

THE CHILDREN'S MUSEUM OF MANHATTAN

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JUNE 30, 2010
WITH SUMMARIZED INFORMATION FOR THE
YEAR ENDED JUNE 30, 2009**

THE CHILDREN'S MUSEUM OF MANHATTAN

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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, 2010, 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 2009 financial statements and, in our report dated February 1, 2010, 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, 2010, 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

December 21, 2010

THE CHILDREN'S MUSEUM OF MANHATTAN
STATEMENTS OF FINANCIAL POSITION
June 30, 2010
With Summarized Information at June 30, 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 1,934,789	\$ 1,502,469
Contributions receivable	1,307,942	1,303,130
Prepaid expenses and other current assets	120,260	70,198
Museum store inventory	19,196	17,016
Property and equipment	18,400,654	18,269,822
Less: Accumulated depreciation and amortization	(14,104,847)	(13,397,509)
Investments - restricted	666,000	666,000
Total assets	\$ 8,343,994	\$ 8,431,126
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 291,633	\$ 222,413
Deferred revenue	91,610	133,737
Refundable deposits	22,000	18,000
Total liabilities	405,243	374,150
 Commitments and Contingencies		
Net Assets		
Unrestricted	6,602,935	7,040,476
Temporarily restricted	335,816	16,500
Permanently restricted	1,000,000	1,000,000
Total net assets	7,938,751	8,056,976
Total liabilities and net assets	\$ 8,343,994	\$ 8,431,126

THE CHILDREN'S MUSEUM OF MANHATTAN
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

	<u>2010</u>			<u>2009</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<i>Revenue and Support</i>					
Contributions					
Government	\$ 365,361	\$ -	\$ -	\$ 365,361	\$ 265,925
Foundations	523,750	160,900	-	684,650	588,078
Corporations	73,732	89,687	-	163,419	186,270
Individuals	122,817	85,229	-	208,046	70,208
Benefit events, net of direct donor benefits of \$316,109 for 2010 and \$85,657 for 2009	907,893	-	-	907,893	163,339
Admissions donations	1,001,588	-	-	1,001,588	1,226,604
Membership dues	768,201	-	-	768,201	841,751
Education program services	358,812	-	-	358,812	380,628
Museum program fees	241,244	-	-	241,244	278,985
Museum store, less cost of sales of \$89,145 for 2010 and \$106,563 for 2009	77,016	-	-	77,016	108,971
Traveling exhibits	5,366	-	-	5,366	162,032
Donated services	57,200	-	-	57,200	44,400
Interest	14,414	-	-	14,414	66,881
Other	110,179	-	-	110,179	49,516
Net assets released from restriction	16,500	(16,500)	-	-	-
Total revenue and support	4,644,073	319,316	-	4,963,389	4,433,588

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, 2010
With Summarized Information for the Year Ended June 30, 2009

	<u>2010</u>			<u>2009</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<i>Expenses</i>					
Program services	3,772,112	-	-	3,772,112	3,979,371
Supporting services					
General and administrative	877,824	-	-	877,824	1,109,646
Fundraising	431,678	-	-	431,678	466,994
Total expenses	<u>5,081,614</u>	<u>-</u>	<u>-</u>	<u>5,081,614</u>	<u>5,556,011</u>
Change in net assets	(437,541)	319,316	-	(118,225)	(1,122,423)
Net assets at beginning of year	<u>7,040,476</u>	<u>16,500</u>	<u>1,000,000</u>	<u>8,056,976</u>	<u>9,179,399</u>
Net assets at end of year	<u>\$ 6,602,935</u>	<u>\$ 335,816</u>	<u>\$ 1,000,000</u>	<u>\$ 7,938,751</u>	<u>\$ 8,056,976</u>

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, 2010
With Summarized Information for the Year Ended June 30, 2009

