

**ExpERIENCE Children's  
Museum**

AUDITED FINANCIAL STATEMENTS

June 30, 2016 and 2015



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

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**Certified Public Accountants**

# **ExpERIEnce Children's Museum**

## **AUDITED FINANCIAL STATEMENTS**

**June 30, 2016 and 2015**

**TABLE OF CONTENTS**  
**June 30, 2016 and 2015**

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**AUDITED FINANCIAL STATEMENTS**

Independent Auditors' Report .....	1
Statements of Financial Position .....	3
Statements of Activity .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6

**SUPPLEMENTAL INFORMATION**

Schedule of Functional Expenses .....	11
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C E R T I F I E D P U B L I C A C C O U N T A N T S

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## **INDEPENDENT AUDITORS' 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, 2016 and 2015, 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 audits. 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 ExpERIEence Children's Museum as of June 30, 2016 and 2015, 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 2015 financial statements, and our report dated January 18, 2016 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**  
May 8, 2017

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 303,039	\$ 293,294
Receivables, less allowance of \$0	122	11,493
Inventory	12,204	7,680
Prepaid Expenses	1,717	1,172
Total Current Assets	<u>317,082</u>	<u>313,639</u>
PROPERTY AND EQUIPMENT, Net (Note 2)	652,676	658,093
<b>OTHER ASSETS</b>		
Beneficial Interest in a Perpetual Trust (Note 6)	50,432	53,661
Interest in a Pooled Investment Fund (Note 6)	66,973	67,951
Total Other Assets	<u>117,405</u>	<u>121,612</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,087,163</u></b>	<b><u>\$ 1,093,344</u></b>
 <b>LIABILITIES and NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt (Note 8)	\$ 3,310	\$ 3,122
Accounts Payable	16,841	68,012
Accrued Payroll and Related	9,737	11,698
Deferred Revenue	47,433	64,957
Total Current Liabilities	<u>77,321</u>	<u>147,789</u>
<b>LONG-TERM DEBT</b>		
Note Payable (Note 8)	71,521	74,835
<b>NET ASSETS</b>		
Unrestricted	705,051	622,054
Temporarily Restricted (Note 3)	115,865	127,055
Permanently Restricted (Note 4)	117,405	121,611
Total Net Assets	<u>938,321</u>	<u>870,720</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,087,163</u></b>	<b><u>\$ 1,093,344</u></b>

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

**STATEMENTS OF ACTIVITY**  
**For the years ended June 30, 2016 and 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
<b>SUPPORT AND REVENUE</b>					
Admissions	\$ 139,593	\$ 0	\$ 0	\$ 139,593	\$ 130,793
Gift Shop Revenue	18,036	0	0	18,036	11,634
Memberships	66,012	0	0	66,012	54,880
Earned Income	41,089	0	0	41,089	28,933
Contributions	135,270	0	0	135,270	97,942
Grants	79,571	0	0	79,571	134,009
Endowment Income	1,898	0	(4,206)	(2,308)	256
Program Income	56,798	0	0	56,798	10,293
Donated Services and Goods	21,282	0	0	21,282	25,421
Other Income	1,041	0	0	1,041	795
Interest Income	715	0	0	715	1,000
Total Support and Revenue	<u>561,305</u>	<u>0</u>	<u>(4,206)</u>	<u>557,099</u>	<u>495,956</u>
Net Assets Released From Restrictions	<u>11,190</u>	<u>(11,190)</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>572,495</u>	<u>(11,190)</u>	<u>(4,206)</u>	<u>557,099</u>	<u>495,956</u>
<b>EXPENSES</b>					
<b>FUNCTIONAL EXPENSES</b>					
Program	260,481	0	0	260,481	177,746
Supporting	201,271	0	0	201,271	172,812
Membership and Fundraising	27,746	0	0	27,746	35,743
Total Functional Expenses	<u>489,498</u>	<u>0</u>	<u>0</u>	<u>489,498</u>	<u>386,301</u>
INCREASE (DECREASE) IN NET ASSETS	82,997	(11,190)	(4,206)	67,601	109,655
NET ASSETS, BEGINNING OF YEAR	<u>622,054</u>	<u>127,055</u>	<u>121,611</u>	<u>870,720</u>	<u>761,065</u>
NET ASSETS, END OF YEAR	<u>\$ 705,051</u>	<u>\$ 115,865</u>	<u>\$ 117,405</u>	<u>\$ 938,321</u>	<u>\$ 870,720</u>

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

**STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 67,601	\$ 109,655
Adjustments to Reconcile Increase in Net Assets to Net Cash Used by Operations:		
Depreciation	98,781	71,574
(Increase) Decrease in Endowment Fund	4,207	4,208
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Receivables	11,371	9,757
(Increase) Decrease in Inventory	(4,524)	(3,698)
(Increase) Decrease in Prepaid Expenses	(545)	(1,172)
Increase (Decrease) in Accounts Payable	(51,172)	(535)
Increase (Decrease) in Accrued Payroll and Related	(1,961)	1,527
Increase (Decrease) in Deferred Revenue	(17,524)	64,957
Net Cash Flows Provided (Used) by Operating Activities	<u>106,234</u>	<u>256,273</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	<u>(93,364)</u>	<u>(191,759)</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>(93,364)</u>	<u>(191,759)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of Line of Credit	0	(17,500)
Repayments of Long-Term Debt	<u>(3,125)</u>	<u>(2,863)</u>
Net Cash Flows Provided (Used) by Financing Activities	<u>(3,125)</u>	<u>(2,863)</u>
NET INCREASE (DECREASE) IN CASH	9,745	44,151
CASH, BEGINNING OF THE YEAR	<u>293,294</u>	<u>249,143</u>
CASH, END OF THE YEAR	<u>\$ 303,039</u>	<u>\$ 293,294</u>

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



# ExpERIEncE Children's Museum

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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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, 2016 and 2015.

