

**ExpERIEnce Children's
Museum**

AUDITED FINANCIAL STATEMENTS

June 30, 2017 and 2016



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

Certified Public Accountants

ExpERIENCE Children's Museum

AUDITED FINANCIAL STATEMENTS

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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, 2017 and 2016, 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 and fair presentation 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 ExpERIEncE Children's Museum as of June 30, 2017 and 2016, 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 and 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 2016 financial statements, and our report dated May 8, 2017 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, 2016 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, 2018

STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 299,670	\$ 303,039
Receivables, less allowance of \$0	18,451	122
Inventory	11,088	12,204
Prepaid Expenses	3,177	1,717
Total Current Assets	332,386	317,082
PROPERTY AND EQUIPMENT, Net (Note 2)	597,194	652,676
OTHER ASSETS		
Beneficial Interest in a Perpetual Trust (Note 6)	53,552	50,432
Interest in a Pooled Investment Fund (Note 6)	91,670	66,973
Total Other Assets	145,222	117,405
TOTAL ASSETS	\$ 1,074,802	\$ 1,087,163
 LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt (Note 8)	\$ 3,510	\$ 3,310
Accounts Payable	30,123	16,841
Accrued Payroll and Related	14,946	9,737
Deferred Revenue	51,896	47,433
Total Current Liabilities	100,475	77,321
LONG-TERM DEBT		
Note Payable (Note 8)	67,675	71,521
NET ASSETS		
Unrestricted	690,682	705,051
Unrestricted - Board Designated	17,825	0
Temporarily Restricted (Note 3)	70,748	115,865
Permanently Restricted (Note 4)	127,397	117,405
Total Net Assets	906,652	938,321
TOTAL LIABILITIES AND NET ASSETS	\$ 1,074,802	\$ 1,087,163

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

STATEMENTS OF ACTIVITY
For the years ended June 30, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUE					
Admissions	\$ 143,268	\$ 0	\$ 0	\$ 143,268	\$ 139,593
Gift Shop Revenue	21,364	0	0	21,364	18,036
Memberships	74,752	0	0	74,752	66,012
Earned Income	49,200	0	0	49,200	41,089
Contributions	120,488	0	276	120,764	135,270
Grants	71,427	0	0	71,427	79,571
Endowment Income	4,625	0	9,716	14,341	(2,308)
Program Income	59,920	0	0	59,920	56,798
Donated Services and Goods	14,982	0	0	14,982	21,282
Other Income	2,822	0	0	2,822	1,041
Interest Income	753	0	0	753	715
Total Support and Revenue	<u>563,601</u>	<u>0</u>	<u>9,992</u>	<u>573,593</u>	<u>557,099</u>
Net Assets Released From Restrictions	45,117	(45,117)	0	0	0
	<u>608,718</u>	<u>(45,117)</u>	<u>9,992</u>	<u>573,593</u>	<u>557,099</u>
EXPENSES					
FUNCTIONAL EXPENSES					
Program	314,176	0	0	314,176	260,481
Supporting	254,619	0	0	254,619	201,271
Membership and Fundraising	36,467	0	0	36,467	27,746
Total Functional Expenses	<u>605,262</u>	<u>0</u>	<u>0</u>	<u>605,262</u>	<u>489,498</u>
INCREASE (DECREASE) IN NET ASSETS	3,456	(45,117)	9,992	(31,669)	67,601
NET ASSETS, BEGINNING OF YEAR	705,051	115,865	117,405	938,321	870,720
NET ASSETS, END OF YEAR	<u>\$ 708,507</u>	<u>\$ 70,748</u>	<u>\$ 127,397</u>	<u>\$ 906,652</u>	<u>\$ 938,321</u>

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

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (31,669)	\$ 67,601
Adjustments to Reconcile Increase in Net Assets to Net Cash Used by Operations:		
Depreciation	102,187	98,781
Donated Vehicle	(23,942)	0
(Increase) Decrease in Endowment Fund	(27,817)	4,207
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Receivables	(18,329)	11,371
(Increase) Decrease in Inventory	1,116	(4,524)
(Increase) Decrease in Prepaid Expenses	(1,460)	(545)
Increase (Decrease) in Accounts Payable	13,282	(51,172)
Increase (Decrease) in Accrued Payroll and Related	5,209	(1,961)
Increase (Decrease) in Deferred Revenue	4,463	(17,524)
Net Cash Flows Provided (Used) by Operating Activities	<u>23,040</u>	<u>106,234</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(22,762)	(93,364)
Net Cash Flows Provided (Used) by Investing Activities	<u>(22,762)</u>	<u>(93,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Long-Term Debt	(3,647)	(3,125)
Net Cash Flows Provided (Used) by Financing Activities	<u>(3,647)</u>	<u>(3,125)</u>
NET INCREASE (DECREASE) IN CASH	(3,369)	9,745
CASH, BEGINNING OF THE YEAR	<u>303,039</u>	<u>293,294</u>
CASH, END OF THE YEAR	<u>\$ 299,670</u>	<u>\$ 303,039</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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 statements 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, 2017 and 2016.