	2010			2009	
	Program Services	General and Administrative	Fundraising	Total	Total
Expenses					
Salaries	\$ 1,548,241	\$ 308,158	\$ 124,448	\$ 1,980,847	\$ 2,059,769
Payroll taxes and employee benefits	294,191	71,151	19,283	384,625	305,341
Advertising	39,321	-	-	39,321	17,156
China exhibit	30,003	-	-	30,003	70,854
Computer expenses	-	73,100	-	73,100	26,872
Contracted services	341,622	826	270,223	612,671	610,564
Credit card processing fees	36,826	-	30,292	67,118	63,634
Depreciation and amortization	428,982	278,356	-	707,338	1,054,406
Donated items	-	-	93,542	93,542	18,050
Equipment rental	3,796	14,715	41,181	59,692	23,892
Facility rental	220,443	25,934	92,464	338,841	253,010
Insurance	43,956	4,770	2,385	51,111	55,660
Interest	9,126	-	-	9,126	1,423
Maintenance and repairs	74,848	8,806	4,403	88,057	92,107
Memberships, dues, and subscription	2,158	440	5,030	7,628	35,797
Miscellaneous	-	4,353	-	4,353	8,181
Museum store - cost of sales	89,145	-	-	89,145	106,563
Organizational strategic planning	119,759	-	-	119,759	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, 2010
With Summarized Information for the Year Ended June 30, 2009

	<u>2010</u>			<u>2009</u>	
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Expenses (Continued)					
Postage and shipping	12,926	720	14,659	28,305	40,874
Printing	39,403	-	33,966	73,369	88,092
Professional services	57,200	65,269	-	122,469	90,596
Security	132,082	-	-	132,082	128,192
Supplies and material	156,109	4,057	7,326	167,492	181,376
Stipends	6,475	-	-	6,475	8,696
Telephone	19,664	2,313	1,157	23,134	19,527
Travel and entertainment	28,702	-	-	28,702	40,444
Utilities	126,279	14,856	7,428	148,563	149,099
	<u>3,861,257</u>	<u>877,824</u>	<u>747,787</u>	<u>5,486,868</u>	<u>5,748,231</u>
Less: Cost of goods sold and direct donor benefit	<u>89,145</u>	<u>-</u>	<u>316,109</u>	<u>405,254</u>	<u>192,220</u>
Total expenses, net of cost of goods sold and direct donor benefit	<u>\$ 3,772,112</u>	<u>\$ 877,824</u>	<u>\$ 431,678</u>	<u>\$ 5,081,614</u>	<u>\$ 5,556,011</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, 2010
With Summarized Information for the Year Ended June 30, 2009

	<u>2010</u>	<u>2009</u>
<i>Cash Flows From Operating Activities</i>		
Decrease in net assets	\$ (118,225)	\$ (1,122,423)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	707,338	1,054,406
Contribution of marketable securities to satisfy pledge receivable	(54,590)	(25,024)
Gain on sale of securities	(204)	-
Changes in operating assets and liabilities:		
Marketable securities	-	5,403
Contributions receivable	(4,812)	454,347
Prepaid expenses and other current assets	(50,062)	(14,677)
Museum store inventory	(2,180)	1,442
Accounts payable and accrued expenses	69,220	(177,105)
Deferred revenue	(42,127)	(77,784)
Refundable deposits	4,000	6,000
	<u>508,358</u>	<u>104,585</u>
<i>Cash Flows From Investing Activities</i>		
Proceeds from sale of marketable securities	54,794	25,024
Purchases of property and equipment	(130,832)	(53,347)
	<u>(76,038)</u>	<u>(28,323)</u>
Net cash used in investing activities		
	<u>(76,038)</u>	<u>(28,323)</u>
Net increase in cash and cash equivalents	432,320	76,262
Cash and cash equivalents at beginning of year	<u>1,502,469</u>	<u>1,426,207</u>
Cash and cash equivalents at end of year	<u>\$ 1,934,789</u>	<u>\$ 1,502,469</u>
<i>Supplemental Disclosure of Cash Flow Information</i>		
Interest paid	\$ 1,326	\$ 1,423

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or 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 restrictions.

The financial statement presentation is in conformity with FASB ASC 958, "Not-for-Profit Entities" which requires the Museum to report information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

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

Basis of Presentation *(Continued)*

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 restrictions. The Museum has \$335,816 in temporarily restricted net assets at June 30, 2010.
- 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. The Museum has \$1,000,000 in permanently restricted net assets at June 30, 2010.

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, 2009, 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, 2010.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

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

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 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, 2010, 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.

