

Connecticut Children's Museum, Inc.

Financial Statements

August 31, 2011

CONNECTICUT CHILDREN'S MUSEUM, INC.

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Connecticut Children's Museum, Inc.  
22 Wall Street  
New Haven, CT 06511

I have audited the accompanying statement of financial position of **Connecticut Children's Museum, Inc.** as of August 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I concluded my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Connecticut Children's Museum, Inc.** as of August 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Carmine Carbone, CPA  
January 20, 2012

**CONNECTICUT CHILDREN'S MUSEUM, INC.**

**STATEMENT OF FINANCIAL POSITION**

**August 31, 2011**

**ASSETS**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Aug. 31, 2011</u>
<b>CURRENT ASSETS</b>				
Cash	\$ 29,943.28	0.00	0.00	\$ 29,943.28
Accounts Receivable	1,041.63	0.00	0.00	1,041.63
Prepaid Expenses	11,800.64	0.00	0.00	11,800.64
<b>Total Current Assets</b>	<u>42,785.55</u>	<u>0.00</u>	<u>0.00</u>	<u>42,785.55</u>
<b>PROPERTY AND EQUIPMENT</b>				
Building	1,695,294.00	0.00	0.00	1,695,294.00
Land	279,225.00	0.00	0.00	279,225.00
Leasehold Improvements	385,649.49	0.00	0.00	385,649.49
Furniture & Fixtures	9,373.99	0.00	0.00	9,373.99
Accumulated Depreciation	<u>(1,168,106.40)</u>	<u>0.00</u>	<u>0.00</u>	<u>(1,168,106.40)</u>
<b>Net Property and Equipment</b>	<u>1,201,436.08</u>	<u>0.00</u>	<u>0.00</u>	<u>1,201,436.08</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,244,221.63</u>	<u>0.00</u>	<u>0.00</u>	<u>\$ 1,244,221.63</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 25,203.52	0.00	0.00	\$ 25,203.52
Loan - AMEX	5,025.22	0.00	0.00	5,025.22
Loan - Discover Card	1,033.27	0.00	0.00	1,033.27
Credit Line - Bank of Southern CT	23,105.67	0.00	0.00	23,105.67
Deferred Grant Income	29,744.03	0.00	0.00	29,744.03
<b>Total Current Liabilities</b>	<u>84,111.71</u>	<u>0.00</u>	<u>0.00</u>	<u>84,111.71</u>
<b>LONG TERM LIABILITIES</b>				
Loan - Bank of Southern CT	<u>344,542.33</u>	<u>0.00</u>	<u>0.00</u>	<u>344,542.33</u>
<b>Total Long Term Liabilities</b>	<u>344,542.33</u>	<u>0.00</u>	<u>0.00</u>	<u>344,542.33</u>
<b>Net Assets</b>	<u>815,567.59</u>	<u>0.00</u>	<u>0.00</u>	<u>815,567.59</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,244,221.63</u>	<u>0.00</u>	<u>0.00</u>	<u>\$ 1,244,221.63</u>

See Accountant's Notes to Financial Statements

**CONNECTICUT CHILDREN'S MUSEUM, INC.**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended August 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total August 31, 2011</u>
<b><u>Support and Revenue</u></b>				
Tuition Revenue	\$ 542,984.31	0.00	0.00	\$ 542,984.31
Grant Revenue	257,995.05	0.00	0.00	257,995.05
Other Revenue	<u>45,659.05</u>	<u>0.00</u>	<u>0.00</u>	<u>45,659.05</u>
Total Support and Revenue	<u>846,638.41</u>	<u>0.00</u>	<u>0.00</u>	<u>846,638.41</u>
<b><u>Expenses</u></b>				
Program Services	886,733.16	0.00	0.00	886,733.16
Management and General	24,885.58	0.00	0.00	24,885.58
Fundraising	<u>23,534.60</u>	<u>0.00</u>	<u>0.00</u>	<u>23,534.60</u>
Total Expenses	<u>935,153.34</u>	<u>0.00</u>	<u>0.00</u>	<u>935,153.34</u>
Total Change in Net Assets	(88,514.93)	0.00	0.00	(88,514.93)
NET ASSETS - BEGINNING OF YEAR	<u>904,082.52</u>	<u>0.00</u>	<u>0.00</u>	<u>904,082.52</u>
NET ASSETS - END OF YEAR	<u>\$ 815,567.59</u>	<u>0.00</u>	<u>0.00</u>	<u>\$ 815,567.59</u>

