

**ExpERIENCE Children's  
Museum**

AUDITED FINANCIAL STATEMENTS

June 30, 2015 and 2014



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

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**Certified Public Accountants**

# **ExpERIEnce Children's Museum**

## **AUDITED FINANCIAL STATEMENTS**

**June 30, 2015 and 2014**

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*Coleman & Co., P.C.*

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
ExpERIEnce Children's Museum

We have audited the accompanying financial statements of ExpERIEnce Children's Museum (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activity, 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 ExpERIEnce Children's Museum as of June 30, 2015 and 2014, 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.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental information on pages 11 through 12 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report on Summarized Comparative Information**

We have previously audited ExpERIEnce Children's Museum's 2014 financial statements, and our report dated April 21, 2015, 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, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Coleman & Co, P.C.*

**COLEMAN & CO., PC**  
January 18, 2016

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 293,294	\$ 249,143
Receivables, less allowance of \$0	11,493	21,250
Inventory	7,680	3,982
Prepaid Expenses	1,172	0
Total Current Assets	<u>313,639</u>	<u>274,375</u>
PROPERTY AND EQUIPMENT, Net (Note 2)	658,093	487,698
OTHER ASSETS		
Beneficial Interest in a Perpetual Trust (Note 6)	53,661	54,379
Interest in a Pooled Investment Fund (Note 6)	67,951	71,441
Total Other Assets	<u>121,612</u>	<u>125,820</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,093,344</u></b>	<b><u>\$ 887,893</u></b>
 <b>LIABILITIES and NET ASSETS</b>		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt (Note 8)	\$ 3,122	\$ 2,945
Line of Credit (Note 5)	0	17,500
Accounts Payable	68,012	18,338
Accrued Payroll and Related	11,698	10,171
Deferred Revenue	64,957	0
Total Current Liabilities	<u>147,789</u>	<u>48,954</u>
LONG-TERM DEBT		
Note Payable (Note 8)	74,835	77,874
NET ASSETS		
Unrestricted	622,054	404,693
Temporarily Restricted (Note 3)	127,055	230,553
Permanently Restricted (Note 4)	121,611	125,819
Total Net Assets	<u>870,720</u>	<u>761,065</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,093,344</u></b>	<b><u>\$ 887,893</u></b>

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

**STATEMENTS OF ACTIVITY**  
**For the years ended June 30, 2015 and 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	2014
<b>SUPPORT AND REVENUE</b>					
Admissions	\$ 130,793	\$ 0	\$ 0	\$ 130,793	\$ 101,249
Gift Shop Revenue	11,634	0	0	11,634	7,480
Memberships	54,880	0	0	54,880	38,973
Earned Income	28,933	0	0	28,933	21,665
Contributions	97,942	0	0	97,942	55,476
Grants	134,009	0	0	134,009	63,961
Endowment Income	4,464	0	(4,208)	256	17,499
Program Income	10,293	0	0	10,293	8,920
Donated Services and Goods	25,421	0	0	25,421	9,602
Other Income	795	0	0	795	0
Interest Income	1,000	0	0	1,000	781
Total Support and Revenue	500,164	0	(4,208)	495,956	325,606
Net Assets Released From Restrictions	103,498	(103,498)	0	0	0
	603,662	(103,498)	(4,208)	495,956	325,606
<b>EXPENSES</b>					
<b>FUNCTIONAL EXPENSES</b>					
Program	177,746	0	0	177,746	158,821
Supporting	172,812	0	0	172,812	169,828
Membership and Fundraising	35,743	0	0	35,743	37,016
Total Functional Expenses	386,301	0	0	386,301	365,665
INCREASE (DECREASE) IN NET ASSETS	217,361	(103,498)	(4,208)	109,655	(40,059)
NET ASSETS, BEGINNING OF YEAR	404,693	230,553	125,819	761,065	801,124
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 622,054</b>	<b>\$ 127,055</b>	<b>\$ 121,611</b>	<b>\$ 870,720</b>	<b>\$ 761,065</b>

