

**THE CHILDREN'S MUSEUM OF MANHATTAN**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JUNE 30, 2009  
WITH SUMMARIZED INFORMATION FOR THE  
YEAR ENDED JUNE 30, 2008**

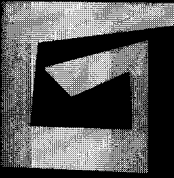
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**YEAR ENDED JUNE 30, 2009  
WITH SUMMARIZED INFORMATION FOR THE  
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### INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
The Children's Museum of Manhattan

We have audited the accompanying statement of financial position of The Children's Museum of Manhattan (legal name: The Children's Museum of Manhattan, G.A.M.E. Inc) (the "Museum") as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Museum's 2008 financial statements and, in our report dated January 23, 2009, we expressed an unqualified opinion on those financial statements.

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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Museum of Manhattan as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*DDK & Company LLP*

February 1, 2010

**THE CHILDREN'S MUSEUM OF MANHATTAN  
STATEMENTS OF FINANCIAL POSITION**

**June 30, 2009**

**With Summarized Information at June 30, 2008**

	<b>2009</b>	<b>2008*</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,502,469	\$ 1,426,207
Marketable securities	-	5,403
Contributions receivable	1,303,130	1,757,477
Prepaid expenses and other current assets	70,198	55,521
Museum store inventory	17,016	18,458
Property and equipment	18,269,822	18,216,475
Less: Accumulated depreciation and amortization	(13,397,509)	(12,343,103)
Investments - restricted	666,000	666,000
<b>Total assets</b>	<b>\$ 8,431,126</b>	<b>\$ 9,802,438</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 222,413	\$ 399,518
Deferred revenue	133,737	211,521
Refundable deposits	18,000	12,000
<b>Total liabilities</b>	<b>374,150</b>	<b>623,039</b>
 <b>Commitments and Contingencies</b>		
<b>Net Assets</b>		
Unrestricted	7,040,476	7,719,770
Temporarily restricted	16,500	459,629
Permanently restricted	1,000,000	1,000,000
<b>Total net assets</b>	<b>8,056,976</b>	<b>9,179,399</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,431,126</b>	<b>\$ 9,802,438</b>

\* Reclassified

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

**THE CHILDREN'S MUSEUM OF MANHATTAN  
STATEMENTS OF ACTIVITIES**

Year Ended June 30, 2009

With Summarized Information for the Year Ended June 30, 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total	Total
<b>Revenue and Support</b>						
Contributions						
Government	\$ 265,925	\$ -	\$ -	\$ 265,925		\$ 205,200
Foundations	583,578	4,500	-	588,078		933,727
Corporations	186,270	-	-	186,270		329,058
Individuals	58,208	12,000	-	70,208		48,923
Benefit events, net of direct donor benefits of \$85,657 for 2009 and \$80,640 for 2008	163,339	-	-	163,339		268,131
Admissions donations	1,226,604	-	-	1,226,604		1,104,472
Membership dues	841,751	-	-	841,751		833,714
Education program services	380,628	-	-	380,628		558,387
Museum program fees	278,985	-	-	278,985		266,273
Museum store, less cost of sales of \$106,563 for 2009 and \$128,605 for 2008	108,971	-	-	108,971		117,521
Traveling exhibits	162,032	-	-	162,032		83,818
Donated services	44,400	-	-	44,400		55,563
Interest	66,881	-	-	66,881		92,742
Other	49,516	-	-	49,516		126,218
Net assets released from restriction	459,629	(459,629)	-	-		-
Total revenue and support	4,876,717	(443,129)	-	4,433,588		5,023,747

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

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**STATEMENTS OF ACTIVITIES (Continued)**

