

**ExpERIENCE Children's  
Museum**

AUDITED FINANCIAL STATEMENTS

June 30, 2019 and 2018



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

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**Certified Public Accountants**

**ExpERIENCE Children's Museum**

**AUDITED FINANCIAL STATEMENTS**

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**June 30, 2019 and 2018**

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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, 2019 and 2018, 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 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, 2019 and 2018, 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 2018 financial statements, and our report dated January 18, 2019 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, 2018 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 23, 2020

# ExpERIENCE Children's Museum

## STATEMENTS OF FINANCIAL POSITION June 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 243,095	\$ 240,171
Receivables:		
Pledges Receivable, net (Note 2)	67,392	0
Accounts Receivable	3,418	0
Inventory	7,817	11,580
Prepaid Expenses	2,603	1,998
Total Current Assets	<u>324,325</u>	<u>253,749</u>
PLEDGES RECEIVABLE (Note 2)	158,424	0
PROPERTY AND EQUIPMENT, Net (Note 3)	500,135	551,699
<b>OTHER ASSETS</b>		
Beneficial Interest in a Perpetual Trust (Note 7)	55,256	55,525
Interest in a Pooled Investment Fund (Note 7)	109,602	106,820
Total Other Assets	<u>164,858</u>	<u>162,345</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,147,742</u></b>	<b><u>\$ 967,793</u></b>
 <b>LIABILITIES and NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt (Note 9)	\$ 3,945	\$ 3,821
Accounts Payable	12,720	12,626
Accrued Payroll and Related	2,849	4,268
Deferred Revenue	65,066	50,271
Total Current Liabilities	<u>84,580</u>	<u>70,986</u>
<b>LONG-TERM DEBT</b>		
Note Payable (Note 9)	59,450	63,554
<b>NET ASSETS</b>		
Without Donor Restriction	668,160	670,908
Without Donor Restriction - Board Designated	27,825	27,825
With Donor Restriction (Note 4)	307,727	134,520
Total Net Assets	<u>1,003,712</u>	<u>833,253</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,147,742</u></b>	<b><u>\$ 967,793</u></b>

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

# ExpERIENCE Children's Museum

## STATEMENTS OF ACTIVITY For the years ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
<b>SUPPORT AND REVENUE</b>				
Admissions	\$ 157,970	\$ 0	\$ 157,970	\$ 151,624
Gift Shop Revenue	31,437	0	31,437	25,595
Memberships	80,485	0	80,485	81,872
Earned Income	77,210	0	77,210	60,859
Contributions	259,591	170,694	430,285	120,475
Grants	78,099	0	78,099	81,792
Endowment Income	5,387	2,513	7,900	12,085
Program Income	69,646	0	69,646	68,312
Donated Services and Goods	21,084	0	21,084	23,800
Other Income	533	0	533	2,080
Interest Income	915	0	915	554
Total Support and Revenue	<u>782,357</u>	<u>173,207</u>	<u>955,564</u>	<u>629,048</u>
Net Assets Released From Restrictions	0	0	0	0
	<u>782,357</u>	<u>173,207</u>	<u>955,564</u>	<u>629,048</u>
<b>EXPENSES</b>				
<b>FUNCTIONAL EXPENSES</b>				
Program	364,023	0	364,023	373,686
Supporting	213,749	0	213,749	216,474
Membership and Fundraising	207,333	0	207,333	112,287
Total Functional Expenses	<u>785,105</u>	<u>0</u>	<u>785,105</u>	<u>702,447</u>
INCREASE (DECREASE) IN NET ASSETS	(2,748)	173,207	170,459	(73,399)
NET ASSETS, BEGINNING OF YEAR	698,733	134,520	833,253	906,652
<b>NET ASSETS, END OF YEAR</b>	<u><b>\$ 695,985</b></u>	<u><b>\$ 307,727</b></u>	<u><b>\$ 1,003,712</b></u>	<u><b>\$ 833,253</b></u>