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, 2017 the Organization was within FDIC limits. At June 30, 2016, the Organization exceeded the limit by \$33,739.

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, 2017 and 2016

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 2014, 2015, and 2016 are subject 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, 2018, which is the date the financial statements were available for issuance.

ExpERIENCE Children's Museum

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017 and 2016

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Land Improvements	\$ 10,666	10,666
Buildings	374,400	374,400
Building Improvements	288,477	288,477
Equipment	93,022	92,040
Exhibits	771,939	750,158
Vehicles	23,942	0
Permanent Collection	<u>8,425</u>	<u>8,425</u>
	1,570,871	1,524,166
Less: Accumulated Depreciation	<u>973,677</u>	<u>871,490</u>
Net Property and Equipment	<u>\$ 597,194</u>	<u>652,676</u>

Depreciation expense for the year ended June 30, 2017 and 2016 was \$102,187 and \$98,781 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, 2017 and 2016 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 the Organization's loan in favor of their principal depositor has been paid in full. The rate of interest at June 30, 2017 was 4.50%. There were no borrowings against the line of credit at June 30, 2017 or 2016.

ExpERIEncE Children's Museum

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2017 and 2016

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 and (losses) of \$13,674 and (\$3,248) were recorded by the Museum at June 30, 2017 and 2016, respectively.

The Museum also recorded investment expense in 2017 and 2016 of \$1,140 and \$1,058, respectively. Total income distributed to the Museum in 2017 and 2016 from these funds were \$5,108 and \$2,370, respectively.

Endowment Reconciliation

Changes in Endowment net assets for the year ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Beginning Endowment Net Assets	\$ 117,405	\$ 121,612
Contributions	18,101	0
Investment Income, Net of Fees	1,150	1,411
Net Appreciation (Depreciation)-Realized and Unrealized	13,674	(3,248)
Appropriated for Expenditure	<u>(5,108)</u>	<u>(2,370)</u>
Ending Endowment Net Assets	<u>\$ 145,222</u>	<u>\$ 117,405</u>

NOTE 7 DONATED SERVICES AND GOODS

Income from donated services and goods are allocated as follows:

	<u>2017</u>	<u>2016</u>
Personnel-Volunteers	\$ 9,732	\$ 10,302
Goods	<u>5,250</u>	<u>9,950</u>
	<u>\$ 14,982</u>	<u>\$ 21,282</u>

ExpERIEnce Children's Museum

NOTES TO FINANCIAL STATEMENTS (Continued) June 30, 2017 and 2016

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>2017</u>	<u>2016</u>
\$ 71,185	\$ 74,831
<u>71,185</u>	<u>74,831</u>
3,510	3,310
<u>\$ 67,675</u>	<u>\$ 71,521</u>

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

For the year ending June 30,

2018	\$ 3,510
2019	3,821
2020	3,945
2021	4,182
2022	4,434
2023 and thereafter	<u>51,293</u>
	<u>\$ 71,185</u>

NOTE 9 STATEMENTS OF CASH FLOWS

Cash paid for interest amounted to \$3,197 and \$4,506 at June 30, 2017 and 2016, respectively.

At June 30, 2017, the Museum had non-cash transactions from the donation of a vehicle in the amount of \$23,942.

SUPPLEMENTAL INFORMATION

ExpERIENCE Children's Museum

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	Program Services	Supporting Services	Membership and Fundraising	Total
Salaries	\$ 153,717	\$ 32,422	\$ 30,450	\$ 216,589
Payroll Taxes	17,498	3,690	3,467	24,655
Employee Benefits	1,969	415	390	2,774
Total Salaries and Related Expenses	<u>173,184</u>	<u>36,527</u>	<u>34,307</u>	<u>244,018</u>
Occupancy	0	65,546	0	65,546
Advertising	0	39,889	0	39,889
Office Supplies	0	12,216	0	12,216
Postage and Shipping	0	1,824	0	1,824
Dues	0	2,353	0	2,353
Finance Charges	0	5,861	0	5,861
Supplies	29,117	5,687	0	34,804
Instructors and Performers	670	0	0	670
Depreciation	66,039	36,148	0	102,187
Professional Fees	0	6,465	0	6,465
Taxes	0	3,833	0	3,833
Gift Shop	14,957	0	0	14,957
Miscellaneous	20,054	25,722	2,160	47,936
Repair and Maintenance	281	9,351	0	9,632
Volunteers	9,874	0	0	9,874
Interest	0	3,197	0	3,197
TOTAL EXPENSES	<u>\$ 314,176</u>	<u>\$ 254,619</u>	<u>\$ 36,467</u>	<u>\$ 605,262</u>

See Independent Auditors' Report.

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	135,349	28,581	26,343	190,273
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
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
TOTAL EXPENSES	\$ 260,481	\$ 201,271	\$ 27,746	\$ 489,498

See Independent Auditors' Report.