Year Ended June 30, 2009

With Summarized Information for the Year Ended June 30, 2008

	2009		2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Expenses</b>				
Program services	3,979,371	-	-	4,300,749
Supporting services				
General and administrative	1,109,646	-	-	1,109,646
Fundraising	466,994	-	-	477,716
Total expenses	5,556,011	-	-	5,556,011
Change in net assets	(679,294)	(443,129)	-	(826,654)
Net assets at beginning of year	7,719,770	459,629	1,000,000	9,179,399
Net assets at end of year	\$ 7,040,476	\$ 16,500	\$ 1,000,000	\$ 8,056,976
				\$ 9,179,399

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

**THE CHILDREN'S MUSEUM OF MANHATTAN  
STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2009

With Summarized Information for the Year Ended June 30, 2008

	2009			2008
	Program Services	General and Administrative	Fundraising	Total
<b>Expenses</b>				
Salaries	\$ 1,438,227	\$ 375,311	\$ 246,231	\$ 1,926,818
Payroll taxes and employee benefits	207,192	61,156	36,993	323,764
Advertising	17,156	-	-	17,156
China exhibit	70,854	-	-	70,854
Computer expenses	125	26,747	-	26,872
Contracted services	528,295	1,811	80,458	610,564
Credit card processing fees	41,728	-	21,906	63,634
Depreciation and amortization	586,789	467,617	-	1,054,406
Donated items	-	-	18,050	18,050
Equipment rental	2,269	17,394	4,229	23,892
Facility rental	202,224	23,790	26,996	253,010
Insurance	47,888	5,181	2,591	55,660
Interest	1,423	-	-	1,423
Maintenance and repairs	78,291	9,211	4,605	92,107
Memberships, dues, and subscription	3,694	1,326	30,777	35,797
Miscellaneous	-	6,081	2,100	8,181
Museum store - cost of sales	106,563	-	-	106,563
Organizational strategic planning	198,056	-	-	198,056

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

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**STATEMENTS OF FUNCTIONAL EXPENSES (Continued)**  
Year Ended June 30, 2009  
With Summarized Information for the Year Ended June 30, 2008

	2009			2008
	Program Services	General and Administrative	Fundraising	Total
<i>Expenses (Continued)</i>				
Postage and shipping	23,413	640	16,821	40,874
Printing	53,792	-	34,300	88,092
Professional services	-	90,596	-	90,596
Security	128,192	-	-	128,192
Supplies and material	157,566	5,922	17,888	181,376
Stipends	8,696	-	-	8,696
Telephone	16,598	1,953	976	19,527
Travel and entertainment	40,169	-	275	40,444
Utilities	126,734	14,910	7,455	149,099
	<b>4,085,934</b>	<b>1,109,646</b>	<b>552,651</b>	<b>5,748,231</b>
Less: Cost of goods sold and direct donor benefit	106,563	-	85,657	192,220
Total expenses, net of cost of goods sold and direct donor benefit	<u>\$ 3,979,371</u>	<u>\$ 1,109,646</u>	<u>\$ 466,994</u>	<u>\$ 5,556,011</u>
				<u>\$ 5,850,401</u>

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



**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2009**  
**With Summarized Information for the Year Ended June 30, 2008**

	<u>2009</u>	<u>2008</u>
<b><i>Cash Flows From Operating Activities</i></b>		
Decrease in net assets	\$ (1,122,423)	\$ (826,654)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,054,406	1,132,177
Changes in operating assets and liabilities:		
Marketable securities	5,403	(5,403)
Contributions receivable	429,323	1,401,984
Accounts receivable	-	96,181
Prepaid expenses and other current assets	(14,677)	(23,138)
Museum store inventory	1,442	(995)
Accounts payable and accrued expenses	(177,105)	103,020
Deferred revenue	(77,784)	33,445
Refundable deposits	6,000	(24,000)
	<u>104,585</u>	<u>1,886,617</u>
<b><i>Cash Flows From Investing Activities</i></b>		
Proceeds from sale of marketable securities	25,024	24,544
Purchases of property and equipment	<u>(53,347)</u>	<u>(196,341)</u>
	<u>(28,323)</u>	<u>(171,797)</u>
<b><i>Cash Flows From Financing Activities</i></b>		
Repayments of borrowings under revolving loan facility	<u>-</u>	<u>(1,017,500)</u>
	<u>-</u>	<u>(1,017,500)</u>
Net increase in cash and cash equivalents	76,262	697,320
Cash and cash equivalents at beginning of year	<u>1,426,207</u>	<u>728,887</u>
Cash and cash equivalents at end of year	<u>\$ 1,502,469</u>	<u>\$ 1,426,207</u>
<b><i>Supplemental Disclosure of Cash Flow Information</i></b>		
Interest paid	\$ 1,423	\$ 57,288
Noncash transactions		
Contribution of marketable securities to satisfy pledge receivable	\$ 25,024	\$ 24,544

