

**ExpERIENCE Children's
Museum**

AUDITED FINANCIAL STATEMENTS

June 30, 2014 and 2013



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

Certified Public Accountants

ExpERIEnce Children's Museum

AUDITED FINANCIAL STATEMENTS

June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S 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, 2014 and 2013, 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 Experience Children's Museum as of June 30, 2014 and 2013, 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 2013 financial statements, and our report dated April 22, 2014, 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, 2014 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 21, 2015

STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash	\$ 249,143	\$ 265,761
Receivables, less allowance of \$0		
Promises to Give (Note 3)	0	93,000
Receivables less allowance of \$0	21,250	685
Inventory	3,982	2,605
Prepaid Insurance	0	629
Total Current Assets	<u>274,375</u>	<u>362,680</u>
PROPERTY AND EQUIPMENT, Net (Note 2)	487,698	480,485
OTHER ASSETS:		
Beneficial Interest in a Perpetual Trust (Note 6)	54,379	48,318
Interest in a Pooled Investment Fund (Note 6)	71,441	64,237
Total Other Assets	<u>125,820</u>	<u>112,555</u>
TOTAL ASSETS	<u>\$ 887,893</u>	<u>\$ 955,720</u>

LIABILITIES and NET ASSETS

CURRENT LIABILITIES		
Current Portion of Long-Term Debt (Note 9)	\$ 2,945	\$ 2,778
Line of Credit (Note 8)	17,500	17,500
Accounts Payable	18,338	15,448
Accrued Payroll and Related	10,171	10,056
Deferred Income	0	28,075
Total Current Liabilities	<u>48,954</u>	<u>73,857</u>
LONG-TERM DEBT		
Notes Payable (Note 9)	77,874	80,739
NET ASSETS:		
Unrestricted	404,693	373,569
Temporarily Restricted (Note 4)	230,553	315,000
Permanently Restricted (Note 5)	125,819	112,555
Total Net Assets	<u>761,065</u>	<u>801,124</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 887,893</u>	<u>\$ 955,720</u>

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

STATEMENTS OF ACTIVITY
For the years ended June 30, 2014 and 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014	2013
SUPPORT AND REVENUE					
Admissions	\$ 101,249	\$ 0	\$ 0	\$ 101,249	\$ 109,667
Fundraising	0	0	0	0	2,901
Gift Shop Revenue	7,480	0	0	7,480	5,841
Memberships	38,973	0	0	38,973	33,880
Earned Income	21,665	0	0	21,665	19,566
Contributions	55,476	0	0	55,476	58,971
Grants	63,961	0	0	63,961	57,264
Endowment Income	4,235	0	13,264	17,499	11,088
Other Revenue	8,920	0	0	8,920	6,361
Donated Services and Goods	9,602	0	0	9,602	41,413
Interest Income	781	0	0	781	919
Total Support and Revenue	<u>312,342</u>	<u>0</u>	<u>13,264</u>	<u>325,606</u>	<u>347,871</u>
Net Assets Released From Restrictions	84,447	(84,447)	0	0	0
	<u>396,789</u>	<u>(84,447)</u>	<u>13,264</u>	<u>325,606</u>	<u>347,871</u>
EXPENSES					
FUNCTIONAL EXPENSES					
Program	158,821	0	0	158,821	152,257
Supporting	169,828	0	0	169,828	167,474
Membership and Fundraising	37,016	0	0	37,016	41,742
Total Functional Expenses	<u>365,665</u>	<u>0</u>	<u>0</u>	<u>365,665</u>	<u>361,473</u>
INCREASE (DECREASE) IN NET ASSETS	31,124	(84,447)	13,264	(40,059)	(13,602)
NET ASSETS, BEGINNING OF YEAR	373,569	315,000	112,555	801,124	814,726
NET ASSETS, END OF YEAR	<u>\$ 404,693</u>	<u>\$ 230,553</u>	<u>\$ 125,819</u>	<u>\$ 761,065</u>	<u>\$ 801,124</u>