See Accountant's Notes to Financial Statements

**Connecticut Children's Museum, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Decrease in net assets	\$ (88,514.93)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	69,408.54
Decrease in grant receivable	14,298.37
Decrease in prepaid expense	19,970.64
Decrease in accounts payable	(3,856.76)
Increase in deferred income	4,060.03
<b>Net Cash Used By Operating Activities</b>	<u>15,365.89</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Reduction of debt	<u>(17,830.80)</u>
<b>Net Cash Provided By Financing Activities</b>	<u>(17,830.80)</u>

<b>Decrease in Cash</b>	(2,464.91)
<b>Cash, Beginning of Year</b>	<u>32,408.19</u>
<b>Cash, End of Year</b>	<u>\$ 29,943.28</u>

See Accountant's Notes to Financial Statements

**CONNECTICUT CHILDREN'S MUSEUM, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended August 31, 2011**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 392,168.56	16,683.47	8,339.23	\$ 417,191.26
Depreciation	69,408.54	0.00	0.00	69,408.54
Program Supplies	13,254.03	1,440.27	324.23	15,018.53
Professional Fees, Outside Services	17,334.88	116.90	0.00	17,451.78
Maintenance & Repairs	10,440.57	0.00	0.00	10,440.57
Employee Benefits	20,206.37	0.00	0.00	20,206.37
Payroll Taxes	30,824.44	3,349.21	754.05	34,927.70
Utilities	19,774.40	0.00	0.00	19,774.40
Office	2,589.53	0.00	0.00	2,589.53
Insurance	16,876.08	0.00	0.00	16,876.08
Telephone	4,093.72	1,357.75	76.84	5,528.31
Advertising	170.96	0.00	0.00	170.96
Interest	24,699.51	0.00	0.00	24,699.51
All Other	264,891.57	1,937.98	14,040.25	280,869.80
	<u>\$ 886,733.16</u>	<u>\$ 24,885.58</u>	<u>\$ 23,534.60</u>	<u>\$ 935,153.34</u>

**Connecticut Children's Museum, Inc.**  
**Notes to Financial Statements**  
**August 31, 2011**

**NOTE 1 - NATURE OF ACTIVITIES**

**Nature of Activities** - The Connecticut Children's Museum, Inc. (The Organization) designs and implements innovative and inclusive programs for children, their families and teachers. Programs include Connecticut Children's Museum, and experiential and educational museum and learning center for the early childhood and elementary education community; Creating Curriculum, and early childhood education quality enhancement training program which uses the structure of a children's museum and the program model of multiple intelligence's; and the Creating Kids Child Care Center, a full time child care center serving area families through the development of an inclusive community and an innovative curriculum inspired by the theory of multiple intelligence's.

**NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Promises to Give** - Contributions are recognized when the donor makes a promise to give to The Organization, that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

**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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Accounting** - The financial statements of The Organization have been prepared on the accrual basis of accounting and accordingly reflect a significant receivable, payables, and other liabilities. Under the accrual method of accounting, revenue and support are recognized as incurred.

**Financial Statement Presentation** - Financial statement presentation follows the recommendation of the Statement of Financial Accounting Standards (SFAS) Number 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS 117, The Organization is required to report information regarding its financial assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Contributions** - The Organization has also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restriction.

**Cash and Cash Equivalents** - For purpose of financial statement presentation, The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. There were no cash equivalents on August 31, 2011.

**Fixed Assets, Depreciation** - Furniture, Fixtures, and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Major improvements and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in the land, building and equipment fund.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets.



**Connecticut Children's Museum, Inc.**  
**Notes to Financial Statements**  
**August 31, 2011**

**NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
Continued**

**Donated Assets** - Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

**Income Taxes** - The Organization is a not-for-profit organization that is exempt for income taxes under Section (501C3) of the Internal Revenue Code. For income tax purposes, Connecticut Children's Museum, Inc. is not classified as a private foundation.