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

# ExpERIEnce Children's Museum

## STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2019

	Program Services	Supporting Services	Membership and Fundraising	Total
Salaries	\$ 186,523	\$ 27,567	\$ 76,780	\$ 290,870
Payroll Taxes	16,139	2,325	6,477	24,941
Employee Benefits	3,699	547	1,522	5,768
Total Salaries and Related Expenses	<u>206,361</u>	<u>30,439</u>	<u>84,779</u>	<u>321,579</u>
Occupancy	0	61,141	0	61,141
Advertising	0	37,252	1,000	38,252
Office Supplies	0	10,407	0	10,407
Postage and Shipping	0	2,268	0	2,268
Dues	0	3,588	0	3,588
Finance Charges	0	8,195	0	8,195
Supplies	36,346	2,534	0	38,880
Instructors and Performers	0	0	0	0
Depreciation	56,975	27,047	0	84,022
Professional Fees	0	7,062	119,002	126,064
Taxes	0	4,088	0	4,088
Gift Shop	21,155	0	0	21,155
Miscellaneous	27,266	11,141	2,552	40,959
Repair and Maintenance	9,086	5,723	0	14,809
Volunteers	6,834	0	0	6,834
Interest	0	2,864	0	2,864
<b>TOTAL EXPENSES</b>	<b><u>\$ 364,023</u></b>	<b><u>\$ 213,749</u></b>	<b><u>\$ 207,333</u></b>	<b><u>\$ 785,105</u></b>

*See Independent Auditors' Report.*



# ExpERIENCE Children's Museum

## STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2018

	Program Services	Supporting Services	Membership and Fundraising	Total
Salaries	\$ 199,773	\$ 29,532	\$ 43,082	\$ 272,387
Payroll Taxes	20,760	3,069	4,477	28,306
Employee Benefits	2,417	357	521	3,295
<b>Total Salaries and Related Expenses</b>	<b>222,950</b>	<b>32,958</b>	<b>48,080</b>	<b>303,988</b>
Occupancy	0	60,698	0	60,698
Advertising	0	40,231	0	40,231
Office Supplies	0	5,777	0	5,777
Postage and Shipping	0	2,161	0	2,161
Dues	0	4,136	0	4,136
Finance Charges	0	6,510	0	6,510
Supplies	41,143	1,898	0	43,041
Instructors and Performers	875	0	0	875
Depreciation	57,912	30,898	0	88,810
Professional Fees	0	6,799	64,207	71,006
Taxes	0	3,974	0	3,974
Gift Shop	15,726	0	0	15,726
Miscellaneous	21,595	12,883	0	34,478
Repair and Maintenance	3,236	4,517	0	7,753
Volunteers	10,249	0	0	10,249
Interest	0	3,034	0	3,034
<b>TOTAL EXPENSES</b>	<b>\$ 373,686</b>	<b>\$ 216,474</b>	<b>\$ 112,287</b>	<b>\$ 702,447</b>

*See Independent Auditors' Report.*

**STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 170,459	\$ (73,399)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operations:		
Depreciation	84,022	88,810
Increase in Endowment Fund	(2,513)	(17,123)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Pledges Receivable	(225,816)	0
(Increase) Decrease in Receivables	(3,418)	18,451
(Increase) Decrease in Inventory	3,763	(492)
(Increase) Decrease in Prepaid Expenses	(605)	1,179
Increase (Decrease) in Accounts Payable	94	(17,497)
Increase (Decrease) in Accrued Payroll and Related	(1,419)	(10,678)
Increase (Decrease) in Deferred Revenue	14,795	(1,625)
Net Cash Flows Provided (Used) by Operating Activities	<u>39,362</u>	<u>(12,374)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	<u>(32,458)</u>	<u>(43,315)</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>(32,458)</u>	<u>(43,315)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of Long-Term Debt	<u>(3,980)</u>	<u>(3,810)</u>
Net Cash Flows Provided (Used) by Financing Activities	<u>(3,980)</u>	<u>(3,810)</u>
NET INCREASE (DECREASE) IN CASH	2,924	(59,499)
CASH, BEGINNING OF THE YEAR	<u>240,171</u>	<u>299,670</u>
CASH, END OF THE YEAR	<u>\$ 243,095</u>	<u>\$ 240,171</u>

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

# ExpERIEnce Children's Museum

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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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 non-profit organization established to operate a museum for the benefit of the children of Erie County, Pennsylvania and its neighboring counties. The Organization provides educational and cultural 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, 2019 and 2018.

#### 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, 2019 and 2018, the Organization was within FDIC limits.

#### 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 at June 30, 2019 and 2018.

#### Inventory

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

# ExpERIENCE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

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

#### 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

#### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

*Net Assets With Donor Restrictions* - Net assets subject to donor, or certain grantor, imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when a stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### 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.

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.

#### Expenses by Nature and Function

The financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort.

# ExpERIENCE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 to the Organization qualify for deduction under the Internal Revenue Code.