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

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (40,059)	\$ (13,602)
Adjustments to Reconcile Increase in Net Assets to Net Cash Used by Operations:		
Depreciation	68,167	66,613
(Increase) Decrease in Endowment Fund	(13,265)	(6,771)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Receivables	(20,565)	59,956
(Increase) Decrease in Promises to Give	93,000	0
(Increase) Decrease in Inventory	(1,377)	(1,137)
(Increase) Decrease in Prepaid Insurance	629	1,818
Increase (Decrease) in Accounts Payable	2,890	(62,107)
Increase (Decrease) in Accrued Payroll and Related Liabilities	115	683
Increase (Decrease) in Deferred Revenue	(28,075)	28,075
Net Cash Used (Provided) by Operations	<u>61,460</u>	<u>73,528</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	<u>(75,380)</u>	<u>(10,571)</u>
Net Cash Used by Investing Activities	<u>(75,380)</u>	<u>(10,571)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from New Borrowings	0	30,500
Repayments of Long-Term Debt	<u>(2,698)</u>	<u>(33,543)</u>
Net Cash Used (Provided) by Financing Activities	<u>(2,698)</u>	<u>(3,043)</u>
NET INCREASE (DECREASE) IN CASH	(16,618)	59,914
CASH, BEGINNING OF THE YEAR	<u>265,761</u>	<u>205,847</u>
CASH, END OF THE YEAR	<u>\$ 249,143</u>	<u>\$ 265,761</u>

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

ExpERIEncE Children's Museum

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 2010, 2011, and 2012 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, 2014 and 2013.

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, 2014 and 2013, 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, 2014 and 2013

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	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.

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 April 21, 2015, which is the date the financial statements were available for issuance.

ExpERIEnce Children's Museum

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Land Improvements	\$ 10,666	10,666
Buildings	374,400	374,400
Building Improvements	175,826	138,851
Equipment	70,008	68,370
Exhibits	549,509	512,742
Permanent Collection	<u>8,425</u>	<u>8,425</u>
	1,188,834	1,113,454
Less: Accumulated Depreciation	<u>701,136</u>	<u>632,969</u>
Net Property and Equipment	<u>\$ 487,698</u>	<u>480,485</u>

Depreciation expense for the year ended June 30, 2014 and 2013 was \$68,167 and \$66,613, respectively.

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. There were no pledges receivable at June 30, 2014.

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, 2014 and 2013 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.

ExpERIENCE Children's Museum

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

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 \$9,771 and \$9,016 were recorded by the Museum at June 30, 2014 and 2013, respectively.

The Museum also recorded investment expense in 2014 and 2013 of \$684 and \$817, respectively. Total income distributed to the Museum in 2014 and 2013 from these funds were \$4,235 and \$4,762, respectively.

Endowment Reconciliation

Changes in Endowment net assets for the year ended June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Beginning Endowment Net Assets	\$ 112,555	\$ 105,784
Contributions	0	0
Investment Income, Net of Fees	7,728	2,517
Net Appreciation (Realized and Unrealized)	9,771	9,016
Appropriated for Expenditure	(4,235)	(4,762)
Ending Endowment Net Assets	<u>\$ 125,819</u>	<u>\$ 112,555</u>

NOTE 7 DONATED SERVICES AND GOODS

Income from donated services and goods are allocated as follows:

	<u>2014</u>	<u>2013</u>
Personnel-Volunteers	\$ 8,106	\$ 24,579
Professional Services	0	15,000
Goods	1,496	1,834
	<u>\$ 9,602</u>	<u>\$ 41,413</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, 2014 was 4.50%. Borrowing against the line of credit at June 30, 2014 and 2013 was \$17,500 and \$17,500, respectively.

ExpERIEnce Children's Museum

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE 9 NOTES PAYABLE

Long-term debt consists of the following:

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%.

Less: current portion
Long-Term Debt

	<u>2014</u>	<u>2013</u>
	\$ 80,819	\$ 83,517
	80,819	83,517
	<u>2,945</u>	<u>2,778</u>
	<u>\$ 77,874</u>	<u>\$ 80,739</u>

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

For the year ending June 30,

2014	\$ 2,945
2015	3,122
2016	3,310
2017	3,510
2018	3,821
2019 and thereafter	<u>64,111</u>
	<u>\$ 80,819</u>

NOTE 10 STATEMENT OF CASH FLOWS

Cash paid for interest amounted to \$5,745 and \$6,131 at June 30, 2014 and 2013, respectively.

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
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, 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	<u>105,014</u>	<u>20,609</u>	<u>35,726</u>	<u>161,349</u>
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
TOTAL EXPENSES	<u>\$ 158,821</u>	<u>\$ 169,828</u>	<u>\$ 37,016</u>	<u>\$ 365,665</u>

See Independent Auditors' Report.