**Investments** - The Organization has adopted SFAS No.1254, Accounting for Certain Investment Held by Not-for-Profit Organizations. Under SFAS No. 1254, Investments in marketable securities with readily determinable fair values are to be reported at their fair values for financial statement purposes. Unrealized gains and losses are included in the change in net assets.

**Donated Property and Equipment and Services** - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. 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. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, some individuals volunteer their time and perform a variety of tasks that assist The Organization with various educational programs and administrative tasks.

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by The Organization. Volunteer services throughout the year are not recognized as contributions in the financial statements since the recognition criteria under SFAS 116 were not met.

**Promises To Give** - Unconditional promise to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization used the allowance method to determine uncollectable unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**NOTE 3 - NOTES PAYABLE**

**BANK CREDIT LINE # 1 - BANK OF SOUTHERN CONNECTICUT**

The Organization obtained a \$100,000 commercial line of credit on December 18, 2002 with the Bank of Southern Connecticut. The outstanding balance on August 31, 2011 was \$23,105.67 with interest payable monthly at 8% per annum.

**Connecticut Children's Museum, Inc.**  
**Notes to Financial Statements**  
**August 31, 2011**

**NOTE 3 - NOTES PAYABLE - Continued**

**NOTE PAYABLE #2 - AMERICAN EXPRESS**

On August 31, 2011, The Organization loan balance was \$5,025.22 on its American Express gold corporate card for small business account. As the result of a requirement of grant funding, expenses are first paid by The Organization and later these program costs are funded by the grant. Therefore, The Organization uses the American Express Business Flex loan account to free up its cash flow grant expense payments. Balance due is usually paid in full on a monthly basis.

**NOTE PAYABLE #3 - BANK OF SOUTHERN CONNECTICUT**

On February 9, 2010, The organization signed a new loan with Bank of Southern Connecticut for \$360,000.00. This loan paid-off the balances owed to Bank of Southern Connecticut and is secured by the building. The balance owed as of August 31, 2011 was \$344,542.33. The monthly payment is \$2,850.79 with a variable interest rate of 6.5%. The balance has been classified as a current liability.

**NOTE PAYABLE #4 - DISCOVER**

On August 31, 2011, The Organization loan balance was \$1,033.27 on its Discover credit card. It is paid in full monthly.

**NOTE 4 - CASH**

The total cash held by The Organization may at time exceed the amount covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

**NOTE 5 - RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to torts; theft or damage to and distribution of assets; errors and omissions; injuries to employees; and natural disasters.

The Organization maintains commercial insurance coverage for all risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

**NOTE 6 - CONTINGENCIES**

No suits or claims are pending against The Organization.

**Connecticut Children's Museum, Inc.**  
**Notes to Financial Statements**  
**August 31, 2011**

**NOTE 7 - COMPENSATED ABSENCES**

Employees are entitled to paid vacation and sick days depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future paid sick days and time off. Accordingly, no liability for these amounts has been recorded in the accompanying financial statements. Company policy is to recognize the cost of compensated absences when actually paid to employees. Employees on salary are entitled to ten (10) sick days and four (4) weeks of vacation.

**NOTE 8 - LIEN**

In consideration of the grant by the State of Connecticut Department of Social Services to The Organization of \$140,000.00 for the improvement of its premises, The Organization granted to the State of Connecticut a lien upon the premises upon the following terms and conditions: (1) the initial amount of such lien be \$140,000.00 (2) if said premises located at 22 Wall Street, New Haven, Connecticut ceases within ten years of August 30, 1997 to be used as an educational facility, an amount equal to the amount of said sum \$140,000.00, minus ten (10%) percent for each full year which has elapsed from August 30, 1997 shall be repaid to the State of Connecticut; and (3) the lien granted herein shall terminate ten years after the date (August 30, 2007) of final payment under the aforementioned contract.

Said Lien shall become subsequent and subordinate to a Mortgage in the principal amount of up to \$250,000.00 from Borrower to the Bank upon certain property know as 22 Wall Street, New Haven, Connecticut (the "Mortgage Debt").

**NOTE 9 - DEFERRED GRANT INCOME**

Deferred grant income of \$29,744.03 is for funds paid in advance for future service to be rendered.