Flint Children's Museum

Flint, Michigan

Annual Financial Statements
and
Independent Auditors' Report

September 30, 2014

YEO & YEO
CPAs & BUSINESS CONSULTANTS

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CPAs & Business Consultants

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Independent Auditors' Report

Management and the Board of Directors
Flint Children's Museum
Flint, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Flint Children's Museum which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Flint Children's Museum as of September 30, 2014, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Flint Children's Museum's September 30, 2013, financial statements, and our report dated December 19, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Flint, Michigan
February 3, 2015

Flint Children's Museum
Statement of Financial Position
September 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash	$ 246,130	$ 201,226
Accounts receivable	496	1,665
Due from the Community Foundation	-	23,772
Inventory	8,818	2,306
Prepaid expenses	3,002	4,366
Total current assets	258,446	233,335
Land, building and equipment (net of accumulated depreciation)	65,434	36,137
Total assets	$ 323,880	$ 269,472
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 2,500	$ 3,182
Lease payable	3,448	3,184
Accrued liabilities and other	12,946	11,985
Total current liabilities	18,894	18,351
Long-term liabilities		
Lease payable	418	4,354
Total liabilities	19,312	22,705
Net assets		
Unrestricted	296,931	234,935
Temporarily restricted	7,637	11,832
Total net assets	304,568	246,767
Total liabilities and net assets	$ 323,880	$ 269,472

See accompanying notes to financial statements

Flint Children's Museum

Statement of Activities and Changes in Net Assets

For the Year Ended September 30, 2014

(With Comparative Totals for the Year Ended September 30, 2013)

	Unrestricted	Restricted	**2014**	2013
Support and Revenue				
Revenue				
Contributions	$ 187,151	$ -	**$ 187,151**	$ 203,705
Fundraising	895	-	**895**	15,308
In-kind donations	100,740	-	**100,740**	100,555
Endowment income	49,572	-	**49,572**	47,544
Grant income	-	2,479	**2,479**	5,000
Membership fees	25,370	-	**25,370**	22,693
Admission fees	138,293	-	**138,293**	137,687
Sponsorships	-	-	**-**	4,500
Gift shop sales - net of cost of goods sold of $8,341 and $10,460	13,262	-	**13,262**	8,904
Rental income	20,114	-	**20,114**	19,033
Miscellaneous income	353	-	**353**	498
Total revenue	535,750	2,479	**538,229**	565,427
Net assets released from restriction	6,674	(6,674)	**-**	-
Expenses				
Program services	349,714	-	**349,714**	317,594
Supporting services				
Management and general	98,364	-	**98,364**	85,465
Fundraising	32,350	-	**32,350**	29,586
Total expenses	480,428	-	**480,428**	432,645
Change in net assets	61,996	(4,195)	**57,801**	132,782
Net assets - beginning of year	234,935	11,832	**246,767**	113,985
Net assets - end of year	$ 296,931	$ 7,637	**$ 304,568**	$ 246,767

See accompanying notes to financial statements

Flint Children's Museum
Statement of Functional Expenses
For the Year Ended September 30, 2014
(With Comparative Totals for the Year Ended September 30, 2013)

	Program Services	Supporting Services		Total For the Year Ended September 30,	
	Hands-on Museum	Management and General	Fundraising	**2014**	2013
Salaries	$ 167,534	$ 47,867	$ 23,933	**$ 239,334**	$ 214,475
Payroll taxes	12,975	3,707	1,854	**18,536**	16,659
Total salaries and benefits	180,509	51,574	25,787	**257,870**	231,134
Advertising	-	5,430	-	**5,430**	2,403
Auto expense	1,596	200	200	**1,996**	1,144
Dues and subscriptions	1,750	-	-	**1,750**	1,918
Exhibits	13,364	-	-	**13,364**	3,549
Insurance	-	9,936	-	**9,936**	9,885
Miscellaneous	1,155	4,040	577	**5,772**	4,915
Occupancy/building operations	93,588	5,199	5,199	**103,986**	103,283
Office expense	3,813	1,467	587	**5,867**	7,018
Printing	1,986	-	-	**1,986**	770
Professional fees	-	9,703	-	**9,703**	16,988
Programs	7,146	-	-	**7,146**	7,671
Repairs and maintenance	2,109	8,434	-	**10,543**	7,043
Security	-	443	-	**443**	421
Utilities	36,817	1,938	-	**38,755**	29,408
Depreciation	5,881	-	-	**5,881**	5,095
Total expense	$ 349,714	$ 98,364	$ 32,350	**$ 480,428**	$ 432,645

See accompanying notes to financial statements

Flint Children's Museum
Statement of Cash Flows
For the Years Ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 57,801	$ 132,782
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,881	5,095
Decrease (increase) in current assets		
Accounts receivable	24,941	(22,978)
Inventory	(6,512)	4,770
Prepaid expenses	1,364	(707)
Increase (decrease) in current liabilities		
Accounts payable	(682)	3,182
Accrued liabilities and other	961	6,868
Net cash provided by operating activities	83,754	129,012
Cash flows from investing activities:		
Purchase of property and equipment	(35,178)	(17,604)
Cash flows from financing activities:		
Payments on capital lease	(3,672)	(2,940)
Net increase in cash	44,904	108,468
Cash at beginning of year	201,226	92,758
Cash at end of year	$ 246,130	$ 201,226
Supplemental disclosures of cash flow information		
Cash paid for interest expense	$ 488	$ 732

See accompanying notes to financial statements

Note 1 - Summary of Significant Accounting Policies

Nature of activities

The Flint Children's Museum ("the Organization") is a Michigan nonprofit corporation which was organized to operate a "hands on" museum to educate young children and inspire a lifelong love for learning through exploration in the areas of science, technology, engineering, math, art, and health promotion. The Organization's support comes primarily from contributions, endowment income, and admissions revenue.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Financial statement presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence or donor-imposed restrictions. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on any related investments for general purposes. No permanently restricted net assets exist at year end for the years ended September 30, 2014 and 2013.

