

LONG ISLAND CHILDREN'S MUSEUM

Financial Statements

June 30, 2018

and

June 30, 2017

Independent Auditor's Report

The Board of Trustees
Long Island Children's Museum

We have audited the accompanying financial statements of Long Island Children's Museum which comprise the statements of financial position as of June 30, 2018 and June 30, 2017 and the related statements of activities, 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's 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 judgment, 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 policies 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 Long Island Children's Museum as of June 30, 2018 and June 30, 2017 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

LONG ISLAND CHILDREN'S MUSEUM

Statements of Financial Position

Assets

	June 30	
	2018	2017
Cash and cash equivalents	\$ 452,198	\$ 304,229
Accounts receivable	72,961	87,701
Contributions receivable, net	282,727	525,900
Inventory	54,691	58,003
Prepaid expenses	2,658	14,316
Property and equipment, net	<u>1,792,340</u>	<u>2,244,244</u>
Total assets	<u>\$ 2,657,575</u>	<u>\$ 3,234,393</u>

Liabilities and Nets Assets

Liabilities

Accounts payable and accrued expenses	\$ 492,268	\$ 426,646
Deferred membership revenue	331,136	384,853
Line of credit and other notes payable	<u>-</u>	<u>650,000</u>
Total liabilities	<u>823,404</u>	<u>1,461,499</u>

Net assets

Unrestricted operating	1,503,560	1,217,777
Temporarily restricted	80,611	305,117
Permanently restricted	<u>250,000</u>	<u>250,000</u>
Total net assets	<u>1,834,171</u>	<u>1,772,894</u>

Total liabilities and net assets	<u>\$ 2,657,575</u>	<u>\$ 3,234,393</u>
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LONG ISLAND CHILDREN'S MUSEUM

Statement of Functional Expenses Year Ended June 30, 2018 (with summarized information for June 30, 2017)

	Program Services			Support Services			Totals	
	Exhibitions	Education	Visitors Services	Total Program Services	Management and General	Fundraising	Support Services	
Salaries	\$ 449,880	\$ 1,191,399	\$ 468,038	\$ 2,109,317	\$ 278,263	\$ 194,202	\$ 472,465	\$ 2,581,782
Payroll taxes and benefits	49,098	178,452	59,359	286,909	76,276	24,691	100,967	387,876
Promotions	90	2,350	-	2,440	161,600	-	161,600	164,040
Banking and credit card charges	-	70,010	-	70,010	6,230	-	6,230	76,240
Professional fees	67,160	113,142	14,592	194,894	126,056	129,087	255,143	450,037
Food and catering	-	19,823	38,607	58,430	1,784	280	2,064	60,494
Traveling exhibitions	74,258	-	-	74,258	-	-	-	74,258
Miscellaneous	274	39,899	758	40,931	9,206	46	9,252	50,183
Repairs and Maintenance	58,336	472	-	58,808	877	-	877	59,685
Telephone	11,702	10,455	10,393	32,550	1,732	1,732	3,464	36,014
Postage and printing	2,814	21,976	30,570	55,360	9,455	530	9,985	65,345
Dues, licenses and permits	41	7,833	-	7,874	3,928	1,612	5,540	13,414
Office expense	250	525	487	1,262	3,131	43	3,174	4,436
Custodial services	97,243	-	-	97,243	-	-	-	97,243
Materials and supplies	54,830	75,560	14,243	144,633	3,767	62	3,829	148,462
Conferences and training	454	18,134	-	18,588	4,132	23	4,155	22,743
Insurance	30,353	30,020	30,353	90,726	5,056	5,058	10,114	100,840
Furniture and equipment rental	17,372	3,675	3,621	24,668	604	604	1,208	25,876
Utilities	76,051	76,052	76,051	228,154	12,675	12,675	25,350	253,504
Technology	7,045	3,565	29,245	39,855	6,933	-	6,933	46,788
Subtotal	997,251	1,863,342	776,317	3,636,910	711,705	370,645	1,082,350	4,719,260
Depreciation and amortization	153,760	139,958	139,958	433,676	23,327	23,327	46,654	480,330
Total functional expenses	\$ 1,151,011	\$ 2,003,300	\$ 916,275	\$ 4,070,586	\$ 735,032	\$ 393,972	\$ 1,129,004	\$ 5,199,590
								\$ 4,956,957