The Organization's Form 990, *Return of Organization Exempt from Income Tax* for the years ending 2016, 2017, and 2018 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 23, 2020, which is the date the financial statements were available for issuance.

### NOTE 2 RECEIVABLES

During the year ended June 30, 2019, the Organization commenced a \$15 million capital campaign. The funds received will be used for the design and expansion of the present facility. At June 30, 2019, \$225,816 has been pledged, of which \$67,392 is receivable at June 30, 2019. Pledges receivable subsequent to June 30, 2019 total \$158,424. No allowance for uncollectible promises to give is accounted for at June 30, 2019, as all pledges were believed collectible.

### NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Land Improvements	\$ 10,666	10,666
Buildings	374,400	374,400
Building Improvements	309,412	308,193
Equipment	101,865	101,265
Exhibits	817,934	787,295
Vehicles	23,942	23,942
Permanent Collection	<u>8,425</u>	<u>8,425</u>
	1,646,644	1,614,186
Less: Accumulated Depreciation	<u>1,146,509</u>	<u>1,062,487</u>
Net Property and Equipment	<u>\$ 500,135</u>	<u>551,699</u>

Depreciation expense for the year ended June 30, 2019 and 2018 was \$84,022 and \$88,810, respectively.

# ExpERIEncE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

### NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

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 net assets with donor restrictions, 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.

Net assets with donor restrictions available at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purposes:		
Capital Campaign	\$ 170,694	\$ 0
Endowment Fund	81,777	78,995
Beneficial Interest in Perpetual Trust (See Note 9)	<u>55,256</u>	<u>55,525</u>
Net Assets With Donor Restrictions	<u>\$ 307,727</u>	<u>\$ 134,520</u>

### NOTE 5 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 243,095	\$ 240,171
Accounts Receivable	<u>3,418</u>	<u>0</u>
Total Financial assets available to meet general expenditures within one year	<u>\$ 246,513</u>	<u>\$ 240,171</u>

Additionally, the Organization has a \$50,000 line of credit which it can draw on in the event of an unanticipated liquidity need (See Note 6). At June 30, 2019 and 2018, available amounts that can be drawn on the line of credit total \$50,000.

### NOTE 6 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 depository has been paid in full. The rate of interest at June 30, 2019 was 4.50%. There were no borrowings against the line of credit at June 30, 2019 or 2018.

# ExpERIENCE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

### NOTE 7 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 \$9,977 and \$5,110 were recorded by the Museum at June 30, 2019 and 2018, respectively.

The Museum also recorded investment expense in 2019 and 2018 of \$1,466 and \$1,400, respectively. Total income distributed to the Museum in 2019 and 2018 from these funds were \$5,957 and \$5,514, respectively.

#### Endowment Reconciliation

Changes in Endowment net assets for the year ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Beginning Endowment Net Assets	\$ 162,345	\$ 145,223
Contributions	1,456	11,294
Investment Income, Net of Fees	1,904	1,365
Net Appreciation (Depreciation)-Realized and Unrealized	5,110	9,977
Appropriated for Expenditure	<u>(5,957)</u>	<u>(5,514)</u>
Ending Endowment Net Assets	<u>\$ 164,858</u>	<u>\$ 162,345</u>

### NOTE 8 DONATED SERVICES AND GOODS

Income from donated services and goods are allocated as follows:

	<u>2019</u>	<u>2018</u>
Personnel-Volunteers	\$ 6,476	\$ 10,050
Goods	<u>14,608</u>	<u>13,750</u>
	<u>\$ 21,084</u>	<u>\$ 23,800</u>

# ExpERIENCE Children's Museum

## NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2019 and 2018

### NOTE 9 NOTE PAYABLE

Long-term debt consists of the following:

Note payable to bank secured by real property. Principal and interest of \$605 is due monthly through May 2031. Interest is 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>2019</u>	<u>2018</u>
\$ 63,395	\$ 67,375
63,395	67,375
<u>3,945</u>	<u>3,821</u>
<u>\$ 59,450</u>	<u>\$ 63,554</u>

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

For the year ending June 30,

2020 .....	\$ 3,945
2021 .....	4,182
2022 .....	4,434
2023 .....	4,701
2024 .....	4,984
2025 and thereafter .....	41,149
	<u>\$ 63,395</u>

### NOTE 10 STATEMENTS OF CASH FLOWS

Cash paid for interest amounted to \$2,864 and \$3,034 at June 30, 2019 and 2018, respectively.