Tax status

The Organization is a non-profit organization, which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization files information returns in the U.S. Federal and Michigan jurisdictions. The statute of limitations is generally three years for federal returns and four years for Michigan returns.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions received are recorded 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 for unrestricted use unless restricted by the donor.

Revenue Recognition
The Organization records revenue for store sales upon the purchase of merchandise by customers. Revenue is recorded net of sales returns, but includes sales tax.

Concentration of credit risk
Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization limits the amount of credit exposure to any one financial institution and invests in accounts with high credit quality. At September 30, 2014 and 2013, the Organization's bank balance was $ 254,928 and $ 201,199, respectively. The amount uninsured and uncollateralized at year end was $ 4,928 and $ 0 at September 30, 2014 and 2013, respectively.

Receivables
Receivables are shown net of an allowance for doubtful accounts. The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Inventory
Inventory consists of gift shop items and is carried at the lower of cost or market, by use of the first-in, first-out (FIFO) method of valuation.

Land, building, equipment, and depreciation
Acquired assets are stated at cost and donated assets at fair market value. Expenditures for new acquisition, renewal, and betterments in excess of $ 1,000 which increase productive capacity or prolong service lives of the equipment are capitalized. Maintenance and repairs which do not enhance the value or extend the useful life are expensed as incurred. Depreciation for financial reporting is computed using the straight-line method using lives ranging from five to ten years.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restriction when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Functional allocation of expenses
The costs of providing the various programs and other activities have been summarized on the functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various programs and supporting services.

Advertising costs
The Organization follows the policy of charging the costs of advertising to expense as incurred.

Comparative data
The financial data for the year ended September 30, 2013, presented for comparative purposes only, is not intended to be a complete financial presentation.

Subsequent Events
Management has evaluated subsequent events through February 3, 2015, which is the date the financial statements were available to be used.

Note 2 - Property and Equipment

The carrying value of fixed assets and accumulated depreciation is as follows:

	September 30, 2014	September 30, 2013
Exhibits	$ 245,471	$ 219,809
Furniture and fixtures	42,391	41,111
Leasehold improvements	229,028	220,792
Accumulated depreciation	(451,456)	(445,575)
	$ 65,434	$ 36,137

Depreciation expense was $ 5,881 and $ 5,095 for the years ended September 30, 2014 and 2013, respectively.

Note 3 - Leases

Capital Lease
The Organization financed the acquisition of office equipment with a capital lease payable bearing interest at 8%. Monthly base payments are $ 306. The capitalized lease is secured by the equipment purchased.

The following is a schedule by years of future minimum lease payments required under the capital lease together with their present value at September 30, 2014:

Years Ending September 30,	
2015	$ 3,672
2016	918
Less interest	(724)
Present value of minimum lease payments	$ 3,866

The asset acquired through the capital lease is as follows:

Office equipment	$ 15,820
Less accumulated depreciation	(6,328)
Total	$ 9,492

Interest expense of $ 488 and $ 732 was incurred on the capital lease obligation for the year ended September 30, 2014 and 2013, respectively.

Operating Lease
The Organization conducts its operations from facilities that are leased with annual lease payments of $ 10 until expiration of the lease on June 30, 2023.

The Organization recognized $100,000 of in-kind rent for the years ended September 30, 2014 and 2013.

Note 4 – Line of Credit

The Organization has a $ 50,000 revolving line of credit with a local financial institution, of which there was no balance due at September 30, 2014 and 2013. The line bears interest at 10%, is due on demand, and is collateralized by all assets of the Organization.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets of $ 7,637 and $ 11,832 for the years ended September 30, 2014 and 2013, respectively, are restricted by the grantor to be used for educational children's programs and for strategic planning and facility evaluation.

Note 6 – Interest in Income Trusts

Certain funds donated by third parties for the benefit of the Organization are held and managed by the Community Foundation of Greater Flint (the "Community Foundation"). The Community Foundation maintains variance power, which, as a result, requires that the assets it holds not be recorded as assets of the Organization. Therefore these funds are not reflected in the financial statements. The fair market value of these funds was $ 1,203,917 and $ 1,157,279 as of September 30, 2014 and 2013. Earnings are available for distribution to the Organization at the discretion of the Community Foundation and, therefore, are not reflected as revenue until received by the Organization. Regular distributions are made from these funds held at the Community Foundation. Disbursements of $ 49,572 and $ 47,544 were received from the fund for the years ended September 30, 2014 and 2013, respectively.

Note 7 - In-Kind Donations

Donated items received by the Organization and used in its programs have been reflected in the financial statements at their estimated values.

In-kind donations recognized by the Organization were as follows:

	September 30,	
	2014	2013
Supplies and materials	$ 740	$ 555
Building operations expense	100,000	100,000
Total	$ 100,740	$ 100,555