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

**STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 109,655	\$ (40,059)
Adjustments to Reconcile Increase in Net Assets to Net Cash Used by Operations:		
Depreciation	71,574	68,167
(Increase) Decrease in Endowment Fund	4,208	(13,265)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Receivables	9,757	(20,565)
(Increase) Decrease in Promises to Give	0	93,000
(Increase) Decrease in Inventory	(3,698)	(1,377)
(Increase) Decrease in Prepaid Expenses	(1,172)	629
Increase (Decrease) in Accounts Payable	(535)	2,890
Increase (Decrease) in Accrued Payroll and Related	1,527	115
Increase (Decrease) in Deferred Revenue	64,957	(28,075)
Net Cash Flows Provided (Used) by Operating Activities	<u>256,273</u>	<u>61,460</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	<u>(191,759)</u>	<u>(75,380)</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>(191,759)</u>	<u>(75,380)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of Line of Credit	(17,500)	0
Repayments of Long-Term Debt	(2,863)	(2,698)
Net Cash Flows Provided (Used) by Financing Activities	<u>(20,363)</u>	<u>(2,698)</u>
NET INCREASE (DECREASE) IN CASH	44,151	(16,618)
CASH, BEGINNING OF THE YEAR	<u>249,143</u>	<u>265,761</u>
CASH, END OF THE YEAR	<u>\$ 293,294</u>	<u>\$ 249,143</u>

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



## NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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### 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.

#### 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, 2015 and 2014.

#### Concentration of Credit Risk

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, 2015 and 2014, the Organization did not exceed the limit.

#### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Corporation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is deemed necessary.

# ExpERIEncE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

### NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### 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	5 -10 years
Buildings	40 years
Furniture and Fixtures	7 years
Equipment	3-5 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.

#### Income Tax Status

The Organization is generally exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and is not a private foundation. Contributions qualify for deduction under the Internal Revenue Code.

The Organization's Form 990, *Return of Organization Exempt from Income Tax* for the years ending 2011, 2012, and 2013 are subjected to examination by the IRS, generally for three years after they were filed.

#### Date of Management's Review

Subsequent events were evaluated through January 18, 2016, which is the date the financial statements were available for issuance.

# ExpERIENCE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

### NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Land Improvements	\$ 10,666	10,666
Buildings	374,400	374,400
Building Improvements	279,544	175,826
Equipment	78,764	70,008
Exhibits	679,004	549,509
Permanent Collection	<u>8,425</u>	<u>8,425</u>
	1,430,803	1,188,834
Less: Accumulated Depreciation	<u>772,710</u>	<u>701,136</u>
Net Property and Equipment	<u>\$ 658,093</u>	<u>487,698</u>

Depreciation expense for the year ended June 30, 2015 and 2014 was \$71,574 and \$68,167, respectively.

### NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

The Organization has received monies, through a Capital Campaign, the use of which has been restricted by the donors 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 donors' wishes, the amounts are "released" and reflected on the statements of activity as such.

### NOTE 4 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2015 and 2014 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 5 LINE OF CREDIT

The Organization 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 Organization's loans in favor of their principal depositor have been paid in full. The rate of interest at June 30, 2015 was 4.50%. Borrowing against the line of credit at June 30, 2015 and 2014 was \$17,500 and \$17,500, respectively.

# ExpERIEncE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

### 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 \$1,417 and \$9,771 were recorded by the Museum at June 30, 2015 and 2014, respectively.

The Museum also recorded investment expense in 2015 and 2014 of \$1,068 and \$684, respectively. Total income distributed to the Museum in 2015 and 2014 from these funds were \$4,930 and \$4,234, respectively.

#### Endowment Reconciliation

Changes in Endowment net assets for the year ended June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Beginning Endowment Net Assets	\$ 125,820	\$ 112,555
Contributions	0	0
Investment Income, Net of Fees	2,139	7,728
Net Appreciation (Realized and Unrealized)	(1,417)	9,771
Appropriated for Expenditure	(4,930)	(4,234)
Ending Endowment Net Assets	<u>\$ 121,612</u>	<u>\$ 125,820</u>

### NOTE 7 DONATED SERVICES AND GOODS

Income from donated services and goods are allocated as follows:

	<u>2015</u>	<u>2014</u>
Personnel-Volunteers	\$ 10,302	\$ 8,106
Goods	15,119	1,496
	<u>\$ 25,421</u>	<u>\$ 9,602</u>

# ExpERIENCE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2015 and 2014

### NOTE 8 NOTE PAYABLE

Long-term debt consists of the following:

	<u>2015</u>	<u>2014</u>
Note payable to 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%.	\$ 77,957	\$ 80,819
	<u>77,957</u>	<u>80,819</u>
Less: Current Portion	<u>3,122</u>	<u>2,945</u>
Long-Term Debt	<u>\$ 74,835</u>	<u>\$ 77,874</u>

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

For the year ending June 30,	
2016 .....	\$ 3,122
2017 .....	3,310
2018 .....	3,510
2019 .....	3,821
2020 .....	3,945
2021 and thereafter .....	<u>60,249</u>
	<u>\$ 77,957</u>

### NOTE 9 STATEMENT OF CASH FLOWS

Cash paid for interest amounted to \$5,269 and \$5,745 at June 30, 2015 and 2014, respectively.

The Museum had non-cash transactions at June 30, 2015 and 2014, whereby they incurred an accounts payable in the amount of \$50,209 and \$0, respectively, to purchase fixed assets. These amounts have been excluded from the operating and investing sections of the Statements of Cash Flows.

## **SUPPLEMENTAL INFORMATION**

# ExpERIENCE Children's Museum

## SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

	Program Services	Supporting Services	Membership and Fundraising	Total
Salaries	\$ 93,812	\$ 18,488	\$ 31,954	\$ 144,254
Payroll Taxes	10,451	2,060	3,560	16,071
Employee Benefits	672	133	229	1,034
Total Salaries and Related Expenses	104,935	20,681	35,743	161,359
Occupancy	0	40,413	0	40,413
Advertising	0	17,979	0	17,979
Office Supplies	0	17,069	0	17,069
Postage	0	1,494	0	1,494
Printing and Publications	0	7,753	0	7,753
Dues	0	1,267	0	1,267
Finance Charges	0	4,962	0	4,962
Supplies	13,536	370	0	13,906
Instructors and Performers	200	0	0	200
Depreciation	33,890	37,684	0	71,574
Professional Fees	0	6,938	0	6,938
Taxes	0	3,561	0	3,561
Gift Shop	9,542	0	0	9,542
Miscellaneous	4,431	6,052	0	10,483
Repair and Maintenance	910	1,320	0	2,230
Volunteers	10,302	0	0	10,302
Interest	0	5,269	0	5,269
<b>TOTAL EXPENSES</b>	<b>\$ 177,746</b>	<b>\$ 172,812</b>	<b>\$ 35,743</b>	<b>\$ 386,301</b>

See Independent Auditors' Report.

# ExpERIEncE Children's Museum

## SCHEDULE OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2014

	Program Services	Supporting Services	Membership and Fundraising	Total
Salaries	\$ 90,465	\$ 17,754	\$ 30,777	\$ 138,996
Payroll Taxes	12,052	2,365	4,100	18,517
Employee Benefits	2,497	490	849	3,836
Total Salaries and Related Expenses	105,014	20,609	35,726	161,349
Occupancy	0	41,449	0	41,449
Advertising	0	8,024	0	8,024
Office Supplies	0	4,591	0	4,591
Postage	0	1,929	0	1,929
Printing and Publications	0	10,122	0	10,122
Dues	0	1,903	0	1,903
Finance Charges	0	3,911	0	3,911
Supplies	7,823	0	1,290	9,113
Instructors and Performers	4,117	0	0	4,117
Depreciation	26,137	42,030	0	68,167
Professional Fees	0	21,077	0	21,077
Taxes	0	2,722	0	2,722
Gift Shop	6,368	0	0	6,368
Miscellaneous	0	2,148	0	2,148
Repair and Maintenance	1,256	3,568	0	4,824
Volunteers	8,106	0	0	8,106
Interest	0	5,745	0	5,745
<b>TOTAL EXPENSES</b>	<b>\$ 158,821</b>	<b>\$ 169,828</b>	<b>\$ 37,016</b>	<b>\$ 365,665</b>

*See Independent Auditors' Report.*