See notes to financial statements

LONG ISLAND CHILDREN'S MUSEUM

Statement of Functional Expenses Year Ended June 30, 2017

	Program Services			Support Services			Totals
	Exhibitions	Education	Visitors Services	Total Program Services	Management and General	Fundraising	Total Support Services
Salaries	\$ 431,438	\$ 1,107,777	\$ 457,043	\$ 1,996,258	\$ 231,267	\$ 195,689	\$ 426,956
Payroll taxes and benefits	45,093	159,153	60,580	264,826	70,383	24,034	94,417
Promotions	-	14,041	-	14,041	164,245	-	164,245
Banking and credit card charges	-	62,660	-	62,660	6,292	-	6,292
Professional fees	56,429	124,237	17,620	198,286	122,336	114,546	236,882
Food and catering	162	18,900	33,155	52,217	1,635	172	1,807
Traveling exhibitions	53,118	1,644	-	54,762	-	-	-
Miscellaneous	574	38,676	1,100	40,350	6,744	106	6,850
Repairs and Maintenance	61,458	-	-	61,458	560	-	560
Telephone	10,767	9,379	9,379	29,525	1,563	1,563	3,126
Postage and printing	240	21,150	20,028	41,418	25,123	756	25,879
Dues, licenses and permits	565	6,505	145	7,215	4,237	1,222	5,459
Office expense	311	3,936	500	4,747	2,160	148	2,308
Custodial services	89,938	-	-	89,938	-	-	-
Materials and supplies	47,059	64,902	17,151	129,112	1,884	263	2,147
Conferences and training	2,243	19,006	1,140	22,389	5,623	1,057	6,680
Insurance	25,625	25,000	25,000	75,625	11,000	4,167	15,167
Furniture and equipment rental	10,379	8,272	4,522	23,173	754	754	1,508
Utilities	71,208	71,208	71,208	213,624	11,868	11,868	23,736
Technology	5,636	14,209	29,739	49,584	9,577	-	9,577
Subtotal	912,243	1,770,655	748,310	3,431,208	677,251	356,345	1,033,596
Depreciation and amortization	168,451	138,730	138,730	445,911	23,121	23,121	46,242
Total functional expenses	\$ 1,080,694	\$ 1,909,385	\$ 887,040	\$ 3,877,119	\$ 700,372	\$ 379,466	\$ 1,079,838
							\$ 4,956,957

See notes to financial statements

LONG ISLAND CHILDREN'S MUSEUM

Statements of Cash Flows

	Year Ended June 30	
	2018	2017
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 61,277	\$ (300,501)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	480,330	492,153
Changes in:		
Accounts receivable	14,740	(18,048)
Contributions receivable	243,173	110,787
Inventory	3,312	(7,820)
Prepaid expenses	11,658	(5,392)
Accounts payable and accrued expenses	65,622	(15,273)
Deferred membership revenue	(53,717)	100,900
Net cash provided by operating activities	<u>826,395</u>	<u>356,806</u>
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(28,426)</u>	<u>(145,610)</u>
Cash flows provided by financing activities		
Permanently restricted contributions	-	250,000
Repayment of notes payable	(300,000)	-
Repayment of line of credit	<u>(350,000)</u>	<u>(250,000)</u>
Net cash (used in) financing activities	<u>(650,000)</u>	<u>-</u>
Net increase in cash and cash equivalents	147,969	211,196
Cash and cash equivalents, beginning of year	<u>304,229</u>	<u>93,033</u>
Cash and cash equivalents, end of year	<u>\$ 452,198</u>	<u>\$ 304,229</u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	<u>\$ 24,444</u>	<u>\$ -</u>

