

The Easton Children's Museum, Inc.

Financial Statements

December 31, 2015 and 2014

THE EASTON CHILDREN'S MUSEUM, INC.

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December 31, 2015 and 2014

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Kevin P. Martin & Associates, P.C.

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Independent Accountants' Review Report

To the Board of Directors of
The Easton Children's Museum, Inc.
Easton, Massachusetts

We have reviewed the accompanying statements of financial position of The Easton Children's Museum, Inc. (a nonprofit organization) (the Museum) which comprise the statement of financial position as of December 31, 2015 and 2014 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Kevin P. Martin & Associates, P.C.

September 14, 2016

THE EASTON CHILDREN'S MUSEUM, INC.

Statements of Financial Position

As of December 31, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 221,783	\$ 215,804
Prepaid expenses	200	200
Inventory	1,745	2,705
Accounts receivable	<u>9,614</u>	<u>7,390</u>
Total current assets	<u>233,342</u>	<u>226,099</u>
Fixed Assets:		
Land	30,000	30,000
Building	70,000	70,000
Building improvements	116,392	116,392
Furniture and equipment	50,778	50,778
Exhibits	<u>187,724</u>	<u>178,925</u>
Total fixed assets	454,894	446,095
Less: accumulated depreciation	<u>(337,340)</u>	<u>(310,614)</u>
Net fixed assets	<u>117,554</u>	<u>135,481</u>
Other Assets:		
Restricted cash equivalents	<u>15,000</u>	<u>15,000</u>
Total other assets	<u>15,000</u>	<u>15,000</u>
Total Assets	<u><u>\$ 365,896</u></u>	<u><u>\$ 376,580</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 4,650	\$ 4,571
Accrued expenses	9,406	8,683
Deferred revenue	2,175	1,700
Gift certificates outstanding	<u>2,725</u>	<u>4,881</u>
Total current liabilities	<u>18,956</u>	<u>19,835</u>
Total Liabilities	<u>18,956</u>	<u>19,835</u>
Net Assets:		
Unrestricted	331,940	326,745
Temporarily restricted	-	15,000
Permanently restricted	<u>15,000</u>	<u>15,000</u>
Total Net Assets	<u>346,940</u>	<u>356,745</u>
Total Liabilities and Net Assets	<u><u>\$ 365,896</u></u>	<u><u>\$ 376,580</u></u>

See accompanying notes and independent accountants' review report.

THE EASTON CHILDREN'S MUSEUM, INC.

Statements of Activities

For the Years Ended December 31, 2015 and 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenue and Support					
Program service fees	\$ 92,249	\$ -	\$ -	\$ 92,249	\$ 97,042
Admissions	142,208	-	-	142,208	146,962
Grants and contributions	103,864	-	-	103,864	129,681
Memberships	71,385	-	-	71,385	65,275
Gift shop sales	12,374	-	-	12,374	12,322
Special events	85,772	-	-	85,772	69,346
Less: Cost of special events	(24,377)	-	-	(24,377)	(23,843)
Net special events	<u>61,395</u>	<u>-</u>	<u>-</u>	<u>61,395</u>	<u>45,503</u>
Miscellaneous	5,187	-	-	5,187	1,698
Interest and dividends	<u>126</u>	<u>-</u>	<u>-</u>	<u>126</u>	<u>95</u>
Total Revenue and Support	488,788	-	-	488,788	498,578
Net assets released from restrictions:					
Satisfaction of program restrictions	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>503,788</u>	<u>(15,000)</u>	<u>-</u>	<u>488,788</u>	<u>498,578</u>
Expenses					
Payroll and payroll taxes	330,049	-	-	330,049	315,107
Depreciation	26,726	-	-	26,726	25,846
Postage and printing	15,056	-	-	15,056	17,011
Program supplies	15,650	-	-	15,650	16,557
Utilities	14,697	-	-	14,697	15,145
Insurance	16,713	-	-	16,713	14,427
Office and administrative	19,800	-	-	19,800	12,975
Miscellaneous	8,610	-	-	8,610	12,892
Professional services	12,569	-	-	12,569	12,839
Repair and maintenance	15,112	-	-	15,112	11,969
Cost of gift shop sales	8,417	-	-	8,417	8,472
Fees, memberships and dues	6,136	-	-	6,136	4,685
Exhibit supplies	<u>9,058</u>	<u>-</u>	<u>-</u>	<u>9,058</u>	<u>3,274</u>
Total Expenses	<u>498,593</u>	<u>-</u>	<u>-</u>	<u>498,593</u>	<u>471,199</u>
Change in Net Assets	5,195	(15,000)	-	(9,805)	27,379
Net Assets at Beginning of Year	<u>326,745</u>	<u>15,000</u>	<u>15,000</u>	<u>356,745</u>	<u>329,366</u>
Net Assets at End of Year	<u>\$ 331,940</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 346,940</u>	<u>\$ 356,745</u>

See accompanying notes and independent accountants' review report.

THE EASTON CHILDREN'S MUSEUM, INC.