Impairment of Long-Lived Assets

In accordance with FASB ASC 360, long-lived assets, including property and equipment and intangible assets subject to amortization, if any, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future undiscounted cash flows. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

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

Website Development Costs

The Museum accounts for website development costs based on the nature of each cost and uses four stages: planning (expense), web applications and infrastructure (capitalize), graphic development (capitalize), and operation (expense). Website development costs are amortized over their estimated useful lives on the straight-line basis.

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 FASB ASC 958, 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 FASB ASC 958 were not met.

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.

The Museum has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Museum was to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Museum's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors. Generally, federal, state and local authorities may examine the Museum's tax returns for three years from the date of filing; consequently, the respective tax returns for years prior to 2006 are no longer subject to examination by tax authorities.

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.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

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

Advertising

In accordance with FASB ASC 720 "Other Expenses", advertising costs of \$39,321 for the year ended June 30, 2010 were expensed as incurred.

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.

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.

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.

Reclassification

The 2009 financial statements have been reclassified to conform to the 2010 presentation. Such reclassification had no effect on net income.

Subsequent Events

Management has evaluated subsequent events or transactions occurring through December 21, 2010, the date the financial statements were available to be issued.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

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	\$ 170,876	\$ -	\$ 170,876
Savings and money market accounts	1,742,467	18,346	1,760,813
Petty cash	<u>3,100</u>	<u>-</u>	<u>3,100</u>
	<u>\$ 1,916,443</u>	<u>\$ 18,346</u>	<u>\$ 1,934,789</u>

At June 30, 2010, bank account balances at two banks exceeded the insured \$250,000 FDIC limit by approximately \$2,068,000.

At June 30, 2010, money market accounts held by a brokerage house did not exceed the insured \$500,000 SIPC limit.

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	\$ 10,034,743
Exhibits	2 - 10	7,544,535
Office equipment	5 - 10	532,162
Furniture and fixtures	5 - 10	268,214
Website	3	<u>21,000</u>
		18,400,654
Less: Accumulated depreciation and amortization		<u>14,104,847</u>
Property and equipment, net		<u>\$ 4,295,807</u>

Related depreciation and amortization expense for the year ended June 30, 2010 was \$707,338.

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.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

NOTE 4 - CONTRIBUTIONS RECEIVABLE

As of June 30, 2010, 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>
2010	\$ 1,304,032	\$ -	\$ -	\$ 1,304,032
2011	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total	1,309,032	-	-	1,309,032
Less: Discounts	<u>(1,090)</u>	<u>-</u>	<u>-</u>	<u>(1,090)</u>
Net	<u>\$ 1,307,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,307,942</u>

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 of 5.04%.

Of the unconditional promises to give scheduled to be received as of June 30, 2010, the amount consists primarily of a NYC Department of Cultural Affairs award of \$1,066,280 for the years ended June 30, 2006 and 2007, of which \$246,836 have not been received as of December 21, 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 bore interest equal to the higher of the bank's prime rate plus 1% or the Federal Funds Effective Rate 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 was subject to various covenants and representations. The line was not renewed and there were no borrowings during the year ended June 30, 2010.

There was no related interest expense on this line of credit for the year ended June 30, 2010.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose or periods:

Islamic program	\$ 54,629
New York City Housing Authority	76,500
Jr. Staff internship program	25,000
FY 2011 activities	<u>179,687</u>
	<u>\$ 335,816</u>

Net assets of \$16,500 were released from donor restrictions by incurring expenses satisfying the Islamic program purpose as specified by donors.

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	\$ 572,336
Corporate membership	150,000
Friend membership	29,780
Summer family membership	8,800
Supporter membership	7,005
Access membership	<u>280</u>
	<u>\$ 768,201</u>

NOTE 9 - TAX-DEFERRED ANNUITY PLAN

During the year ended June 30, 1998, the Organization entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. There was no related pension expense for the year ended June 30, 2010.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

NOTE 10 - CONCENTRATION OF RISK

Receivables from one donor represented approximately 83% of total unconditional promises to give as of June 30, 2010.

Approximately 33% of the Museum's revenue from contributions and fundraising was provided by the Museum's trustees and officers for the year ended June 30, 2010.

NOTE 11 - 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 plus applicable annual cost of living adjustments. 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 \$338,841 for the year ended June 30, 2010.