See notes to financial statements

LONG ISLAND CHILDREN'S MUSEUM

Notes to Financial Statements June 30, 2018 and June 30, 2017

Note 1 – Nature of organization

The Long Island Children's Museum (the "Museum") is an education institution incorporated in 1990 in the State of New York. The Museum presents exhibits and programs for families from all of Long Island, Queens and the New York City metropolitan area, as well as schoolchildren from pre-school through eighth grade from throughout Long Island. The Museum also provides in-depth educational enrichment programs to high need schools and community agencies serving low-income children and families. The Museum connects all our communities' children, and those who care for them, to one another and to a life of wonder, imagination and exploration. Here, children discover their passions and their relationship to the world we share.

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

Note 2 – Summary of significant accounting policies

Basis of accounting

The financial statements of the Museum have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Functional allocation of expenses

The cost of providing the Museum's program and supporting services has been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services in ratios determined by management.

Cash equivalents

For financial-reporting purposes, the Museum considers all highly liquid investments with maturities of three months or less when purchased, to be cash equivalents.

LONG ISLAND CHILDREN'S MUSEUM**Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017****Note 2 – Summary of significant accounting policies (continued)****Financial reporting**

The Museum reports information regarding its financial position and activities in three classes of net assets, which are as follows:

Unrestricted operating

Unrestricted operating net assets represent resources that are not subject to donor-imposed restrictions.

Temporarily restricted

Temporarily restricted net assets represent those resources the use of which has been restricted by donors for specific purposes and/or the passage of time. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted

Permanently restricted net assets represent those resources the principal of which is originally restricted in perpetuity by its donor. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors. Under the terms of New York Prudent Management of Institutional Funds Act, those earnings are classified as temporarily restricted in the accompanying statements of activities, pending appropriation by the Board of Trustees.

Contributions and contributions receivable

Contributions are recorded as revenue upon the receipt of cash or unconditional pledges. Contributions are considered available for unrestricted use, unless specifically restricted by the donor. Conditional contributions are recorded when the specified conditions have been met. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Government grants require the Museum to request reimbursement of funds for expenditures made, accordingly, the Museum recognizes unrestricted revenue as the related expense is incurred.

LONG ISLAND CHILDREN'S MUSEUM**Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017****Note 2 – Summary of significant accounting policies (continued)**

Funding contracts are often subject to audit by the applicable granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when and if an audit occurs. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying financial statements. Management is of the opinion that any potential disallowances will not be material to the accompanying financial statements.

Revenue recognition**Membership revenue**

Membership revenue is recognized as revenue over the year-long term of the membership. Deferred membership revenue consists of memberships purchased and paid for that will be earned in future periods.

Admissions and all other sources of revenue

Revenue from admissions and all other sources of revenue are recognized when earned.

Inventory

Inventory consists of educational retail products that further the mission of the Museum and are reported at the lower of cost or market value using an average cost method.

Property and equipment

Property and equipment are recorded at their original costs, or if contributed, at their appraised values at the dates of contribution. Depreciation of exhibits, furniture, fixtures and equipment is provided using the straight-line method over estimated useful lives of three to seven years. Leasehold improvements are being amortized on the straight-line method, over the lesser of the life of the lease or the estimated useful lives of the assets.

Contributed goods and services

The Museum receives labor services rendered by volunteers who support the Museum's programs and activities. These amounts have not been reflected in the financial statements as they do not meet the requirements for recognition under generally accepted accounting principles. During the 2018 and 2017 fiscal-years, the total number of hours donated by volunteers amounted to approximately 12,300 and 16,600, respectively.

LONG ISLAND CHILDREN'S MUSEUM**Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017****Note 2 – Summary of significant accounting policies (continued)**

The Museum receives other contributed services, which are an integral part of the activities of the Museum and would have had to be purchased by the Museum if they had not been donated. Other contributed services have been recorded at their estimated fair value based on what it would have cost if purchased independently and have been reflected as support and corresponding expenses in the accompanying statements of activities.

