	33,880	30,269
Earned Income	19,566	0	0	19,566	16,563
Contributions	58,971	0	0	58,971	41,863
Grants	57,264	0	0	57,264	136,152
Endowment Income	4,317	0	6,771	11,088	(3,204)
Other Revenue	6,361	0	0	6,361	7,591
Donated Services and Goods	41,413	0	0	41,413	127,633
Interest Income	919	0	0	919	1,937
Total Support and Revenue	<u>341,100</u>	<u>0</u>	<u>6,771</u>	<u>347,871</u>	<u>468,748</u>
Net Assets Released From Restrictions	16,215	(16,215)	0	0	0
	<u>357,315</u>	<u>(16,215)</u>	<u>6,771</u>	<u>347,871</u>	<u>468,748</u>
EXPENSES					
FUNCTIONAL EXPENSES					
Program	152,257	0	0	152,257	154,591
Supporting	167,474	0	0	167,474	162,012
Membership and Fundraising	41,742	0	0	41,742	42,321
Total Functional Expenses	<u>361,473</u>	<u>0</u>	<u>0</u>	<u>361,473</u>	<u>358,924</u>
INCREASE (DECREASE) IN NET ASSETS	(4,158)	(16,215)	6,771	(13,602)	109,824
NET ASSETS, BEGINNING OF YEAR	377,727	331,215	105,784	814,726	704,902
NET ASSETS, END OF YEAR	<u>\$ 373,569</u>	<u>\$ 315,000</u>	<u>\$ 112,555</u>	<u>\$ 801,124</u>	<u>\$ 814,726</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (13,602)	\$ 109,824
Adjustments to Reconcile Increase in Net Assets to Net Cash Used by Operations:		
Depreciation	66,613	46,590
Gain on Disposal of assets	0	(1,012)
(Increase) Decrease in Endowment Fund	(6,771)	7,811
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Receivables	59,956	(316)
(Increase) Decrease in Inventory	(1,137)	(1,468)
(Increase) Decrease in Prepaid Insurance	1,818	(206)
Increase (Decrease) in Accounts Payable	(62,107)	3,997
Increase (Decrease) in Accrued Payroll and Related Liabilities	683	1,524
Increase (Decrease) in Deferred Revenue	28,075	0
Net Cash Used (Provided) by Operations	<u>73,528</u>	<u>166,744</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	<u>(10,571)</u>	<u>(114,717)</u>
Net Cash Used by Investing Activities	<u>(10,571)</u>	<u>(114,717)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from New Borrowings	30,500	16,000
Repayments of Long-Term Debt	<u>(33,543)</u>	<u>(5,383)</u>
Net Cash Used (Provided) by Financing Activities	<u>(3,043)</u>	<u>10,617</u>
NET INCREASE (DECREASE) IN CASH	59,914	62,644
CASH, BEGINNING OF THE YEAR	<u>205,847</u>	<u>143,203</u>
CASH, END OF THE YEAR	<u>\$ 265,761</u>	<u>\$ 205,847</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of ExpERIEncE Children's Museum ("Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization and Nature of Activities

The ExpERIEncE Children's Museum is a corporation established to operate a museum for the benefit of the children of Erie County, Pennsylvania and its neighboring counties. It provides educational and cultural needs of the children by, among other things, emphasizing participating experiences in art, humanities and science. The organization is funded mainly through admissions, contributions and grants.

The corporation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The organization has not been classified as a private foundation. The Organization's Form 990, *Return of Organization Exempt from Income Tax* for the years 2011, 2012, and 2013 are subjected to examination by the IRS, generally for three years after they were filed.

Basis of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis for financial statement presentation. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is paid.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers time deposits, certificates of deposit, and all other highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The Organization had no cash equivalents at June 30, 2013 and 2012.

Concentration of Credit Risk

Cash Balances - The Organization maintains cash balances at several local financial institutions. The cash accounts at these financial institutions are insured by the FDIC for up to \$250,000. The balances, at times, may exceed federally insured limits. At June 30, 2013 and 2012, the Organization did not exceed the limit.

Uncollectible Accounts

The Corporation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is deemed necessary.

Restricted Assets

Grants and other contributions of cash and non-cash assets are reported as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activity as net assets released from restrictions. Cash and other assets that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the cash is received.

ExpERIEncE Children's Museum

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is valued at cost and consists of gift shop items.