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

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**  
**With Summarized Information for the Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Operations***

The Children's Museum of Manhattan (the "Museum") is a New York not-for-profit organization that operates as a private non-sectarian museum in New York City.

The Museum creates educational exhibitions and programs for families and children. Activities take place at the Museum's flagship location on West 83rd Street in New York City, as well as almost 50 offsite locations within the five boroughs of New York City, and across the United States. The Museum's traveling interactive exhibitions criss-cross the United States. The Museum's programs focus on literacy and early childhood education, healthy lifestyles, and creativity in the arts and sciences. The educational philosophy of the Museum focuses on adult-child interaction in interactive settings filled with workshop opportunities and exploration. Children of all skill levels, interests, and abilities can find ways to learn through the multiple techniques used by the Museum.

The Museum offers fee-based early childhood classes to various ages of children. In addition, the Museum rents out its exhibits to other museums for a contracted fee.

***Basis of Accounting***

The Museum's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which involve the application of accrual accounting; accordingly, the financial statements reflect all material receivables, payables, and other liabilities.

***Basis of Presentation***

In accordance with SFAS No. 117, "*Financial Statements of Not-for-Profit Organizations*," net assets, revenues, gains and losses are classified on the basis of the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Museum and changes therein are classified and reported as follows:

- 1) Unrestricted net assets include assets, revenues and gains that are available for support of the Museum's general operations.
- 2) Temporarily restricted net assets include contributions that are donor restricted for uses which have not yet been fulfilled either in time or by purpose. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**  
**With Summarized Information for the Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

***Basis of Presentation*** *(Continued)*

3) Permanently restricted net assets represent endowments which are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be used for specified or general purposes.

***Summarized Financial Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

***Cash and Cash Equivalents***

Cash equivalents include certain investments in highly liquid instruments with original maturities of three months or less.

***Marketable Securities***

Investments in marketable securities are stated at fair value based on quoted price.

***Accounts Receivable***

The Museum provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Museum's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Museum's estimate of the allowance for doubtful accounts will change. An allowance for doubtful accounts was not deemed necessary at June 30, 2009.

***Unconditional Promises to Give***

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using a current risk free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period.

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**  
**With Summarized Information for the Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

***Unconditional Promises to Give*** *(Continued)*

The Museum provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Museum's estimate is based on historical collection experience and a review of the current status of unconditional promises to give. It is reasonably possible that the Museum's estimate of the allowance for doubtful accounts will change. At June 30, 2009, no allowance for uncollectible unconditional promises to give was deemed necessary.

***Inventory***

Inventory consists of finished goods and is stated at the lower of cost or market; cost is determined by using the first-in, first-out (FIFO) method. Market is determined on the basis of estimated realizable values.

***Property and Equipment***

Property and equipment are stated at cost, less depreciation and amortization. The cost of additions and improvements is capitalized and expenditures for repairs and maintenance are expensed as incurred. Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gains or losses are included in operations. Depreciation of property and equipment is accounted for on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is calculated by the straight-line method over the shorter of the term of the related lease or the useful lives of the improvements.