Advertising costs

Advertising costs are expensed as incurred.

Subsequent events

The Museum has evaluated events and transactions for potential recognition or disclosure through November 19, 2018, which is the date the financial statements were available to be issued.

Note 3 – Contributions receivable

All contributions receivable balances were estimated to be due within 12 months of each fiscal-year.

For fiscal-year 2018, amounts due from two donors made up approximately 52% of total contributions receivable and 20% of total support income. For fiscal-year 2017, amounts due from four donors made up approximately 80% of total contributions receivable and 20% of total support income. Based on management's past experience, no reserve for non-collectability was needed for fiscal-years 2018 and 2017.

LONG ISLAND CHILDREN'S MUSEUM

Notes to Financial Statements (continued) June 30, 2018 and June 30, 2017

Note 4 – Property and equipment

At each fiscal year-end, property and equipment consisted of the following:

	June 30	
	2018	2017
Leasehold improvements	\$ 8,541,678	\$ 8,524,003
Exhibits	3,944,044	3,937,976
Furniture and fixtures	460,216	460,216
Equipment	<u>573,293</u>	<u>568,610</u>
Total property and equipment	13,519,231	13,490,805
Less accumulated depreciation and amortization	<u>(11,726,891)</u>	<u>(11,246,561)</u>
Total property and equipment, net	<u>\$ 1,792,340</u>	<u>\$ 2,244,244</u>

Depreciation and amortization expense for fiscal-years 2018 and 2017 was \$480,330 and \$492,153, respectively.

Note 5 – Temporarily restricted net assets

At each fiscal year-end, temporarily restricted net assets consisted of:

	Balance At June 30, 2017	Support	Released from Restrictions	Balance At June 30, 2018
Westbury STEM	\$ 105,000	\$ -	\$ (105,000)	\$ -
Willem de Kooning Program	125,000	-	(125,000)	-
Theater	25,000	-	(25,000)	-
Together to Kindergarten	-	25,000	-	25,000
Robert Lemle and Roni Kohen-Lemle Endowment Fund	117	494	-	611
Restricted for Time	<u>50,000</u>	<u>55,000</u>	<u>(50,000)</u>	<u>55,000</u>
Total	<u>\$ 305,117</u>	<u>\$ 80,494</u>	<u>\$ (305,000)</u>	<u>\$ 80,611</u>

LONG ISLAND CHILDREN'S MUSEUM**Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017****Note 6 – Endowment funds****The endowment**

The Museum's endowment is composed of one fund established for purposes to be defined by the donor.

Return objectives and risk parameters

The Board of Trustees has adopted investment and spending policies for the Museum's endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment, and maintain purchasing power of the endowment over time.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Museum's investment policy calls for the reliance on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation with prudent risk constraints. The Museum's current endowment fund contains provisions within the gift instrument that supersede the Museum's investment policy.

Spending policy and relationship to investment objectives

Appropriations from the endowment funds will be made on a fund-by-fund basis and in accordance with any specific directives on spending that the donor has imposed. The Museum will establish a spending rate that will balance the need for resources for the Museum with the objective of growing the endowment fund.

Change in endowment net assets

The Museum received an endowment gift of \$250,000 during the fiscal-year 2017. As of June 30, 2018, \$225,000 of the endowment resides in the Museum's money market account and \$25,000 is in the form of a pledge. During the fiscal-year 2018, the endowment fund earned \$494 of interest income. Accordingly, the earnings of \$494 are reported as temporarily restricted net assets in the accompanying financial statements.