Property and Equipment

The Organization follows the practice of capitalizing expenditures for capital assets at cost. Depreciation is computed based on the expected useful lives of the assets using the straight-line method. Maintenance and repairs are charged to operations when incurred. Donated assets are capitalized at an estimated fair value upon receipt. Collections are not depreciated.

The estimated useful lives for depreciation are:

Land and Building Improvements	10 years
Buildings	40 years
Furniture and Fixtures	7 years
Equipment	3-7 years
Exhibits	5 years

Contributions

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give are received from a broad base of Erie County contributors. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

Contributions of donated noncash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

Date of Management's Review

Subsequent events were evaluated through April 22, 2014, which is the date the financial statements were available for issuance.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 and 2012 consists of the following:

	2013	2012
Land Improvements	\$ 10,666	10,666
Buildings	374,400	374,400
Building Improvements	138,851	131,978
Equipment	68,370	68,370
Exhibits	512,742	509,043
Permanent Collection	8,425	8,425
	<u>1,113,454</u>	<u>1,102,882</u>
Less: Accumulated Depreciation	632,969	566,355
Net Property and Equipment	<u>\$ 480,485</u>	<u>536,527</u>

Depreciation expense for the year ended June 30, 2013 and 2012 was \$66,613 and \$46,590, respectively.

ExpERIENCE Children's Museum

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013 and 2012

NOTE 3 PROMISES TO GIVE

During January 2013, the Organization received a fourth installment on a capital pledge of \$300,000 from a local employer. The contribution is restricted for capital improvements and expansion of the Museum. At June 30, 2013, \$300,000 has been pledged, of which \$93,000 is receivable and due in less than one year.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

The Museum has received monies, through a Capital Campaign, the use of which has been restricted by the donor to be used for the design and expansion of the present facility. These amounts are recognized in the financial statements as temporarily restricted net assets and, as the donor restrictions are met by the expenditure of the funds in accordance with the donor's wishes, the amounts are "released" and reflected on the statements of activity as such.

NOTE 5 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2013 and 2012 consist of endowment funds restricted in perpetuity to continue the purpose of the organization. Income generated by these assets can be used for operating activities. See Note 6.

NOTE 6 BENEFICIAL INTEREST IN A PERPETUAL TRUST AND INTEREST IN A POOLED INVESTMENT FUND

The Museum has endowment funds invested with and controlled by two separate community organizations and identified on the Statements of Financial Position as a Beneficial Interest in a Perpetual Trust and an Interest In A Pooled Investment Fund. These are recorded at fair market value. Funds are donated by members of the community on behalf of the Museum and are held by each respective community organization. The Museum is entitled to income earned from endowment fund investments as long as the Museum continues in existence and follows current stated objectives. Gains of \$9,016 and losses of \$4,408 were recorded by the Museum at June 30, 2013 and 2012, respectively.

The Museum also recorded investment expense in 2013 and 2012 of \$817 and \$458, respectively. Total income distributed to the Museum in 2013 and 2012 from these funds were \$4,762 and \$4,607, respectively.

Endowment Reconciliation

Changes in Endowment net assets for the year ended June 30, 2013 and 2012 were as follows:

	2013	2012
Beginning Endowment Net Assets	\$ 105,784	\$ 113,595
Contributions	0	0
Investment Income, Net of Fees	2,517	1,204
Net Appreciation (Realized and Unrealized)	9,016	(4,408)
Appropriated for Expenditure	(4,762)	(4,607)
Ending Endowment Net Assets	<u>\$ 112,555</u>	<u>\$ 105,784</u>

ExpERIENCE Children's Museum

NOTES TO FINANCIAL STATEMENTS (Continued) June 30, 2013 and 2012

NOTE 7 DONATED SERVICES AND GOODS

Income from donated services and goods are allocated as follows:

	2013	2012
Personnel-Volunteers	\$ 24,579	\$ 42,996
Professional Services	15,000	15,000
Goods	1,834	69,637
	<u>\$ 41,413</u>	<u>\$ 127,633</u>

NOTE 8 LINE OF CREDIT

The Museum obtained a \$50,000 working capital line of credit effective May 13, 2011 with its principal depository. This line of credit is secured by real property and continues in full force and effect until such time all of the Museum's loans in favor of their principal depositor have been paid in full. The rate of interest at June 30, 2013 was 4.50%. Borrowing against the line of credit at June 30, 2013 and 2012 was \$17,500 and \$18,000, respectively.