***Donated Assets***

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

***Donated Services***

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

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**  
**With Summarized Information for the Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

***Income Taxes***

The Museum is a not-for-profit organization that is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code; the Museum is also exempt from state and local income taxes. Accordingly, no provision for income taxes has been made in the financial statements.

In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "*Accounting for Uncertainty in Income Taxes.*" FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109, "*Accounting for Income Taxes.*" FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. On December 30, 2008, the FASB issued FASB Staff Position FIN 48-3 which deferred the effective implementation date of FIN 48 to the Museum's annual financial statements ending on June 30, 2010, and the Museum has elected to defer application of FIN 48. The Museum does not expect that the adoption of FIN 48 will have a material effect on its financial position, results of operations or cash flows.

***Expense Allocation***

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

***Use of 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 the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

***Fair Values of Financial Instruments***

The carrying amounts of cash and cash equivalents, short-term contributions receivable, and accounts payable and accrued expenses approximate fair values because of the short maturities of those instruments.

Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using a current risk free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period.

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**  
**With Summarized Information for the Year Ended June 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

***Deferred Revenue***

The Museum offers a variety of early childhood classes for various ages of children at a fee. The classes commence in the summer and continue throughout the fall. Revenue received prior to the classes commencing is recorded as deferred revenue. Revenue derived from early childhood programs, included in education program services and museum program fees, is recognized by the Museum as the classes are attended. In addition, the Museum rents out museum exhibits to other museums for a contracted fee. Revenue received prior to the exhibition is recorded as deferred revenue. Revenue derived from the rental of museum exhibits is recognized by the Museum as the exhibits are displayed.

***Advertising***

In accordance with Statement of Position 93-7, "Reporting of Advertising Costs," advertising costs of \$17,156 for the year ended June 30, 2009 were expensed as incurred.

***Reclassification***

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassification had no effect on net asset balances.

***Subsequent Events***

Management has evaluated subsequent events or transactions occurring through February 1, 2010, the date the financial statements were available to be issued.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Checking accounts	\$ 421,043	\$ -	\$ 421,043
Savings and money market accounts	1,060,025	18,301	1,078,326
Petty cash	<u>3,100</u>	<u>-</u>	<u>3,100</u>
	<u>\$ 1,484,168</u>	<u>\$ 18,301</u>	<u>\$ 1,502,469</u>

At June 30, 2009, bank account balances exceeded the insured \$250,000 FDIC limit by approximately \$694,000.

At June 30, 2009, money market accounts held by a brokerage house exceeded the insured \$500,000 SIPC limit by approximately \$51,000.

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**  
**With Summarized Information for the Year Ended June 30, 2008**

**NOTE 3 - PROPERTY AND EQUIPMENT**

Major classes of property and equipment are as follows:

	<u>Estimated Useful Lives - Years</u>	<u>Amounts</u>
Leasehold improvements	15	\$ 10,016,543
Exhibits	2 - 10	7,475,248
Office equipment	5 - 10	509,817
Furniture and fixtures	5 - 10	<u>268,214</u>
		18,269,822
Less: Accumulated depreciation and amortization		<u>13,397,509</u>
Property and equipment, net		<u>\$ 4,872,313</u>

Related depreciation and amortization expense for the year ended June 30, 2009 was \$1,054,406.

Pursuant to the funding agreement between the Museum and the City of New York, acting by and through its Department of Design and Construction, the City of New York has a secured interest in the exhibits and leasehold improvements relating to the project funded by the City of New York. The collateral assignment will be released on November 6, 2012.

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

As of June 30, 2009, unconditional promises to give were scheduled to be received as follows:

<u>Years Ending June 30,</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2009	\$1,274,345	\$ -	\$ -	\$ 1,274,345
2010	30,259	-	-	30,259
2011	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total	1,309,604	-	-	1,309,604
Less: Discounts	<u>(6,474)</u>	<u>-</u>	<u>-</u>	<u>(6,474)</u>
Net	<u>\$1,303,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,303,130</u>

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**  
**With Summarized Information for the Year Ended June 30, 2008**

**NOTE 4 - CONTRIBUTIONS RECEIVABLE (Continued)**

Unconditional promises to give and grant receivables due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 5.07% to 5.12%.