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (9,805)	\$ 27,379
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	26,726	25,846
Changes in Operating Assets and Liabilities		
Decrease in inventory	960	149
(Increase) in prepaid expenses	-	(200)
(Increase) decrease in accounts receivable	(2,224)	3,835
Increase in accounts payable	79	855
Increase in accrued expenses	723	1,302
(Decrease) increase in gift certificates outstanding	(2,156)	4,881
Increase in deferred revenue	475	435
Net Cash Provided by Operating Activities	<u>14,778</u>	<u>64,482</u>
Cash Flows from Investing Activities:		
Purchase of fixed assets	<u>(8,799)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(8,799)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	5,979	64,482
Cash and Cash Equivalents at Beginning of Year	<u>215,804</u>	<u>151,322</u>
Cash and Cash Equivalents at End of Year	<u>\$ 221,783</u>	<u>\$ 215,804</u>

See accompanying notes and independent accountants' review report.

THE EASTON CHILDREN'S MUSEUM, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the significant accounting policies:

(a) Operations

The Easton Children's Museum, Inc. (the Museum) is a non-profit corporation that was formed in August 1986 and chartered under the laws of the Commonwealth of Massachusetts. The Museum is devoted to developing and providing a "hands-on" educational, cultural and social learning center for the children of Easton and the surrounding towns.

(b) Basis of Presentation

The statements of activities report all changes in net assets, including changes in unrestricted net assets from operating and non-operating activities. Operating revenues consist of those monies received and other contributions attributable to the Museum's ongoing efforts. Gift shop revenue consists of the results of operating the Museum's gift shop.

(c) Standards of Accounting and Reporting

The Museum follows the standards of accounting and financial reporting for Not-For-Profit Organizations as required by the Financial Accounting Standards Board, whereby an organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statements of financial position presents three classes of net assets (permanently restricted, temporarily restricted, and unrestricted) and the statements of activities displays the change in each class of net assets. The classes of net assets applicable to the Museum are presented as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions or for which restrictions have expired. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

THE EASTON CHILDREN'S MUSEUM, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies - continued

(c) *Standards of Accounting and Reporting - continued*

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Museum and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the contributions are recognized.

Permanently Restricted Net Assets - Reflects the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit the Museum to use all or part of the income earned on any related investments for general or specific purposes.

(d) *Use of Estimates*

In preparing the Museum's financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2015 and 2014, management has determined any allowance would be immaterial.

The Museum does not have a policy to accrue interest on accounts receivable. Contracts and grant accounts are written off upon notification by the government and/or non-profit entity that amounts are uncollectible.

The Museum has no policies requiring collateral or other security to secure the accounts receivable.

THE EASTON CHILDREN'S MUSEUM, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies - continued

(f) Promises to Give

Unconditional promises to give are recognized as revenue and as assets, net of allowances, in the period in which the promises are made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and when the promises become unconditional. Unconditional promises to give are recorded, in the year received, at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted discount rate in the year the promise is received. Amortization of the discount is included in contribution revenue.

(g) Revenue Recognition

The Museum earns revenue as follows:

Program Service Fees - Program service fees are recorded as services are provided.

Admissions and Memberships - Admission and membership revenue are recorded upon receipt.

Grants and Contributions - Grants and contributions are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Gift Shop Sales - Gift shop sales represent merchandise sales of various souvenir items purchased by the Museum. In-store revenues are reported net of estimated returns and allowances, and are recognized when the related merchandise is delivered. The reserve for returns and allowances is calculated as a percentage of sales. Historically return percentages have been immaterial and have been determined immaterial for the years ended December 31, 2015 and 2014.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received.

(h) Cash and Cash Equivalents

The Museum considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Museum maintains its cash balances at several financial institutions in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Museum has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2015 and 2014.

THE EASTON CHILDREN'S MUSEUM, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies - continued

(i) *Income Taxes*

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and was not determined to be a private foundation as described in Section 509(a)(1).

GAAP prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the years ended December 31, 2015 and 2014 the Museum has determined that it has not taken any tax position which would result in an uncertainty requiring recognition in the accompanying financial statements. The Museum recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. There were no interest or penalties for the year ended December 31, 2015 and 2014.

Generally, the Museum's information returns remain open for possible federal income tax examination for three years after the filing date. The Museum is not currently under examination by any taxing jurisdiction.

(j) *Inventory*

Inventory consists of items held for resale in the Museum's gift shop and is stated at the lower of cost or market.

(k) *Capitalization and Depreciation*

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

Depreciation of property and equipment is provided using the straight-line method over the following estimated useful lives:

	<i>Years</i>
Building	40
Building improvements	10-15
Furniture and equipment	5-10
Exhibits	3-15

THE EASTON CHILDREN'S MUSEUM, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies - continued

(k) Capitalization and Depreciation - continued

The Museum reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2015 and 2014.

(l) Advertising Costs

The Museum expenses advertising costs when they are incurred. Advertising expense was immaterial for the years ended December 31, 2015 and 2014.

(m) Donated Items and Services

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Museum personnel.