LONG ISLAND CHILDREN'S MUSEUM**Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017****Note 7 – Contributed land, services and goods****Contributed use of land**

In January 2002, the Museum took occupancy of its Mitchell Field, Garden City, New York exhibit and office space. The Museum has entered into a 20-year renewable lease for this space, which is owned by the County of Nassau (the "County"), and was unoccupied prior to the County permitting the Museum to utilize the space. Due to the Museum serving the public interest by constructing and maintaining a museum within the formerly unoccupied premises, and in consideration of the benefit to the County from the operation of the facility, and for special rates offered to school children, youth groups, etc., the amount of rent to be collected as a rental fee shall be reduced to zero. Accordingly, the Museum has not recorded any rental value in the accompanying financial statements. Also pursuant to the lease, the County has agreed to provide all utilities that are required for the operation of the Museum, excluding telephone service, free of charge. The Museum recorded revenue and corresponding expense for these contributed utilities totaling \$253,504 for 2018 and \$237,360 for 2017.

Contributed services

The Museum has received donated services that include advertising and landscaping services. These services have been estimated at a value of \$23,844 and \$23,000 for fiscal-years 2018 and 2017, respectively and are reported as income and expense in the accompanying statements of activities.

Contributed goods

During fiscal-years 2018 and 2017, the Museum has received donated goods for its annual auction with estimated values of \$60,134 and \$39,018, respectively, and other donated goods utilized for its exhibits with estimated values of \$8,087 and \$3,400, respectively. These gifts have been recognized as revenue and expense in the accompanying statements of activities.

Note 8 – Line of credit and other notes payable**Line of credit**

During fiscal-year 2013, the Museum entered into an informal line of credit agreement with two of its Trustees. The total amount available to draw on the line of credit is \$600,000 and interest charged is equal to the Applicable Federal Rate ("AFR") for short term debt. During fiscal-year 2018, the Museum paid the entire outstanding balance and accrued interest of \$350,000 and \$15,521, respectively. The Museum no longer has the line of credit available.

LONG ISLAND CHILDREN'S MUSEUM

Notes to Financial Statements (continued) June 30, 2018 and June 30, 2017

Note 8 – Line of credit and other notes payable (continued)

Notes payable

Two of the Museum's Trustees have loaned the Museum \$300,000 during the fiscal-year 2013. During fiscal-year 2018 the Museum paid the principal and accrued interest of \$300,000 and \$8,923, respectively.

Note 9 – Retirement plan

The Museum maintains a deferred compensation plan for a key employee of the Museum. The expense to the Museum was \$12,525 for both 2018 and 2017 fiscal years. During the subsequent period, the Museum has disbursed \$12,500 of the accrued deferred compensation to the employee and will continue to disburse semi-annual payments of \$12,500 until the accrued balance is fully paid.

Note 10 – Commitments

The Museum has a lease for office equipment which expires 2020. Future minimum lease payments under this lease are as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2019	\$ 10,860
2020	<u>10,860</u>
Total	<u>\$ 21,720</u>

Note 11 – Related party transactions

An individual, who was a Trustee during the 2018 fiscal year, is a principal in the insurance firm used by the Museum. The indirect benefit to the Trustee is not material.

Note 12 – Subsequent event

During the subsequent period, the Museum was the recipient of two unrestricted gifts from two Trustees that totaled \$250,000. The Board voted to classify these funds as a board-designated reserve fund governed by specific procedures as described in the related Board adopted policy. The purpose of this fund is to assist the Museum to manage operations during periods of low cash levels.

LONG ISLAND CHILDREN'S MUSEUM**Notes to Financial Statements (continued)
June 30, 2018 and June 30, 2017****Note 13 – Results of activities**

The unrestricted operating activity of the Museum for the year ended June 30, 2018 was a surplus of \$285,783. Included in the surplus is \$480,330 of depreciation and amortization expense, a non-cash expense.

Accordingly, by adjusting for the depreciation and amortization noted above, the unrestricted operations of the Museum would reflect an operating increase in net assets of \$766,113 for the year ended June 30, 2018. The Museum utilized \$674,444 of unrestricted gifts to pay down outstanding debt and related interest, resulting in a \$91,669 surplus from operations.