Of the unconditional promises to give scheduled to be received as of June 30, 2009, the amount consists primarily of a NYC Department of Cultural Affairs award of \$1,118,000 for the years ended June 30, 2006 and 2007, of which \$941,000 have not been received as of February 1, 2010.

**NOTE 5 - NOTE PAYABLE**

In August 2006, the Museum entered into an agreement with a bank for a revolving loan facility aggregating \$1,730,000 that matured on August 28, 2009, to provide financing for the renovation of the third floor of the Museum. The note bears interest equal to the higher of the bank's prime rate (3.25% at June 30, 2009) plus 1% or the Federal Funds Effective Rate (range 0.00% - 0.25% at June 30, 2009) plus 0.50% per annum. The loan was secured based on a NYC Department of Cultural Affairs unconditional promise to give of \$1,250,000 and an unconditional promise to give from Judith and John Hannan of \$1,000,000. The loan is subject to various covenants and representations. At June 30, 2009, there was no outstanding balance on this line of credit; accordingly, the unused portion of the loan is \$1,730,000. The line was not subsequently renewed.

There was no related interest expense on this line of credit for the year ended June 30, 2009.

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets of \$16,500 are available for the Islamic exhibit.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors as follows:

Media lab	\$ 209,629
Bronx initiative	150,000
Heath educator	60,000
Career internship network	<u>40,000</u>
	<u>\$ 459,629</u>



**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**  
**With Summarized Information for the Year Ended June 30, 2008**

**NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets of \$1,000,000 consist of an endowment fund from The Laurie M. Tisch Foundation. The investment income from the fund is expendable to support the operating activities of the Museum.

**NOTE 8 - MEMBERSHIP DUES**

Membership dues were received as follows:

Family membership	\$ 648,761
Corporate membership	130,000
Friend membership	46,140
Supporter membership	16,540
Access membership	<u>310</u>
	<u>\$ 841,751</u>

**NOTE 9 - CONCENTRATION OF RISK**

Receivables from one donor represented approximately 87% of total unconditional promises to give as of June 30, 2009.

Approximately 23% of the Museum's revenue from contributions and fundraising was provided by the Museum's trustees and officers for the year ended June 30, 2009.

**NOTE 10 - LEASES**

The Museum leases space located in Manhattan, New York. The current operating lease expired on September 30, 2007 and was renewed for a 15-year term through September 30, 2022. For the first five-year period, the fixed monthly rent shall be \$19,826. The fixed rent from October 1, 2012 through September 30, 2022 shall be agreed upon by the Landlord and the Museum by January 1, 2012.

Rent expense totaled \$253,010 for the year ended June 30, 2009.

The Museum also leases equipment and a vehicle under various operating leases expiring in 2012, the expense for which is not included in the above amount.

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2009  
With Summarized Information for the Year Ended June 30, 2008

**NOTE 10 - LEASES** *(Continued)*

The following is a schedule of approximate future minimum rental payments required under the above operating leases as of June 30, 2009.

<u>Years Ending June 30,</u>	<u>Premises</u>	<u>Other</u>	<u>Total</u>
2010	\$ 237,900	\$ 7,600	\$ 245,500
2011	237,900	6,700	244,600
2012	237,900	4,500	242,400
2013	<u>59,500</u>	<u>-</u>	<u>59,500</u>
	<u>\$ 773,200</u>	<u>\$ 18,800</u>	<u>\$ 792,000</u>

**NOTE 11 - NYC DEPARTMENT OF CULTURAL AFFAIRS AWARD**

The Department of Cultural Affairs has supported the Museum through a capital expenditure of \$1,132,248 in fiscal year 2008. Actual amounts received are preliminary and subject to change upon the release of the NYC Comptroller's annual comprehensive financial report.