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

The following is a schedule of approximate future minimum rental payments required under the above operating leases as of June 30, 2010.

<u>Years Ending June 30,</u>	<u>Premises</u>	<u>Other</u>	<u>Total</u>
2011	\$ 246,050	\$ 7,500	\$ 253,550
2012	246,050	5,200	251,250
2013	61,513	800	62,313
2014	-	800	800
2015	-	600	600
	<u>\$ 553,613</u>	<u>\$ 14,900</u>	<u>\$ 568,513</u>

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
With Summarized Information for the Year Ended June 30, 2009

NOTE 12 - NYC DEPARTMENT OF CULTURAL AFFAIRS AWARD

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 13 - COMMITMENTS AND CONTINGENCIES

Tax Examination

The Museum was under examination by the New York State Department of Labor. During the year ended June 30, 2010, the Museum paid \$17,326 of New York State unemployment taxes. A balance of approximately \$7,800 of interest is due. The Museum continues to contest the imposition of the interest and the outcome is indeterminable.

SUPPLEMENTARY INFORMATION



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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, 2010 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 22 - 25 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

December 21, 2010

**THE CHILDREN'S MUSEUM OF MANHATTAN
SUPPLEMENTARY INFORMATION
STATEMENT OF FINANCIAL POSITION - BY NET ASSET CLASSIFICATION
June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Elimination</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 1,916,443	\$ 18,346	\$ -	\$ -	\$ 1,934,789
Contributions receivable	1,307,942	-	-	-	1,307,942
Prepaid expenses and other current assets	115,260	5,000	-	-	120,260
Museum store inventory	19,196	-	-	-	19,196
Property and equipment	18,400,654	-	-	-	18,400,654
Less: Accumulated depreciation and amortization	(14,104,847)	-	-	-	(14,104,847)
Receivables due from other funds	-	312,470	334,000	(646,470)	-
Investments - restricted	-	-	666,000	-	666,000
 Total assets	 <u>\$ 7,654,648</u>	 <u>\$ 335,816</u>	 <u>\$ 1,000,000</u>	 <u>\$ (646,470)</u>	 <u>\$ 8,343,994</u>

See Independent Auditors' Report on Supplementary Information.

**THE CHILDREN'S MUSEUM OF MANHATTAN
SUPPLEMENTARY INFORMATION
STATEMENT OF FINANCIAL POSITION - BY NET ASSET CLASSIFICATION
June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Elimination</u>	<u>Total</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 291,633	\$ -	\$ -	\$ -	\$ 291,633
Deferred revenue	91,610	-	-	-	91,610
Refundable deposits	22,000	-	-	-	22,000
Payables due to other funds	646,470	-	-	(646,470)	-
Total liabilities	<u>1,051,713</u>	<u>-</u>	<u>-</u>	<u>(646,470)</u>	<u>405,243</u>
Commitments and Contingencies					
Net Assets					
Unrestricted	6,602,935	-	-	-	6,602,935
Temporarily restricted	-	335,816	-	-	335,816
Permanently restricted	-	-	1,000,000	-	1,000,000
Total net assets	<u>6,602,935</u>	<u>335,816</u>	<u>1,000,000</u>	<u>-</u>	<u>7,938,751</u>
Total liabilities and net assets	<u>\$ 7,654,648</u>	<u>\$ 335,816</u>	<u>\$ 1,000,000</u>	<u>\$ (646,470)</u>	<u>\$ 8,343,994</u>

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, 2010

	Net Assets July 1, 2009	Support	Investment Income	Restrictions Satisfied by Payments/ Purpose	Net Assets June 30, 2010
Program Service Fund	<u>\$ 16,500</u>	<u>\$ 335,816</u>	<u>\$ -</u>	<u>\$ (16,500)</u>	<u>\$ 335,816</u>

**THE CHILDREN'S MUSEUM OF MANHATTAN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PERMANENTLY RESTRICTED NET ASSETS - BY FUND
 Year Ended June 30, 2010**

	Net Assets July 1, 2009	Support	Investment Income	Restrictions Satisfied by Payments/ Purpose	Net Assets June 30, 2010
The Laurie M. Tisch Foundation	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>