(n) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in Note 2. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Museum. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(2) Functional Expenses

Expenses by function for the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Program services	\$ 408,834	\$ 370,148
Management and general	46,158	51,674
Fundraising	<u>43,601</u>	<u>49,377</u>
Total expense	\$ <u>498,593</u>	\$ <u>471,199</u>

THE EASTON CHILDREN'S MUSEUM, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(3) Pension Plan

Employees of the Museum participate in a defined contribution retirement plan pursuant to IRC Section 403(b). Generally, employees can contribute up to 15% of their gross salaries into the plan on a deferred tax basis. The Museum does not make any match to the employee's contribution.

(4) Donated Items and Services

Donated items and services are included with program expenses in the accompanying financial statements and are recorded at estimated reasonable rates of costs which would have been involved if services had been purchased. Donations for the years ended December 31, 2015 and 2014 are listed below:

	<u>2015</u>	<u>2014</u>
Professional services	\$ -	\$ 865

Many individuals volunteer their time and perform a variety of tasks that assist the Museum with specific educational programs, administrative, clerical and maintenance functions as well as various committee assignments. The Museum would not have paid for these volunteered services if they had not been donated and therefore, they have not been reflected in the financial statements. During the years ended 2015 and 2014, the Museum received 4,983 and 5,624 volunteer hours, respectively.

(5) Endowment

The Museum accepts endowment gifts under the stipulation that the funds are invested in perpetuity. Unless otherwise restricted by the donor, the investment income is to be used in accordance with the Museum's endowment spending policy. The goals of the endowment fund are to enhance existing programs, create new programs, make additional funding opportunities for donors and support capital improvements. The Museum's Board of Directors oversees the establishment and revision of goals, spending plans and asset allocations for endowments. Endowment contributions are recorded as permanently restricted net assets.

(a) Uniform Prudent Management of Institutional Funds Act

The Museum's management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline to states to use enacting legislation. UPMIFA was adopted by the Commonwealth of Massachusetts effective June 30, 2009. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

THE EASTON CHILDREN'S MUSEUM, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(5) Endowment - continued

(a) Uniform Prudent Management of Institutional Funds Act - continued

The Board has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Further, per the interpretation, the UPMIFA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

(b) Appropriation of Endowment Assets for Expenditure

The Museum considers the following factors in making a determination to appropriate endowment funds for expenditure:

- (1) The duration and preservation of the fund
- (2) The purposes of the Museum and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Museum
- (7) The investment policies of the Museum

(c) Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that invest in a thoughtful and prudent manner to preserve and/or enhance the Museum's ability to help provide for the future benefit of scouting in the territory covered by the Museum. The oversight of the endowment funds is the responsibility of the Finance Committee, a committee of the Museum's Board of Directors. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve the endowment fund's principal, considering inflation and to regulate the long term ability and short term needs to distribute income.

(d) Strategies Employed for Achieving Objectives

To satisfy its objectives, the Museum relies on a total return strategy in which funds are held in a premium savings account as cash and cash equivalents. Guidelines have been set forth in the policy for prudent investment options.

THE EASTON CHILDREN'S MUSEUM, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(5) Endowment - continued

(e) Spending Policy and Investment Objectives

The Museum records 100% of the annual investment return as unrestricted net assets and it is included in the endowment fund. The Museum has a policy of appropriating for distribution from the unrestricted net assets, in the endowment fund, an amount not to exceed the realized return over a three year rolling period of time less the rate of inflation. In establishing this policy, the Museum considered the long-term expected return on its endowment. Accordingly, over the long-term, the Museum expects the current spending policy to allow its endowment to grow. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment.

(f) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies as of December 31, 2015 and 2014.

(g) Composition and Reconciliation of Endowment Funds

The endowment fund is solely comprised of donor-restricted contributions. There are no board-designated endowment funds. A reconciliation of the Museum's endowment by net asset class is presented on the statements of activities.

(6) Restricted Net Assets

(a) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. Temporarily restricted net assets consisted of resources restricted for exhibit improvements, which were expended during 2015.

THE EASTON CHILDREN'S MUSEUM, INC.

Notes to Financial Statements

December 31, 2015 and 2014

(6) Restricted Net Assets - continued

(b) Permanently Restricted Net Assets

The endowment represents permanently restricted assets of \$15,000 donated with stipulations that they be invested to provide a permanent source of income to provide memberships to foster care families. Income earned is released to unrestricted net assets in the same year it is earned. During 2015 and 2014, interest earned was \$26 and \$17, respectively, of which the full amount was used to fund memberships to foster care families.

The permanently restricted donations are being held in cash equivalents. These amounts have been classified as restricted cash equivalents on the statements of financial position.

(7) Related Party Transactions

During the years ended December 31, 2015 and 2014, the Museum received a donation of zero and \$15,000, respectively, from an organization whose executive director is a member of the Museum's Board of Directors.

(8) Subsequent Events

The Museum has performed an evaluation of subsequent events through September 14, 2016, which is the date the Museum's financial statements were available to be issued. No material subsequent events have occurred since December 31, 2015 that required recognition or disclosure in these financial statements.