The City's investment of capital expenditures obligated the recipient organization to operate the facility during the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City for cultural, educational or artistic uses and/or related purpose approved by the City.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

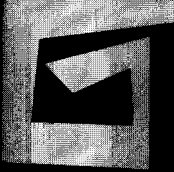
***Tax Examination***

The Museum is currently under examination by the New York State Department of Labor. The outcome of the examination cannot be determined.

**NOTE 13 - SUBSEQUENT EVENT**

Subsequent to year end, the Museum received a federal award for approximately \$828,000 for the period October 1, 2009 through September 30, 2012.

**SUPPLEMENTARY INFORMATION**



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Accountants &  
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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Trustees  
The Children's Museum of Manhattan

Our report on our audit of the financial statements of The Children's Museum of Manhattan for the year ended June 30, 2009 appears on page 3. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 21 - 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

*DDK & Company LLP*

February 1, 2010

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**SUPPLEMENTARY INFORMATION**  
**STATEMENT OF FINANCIAL POSITION - BY NET ASSET CLASSIFICATION**  
**June 30, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Elimination	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,484,168	\$ 18,301	\$ -	\$ -	\$ 1,502,469
Contributions receivable	1,303,130	-	-	-	1,303,130
Prepaid expenses and other current assets	65,198	5,000	-	-	70,198
Museum store inventory	17,016	-	-	-	17,016
Property and equipment	18,269,822	-	-	-	18,269,822
Less: Accumulated depreciation and amortization	(13,397,509)	-	-	-	(13,397,509)
Receivables due from other funds	-	(6,801)	334,000	(327,199)	-
Investments - restricted	-	-	666,000	-	666,000
Total assets	<u>\$ 7,741,825</u>	<u>\$ 16,500</u>	<u>\$ 1,000,000</u>	<u>\$ (327,199)</u>	<u>\$ 8,431,126</u>

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**SUPPLEMENTARY INFORMATION**  
**STATEMENT OF FINANCIAL POSITION - BY NET ASSET CLASSIFICATION**  
**June 30, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Elimination	Total
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 222,413	-	\$ -	-	\$ 222,413
Deferred revenue	133,737	-	-	-	133,737
Refundable deposits	18,000	-	-	-	18,000
Payables due to other funds	327,199	-	-	(327,199)	-
<b>Total liabilities</b>	<b>701,349</b>	<b>-</b>	<b>-</b>	<b>(327,199)</b>	<b>374,150</b>
<b>Commitments and Contingencies</b>					
<b>Net Assets</b>					
Unrestricted	7,040,476	-	-	-	7,040,476
Temporarily restricted	-	16,500	-	-	16,500
Permanently restricted	-	-	1,000,000	-	1,000,000
<b>Total net assets</b>	<b>7,040,476</b>	<b>16,500</b>	<b>1,000,000</b>	<b>-</b>	<b>8,056,976</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,741,825</b>	<b>\$ 16,500</b>	<b>\$ 1,000,000</b>	<b>\$ (327,199)</b>	<b>\$ 8,431,126</b>

See Independent Auditors' Report on Supplementary Information.

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF TEMPORARILY RESTRICTED NET ASSETS - BY FUND**  
**Year Ended June 30, 2009**

	Net Assets July 1, 2008	Support	Investment Income	Restrictions Satisfied by Payments/ Purpose	Net Assets June 30, 2009
Program Service Fund	\$ 459,629	\$ 16,500	-	\$ (459,629)	\$ 16,500

**THE CHILDREN'S MUSEUM OF MANHATTAN**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PERMANENTLY RESTRICTED NET ASSETS - BY FUND**  
**Year Ended June 30, 2009**

	Net Assets		Investment Income	Restrictions Satisfied by		Net Assets June 30, 2009
	July 1, 2008	Support		Payments/ Purpose		
The Laurie M. Tisch Foundation	\$ 1,000,000	\$ -	\$ -	\$ -	-	\$ 1,000,000