#### 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, 2016 and 2015, the Organization exceeded the limit by \$33,739 and \$44,424, respectively.

#### 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, 2016 and 2015

### 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 2013, 2014, and 2015 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 May 8, 2017, which is the date the financial statements were available for issuance.

# ExpERIENCE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

### NOTE 2 PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Land Improvements	\$ 10,666	10,666
Buildings	374,400	374,400
Building Improvements	288,477	279,544
Equipment	92,041	78,764
Exhibits	750,158	679,004
Permanent Collection	<u>8,425</u>	<u>8,425</u>
	1,524,167	1,430,803
Less: Accumulated Depreciation	<u>871,490</u>	<u>772,710</u>
Net Property and Equipment	<u>\$ 652,676</u>	<u>658,093</u>

Depreciation expense for the year ended June 30, 2016 and 2015 was \$98,781 and \$71,574 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, 2016 and 2015 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, 2016 was 4.50%. There were no borrowings against the line of credit at June 30, 2016 or 2015.

# ExpERIENCE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

### 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. Losses of \$3,248 and \$1,417 were recorded by the Museum at June 30, 2016 and 2015, respectively.

The Museum also recorded investment expense in 2016 and 2015 of \$1,058 and \$1,068, respectively. Total income distributed to the Museum in 2016 and 2015 from these funds were \$2,370 and \$4,930, respectively.

#### Endowment Reconciliation

Changes in Endowment net assets for the year ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Beginning Endowment Net Assets	\$ 121,612	\$ 125,820
Contributions	0	0
Investment Income, Net of Fees	1,411	2,139
Net Appreciation (Realized and Unrealized)	(3,248)	(1,417)
Appropriated for Expenditure	<u>(2,370)</u>	<u>(4,930)</u>
Ending Endowment Net Assets	<u>\$ 117,405</u>	<u>\$ 121,612</u>

### NOTE 7 DONATED SERVICES AND GOODS

Income from donated services and goods are allocated as follows:

	<u>2016</u>	<u>2015</u>
Personnel-Volunteers	\$ 10,302	\$ 10,302
Goods	<u>9,950</u>	<u>15,119</u>
	<u>\$ 21,282</u>	<u>\$ 25,421</u>

# ExpERIENCE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016 and 2015

### NOTE 8 NOTE PAYABLE

Long-term debt consists of the following:

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%.

Less: Current Portion  
Long-Term Debt

	<u>2016</u>	<u>2015</u>
	\$ 74,831	\$ 77,957
	74,831	77,957
	<u>3,310</u>	<u>3,122</u>
	<u>\$ 71,521</u>	<u>\$ 74,835</u>

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

For the year ending June 30,

2017 .....	\$ 3,310
2018 .....	3,510
2019 .....	3,821
2020 .....	3,945
2021 .....	4,182
2022 and thereafter .....	<u>56,063</u>
	<u>\$ 74,831</u>

### NOTE 9 STATEMENT OF CASH FLOWS

Cash paid for interest amounted to \$4,506 and \$5,269 at June 30, 2016 and 2015, respectively.

The Museum had non-cash transactions at June 30, 2016 and 2015, whereby they incurred an accounts payable in the amount of \$0 and \$50,209, 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, 2016

	Program Services	Supporting Services	Membership and Fundraising	Total
Salaries	\$ 119,122	\$ 25,154	\$ 23,184	\$ 167,460
Payroll Taxes	14,102	2,978	2,745	19,825
Employee Benefits	2,125	449	414	2,988
Total Salaries and Related Expenses	<u>135,349</u>	<u>28,581</u>	<u>26,343</u>	<u>190,273</u>
Occupancy	0	50,585	0	50,585
Advertising	0	25,767	0	25,767
Office Supplies	0	16,712	0	16,712
Postage and Shipping	2,416	1,572	0	3,988
Printing and Publications	0	0	0	0
Dues	0	1,854	0	1,854
Finance Charges	0	6,324	0	6,324
Supplies	27,151	1,318	0	28,469
Instructors and Performers	805	0	0	805
Depreciation	55,316	43,465	0	98,781
Professional Fees	0	7,081	0	7,081
Taxes	0	3,751	0	3,751
Gift Shop	15,306	0	0	15,306
Miscellaneous	9,375	5,860	1,403	16,638
Repair and Maintenance	3,431	3,895	0	7,326
Volunteers	11,332	0	0	11,332
Interest	0	4,506	0	4,506
<b>TOTAL EXPENSES</b>	<b><u>\$ 260,481</u></b>	<b><u>\$ 201,271</u></b>	<b><u>\$ 27,746</u></b>	<b><u>\$ 489,498</u></b>

*See Independent Auditors' Report.*

# 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
<b>Total Salaries and Related Expenses</b>	<b>104,935</b>	<b>20,681</b>	<b>35,743</b>	<b>161,359</b>
Occupancy	0	40,413	0	40,413
Advertising	0	17,979	0	17,979
Office Supplies	0	17,069	0	17,069
Postage and Shipping	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.*