NOTE 9 NOTES PAYABLE

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
Note payable to Erie Bank secured by real property. Payments of principal and interest of \$632 are due monthly through May 2016. Interest is computed at a rate of 5.86%. Beginning in June 2016 principal and interest of \$605 will be due monthly through May 2031. Interest for that period will be computed at a rate based on the five year Federal Home Loan Bank of Pittsburgh plus a margin of 2.75%.	<u>\$ 83,517</u>	<u>\$ 86,060</u>
	83,517	86,060
Less: current portion	<u>2,778</u>	<u>2,620</u>
Long-Term Debt	<u>\$ 80,739</u>	<u>\$ 83,440</u>

Principal payments on long-term debt due in future years is estimated as follows:

For the year ending June 30,	
2013	\$ 2,778
2014	2,945
2015	3,122
2016	3,310
2017	3,510
2018 and thereafter	<u>67,852</u>
	<u>\$ 83,517</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013 and 2012

NOTE 10 STATEMENT OF CASH FLOWS

Cash paid for interest amounted to \$6,131 and \$6,010 at June 30, 2013 and 2012, respectively.

The Organization had non-cash transactions at June 30, 2012, whereby they purchased, through the incurring of current liabilities, fixed assets in the amount of \$56,391. This amount has been excluded from the operating and investing sections of the Statement of Cash Flows.

SUPPLEMENTAL INFORMATION

ExpERIENCE Children's Museum

SCHEDULE OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2013

	Program Services	Supporting Services	Membership and Fundraising	Total
Salaries	\$ 71,093	\$ 30,890	\$ 32,343	\$ 134,326
Payroll Taxes	7,819	3,397	3,557	14,773
Employee Benefits	2,163	1,795	984	4,942
Total Salaries and Related Expenses	<u>81,075</u>	<u>36,082</u>	<u>36,884</u>	<u>154,041</u>
Occupancy	0	38,921	0	38,921
Advertising	0	3,062	0	3,062
Office Supplies	0	4,625	0	4,625
Postage	0	1,125	0	1,125
Printing and Publications	0	3,357	0	3,357
Dues	0	2,030	0	2,030
Finance Charges	0	2,748	0	2,748
Supplies	10,139	0	4,858	14,997
Instructors and Performers	1,860	0	0	1,860
Exhibits	0	0	0	0
Depreciation	28,444	38,169	0	66,613
Professional Fees	0	21,803	0	21,803
Taxes	0	2,948	0	2,948
Gift Shop	3,649	0	0	3,649
Miscellaneous	100	4,731	0	4,831
Repair and Maintenance	2,411	1,742	0	4,153
Volunteers	24,579	0	0	24,579
Interest	0	6,131	0	6,131
TOTAL EXPENSES	<u>\$ 152,257</u>	<u>\$ 167,474</u>	<u>\$ 41,742</u>	<u>\$ 361,473</u>

See Independent Auditors' Report.

ExpERIENCE Children's Museum

SCHEDULE OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2012

	Program Services	Supporting Services	Membership and Fundraising	Total
Salaries	\$ 74,761	\$ 35,315	\$ 30,189	\$ 140,265
Payroll Taxes	7,406	3,498	2,990	13,894
Employee Benefits	1,300	614	525	2,439
Total Salaries and Related Expenses	<u>83,467</u>	<u>39,427</u>	<u>33,704</u>	<u>156,598</u>
Occupancy	0	33,527	0	33,527
Advertising	0	2,872	0	2,872
Office Supplies	0	4,961	0	4,961
Postage	0	3,015	0	3,015
Printing and Publications	0	7,637	0	7,637
Dues	0	2,978	0	2,978
Finance Charges	0	1,916	0	1,916
Supplies	17,359	0	7,297	24,656
Instructors and Performers	480	0	0	480
Exhibits	665	0	0	665
Depreciation	17,069	29,521	0	46,590
Professional Fees	0	23,116	0	23,116
Taxes	0	2,484	0	2,484
Gift Shop	3,846	0	0	3,846
Miscellaneous	402	3,588	1,320	5,310
Repair and Maintenance	480	960	0	1,440
Volunteers	30,823	0	0	30,823
Interest	0	6,010	0	6,010
TOTAL EXPENSES	<u>\$ 154,591</u>	<u>\$ 162,012</u>	<u>\$ 42,321</u>	<u>\$ 358,924</u>

See Independent Auditors' Report.