

THE CHILDREN'S MUSEUM OF MANHATTAN

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JUNE 30, 2011
WITH SUMMARIZED INFORMATION FOR THE
YEAR ENDED JUNE 30, 2010**

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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, 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 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 December 21, 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, 2011, and the results of its operations 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

March 13, 2012

THE CHILDREN'S MUSEUM OF MANHATTAN
STATEMENTS OF FINANCIAL POSITION
June 30, 2011
With Summarized Information at June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 3,007,662	\$ 1,934,789
Marketable securities	18,020	-
Contributions receivable	367,497	1,307,942
Prepaid expenses and other current assets	107,605	120,260
Museum store inventory	11,787	19,196
Property and equipment	18,848,150	18,400,654
Less: Accumulated depreciation and amortization	(14,815,428)	(14,104,847)
Investments - restricted	<u>1,000,000</u>	<u>666,000</u>
 Total assets	 <u>\$ 8,545,293</u>	 <u>\$ 8,343,994</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 278,392	\$ 291,633
Deferred revenue	71,444	91,610
Refundable deposits	<u>6,000</u>	<u>22,000</u>
 Total liabilities	 <u>355,836</u>	 <u>405,243</u>
 Commitments and Contingencies		
Net Assets		
Unrestricted	6,603,146	6,602,935
Temporarily restricted	586,311	335,816
Permanently restricted	<u>1,000,000</u>	<u>1,000,000</u>
 Total net assets	 <u>8,189,457</u>	 <u>7,938,751</u>
 Total liabilities and net assets	 <u>\$ 8,545,293</u>	 <u>\$ 8,343,994</u>

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

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

Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

	2011		2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions	\$ 706,017	\$ -	\$ 706,017	\$ 365,361
Government	590,747	440,195	1,030,942	684,650
Foundations	317,080	-	317,080	163,419
Corporations	132,159	-	132,159	208,046
Benefit events, net of direct donor benefits of \$38,620 for 2011 and \$316,109 for 2010	165,542	-	165,542	907,893
Admissions donations	1,298,544	-	1,298,544	1,001,588
Membership dues	770,715	-	770,715	768,201
Education program services	376,437	-	376,437	358,812
Museum program fees	242,104	-	242,104	241,244
Museum store, less cost of sales of \$93,195 for 2011 and \$89,145 for 2010	56,911	-	56,911	77,016
Traveling exhibits	16,000	-	16,000	5,366
Donated services	5,200	-	5,200	57,200
Loss on sale of asset	(10,807)	-	(10,807)	14,414
Interest	12,012	-	12,012	-
Loss on sale of investments	(457)	-	(457)	-
Unrealized gain on investments	1,871	-	1,871	-
Other	351,334	-	351,334	110,179
Net assets released from restriction	189,700	(189,700)	-	-
Total revenue and support	5,221,109	250,495	5,471,604	4,963,389

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, 2011
 With Summarized Information for the Year Ended June 30, 2010

	2011			2010
	Program	General and	Administrative	Fundraising
	Services	Total	Total	Total
Expenses				
Salaries	\$ 1,620,668	\$ 399,997	\$ 143,843	\$ 2,164,508
Payroll taxes and employee benefits	240,806	108,410	22,008	371,224
Advertising	53,106	-	-	53,106
Bad debt expense	9,104	20,000	-	20,000
China exhibit	-	-	-	9,104
Computer expenses	394,311	22,725	-	22,725
Contracted services	36,902	411	181,092	575,814
Credit card processing fees	438,208	-	28,407	65,309
Depreciation and amortization	-	276,401	-	714,609
Donated items	5,116	-	4,560	4,560
Equipment rental	211,443	23,539	3,330	31,985
Facility rental	42,438	24,875	12,438	248,756
Insurance	1,327	4,622	2,311	49,371
Interest	78,714	-	-	1,327
Maintenance and repairs	2,685	9,261	4,630	92,605
Memberships, dues, and subscription	-	2,909	6,894	12,488
Miscellaneous	93,195	4,881	-	4,881
Museum store - cost of sales	123,801	-	-	93,195
Organizational strategic planning	-	-	-	123,801
	\$ 1,980,847	\$ 1,980,847	\$ 1,980,847	\$ 1,980,847

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, 2011
 With Summarized Information for the Year Ended June 30, 2010

	2011			2010
	Program General and Administrative	Fundraising	Total	
Expenses (Continued)				
Postage and shipping	33,070	4,143	38,723	28,305
Printing	54,499	6,185	60,684	73,369
Professional services	-	-	51,327	122,469
Security	133,418	-	133,418	132,082
Supplies and material	187,530	7,184	202,707	167,492
Stipends	5,800	-	5,800	6,475
Telephone	17,970	1,057	21,141	23,134
Travel and entertainment	43,301	-	43,301	28,702
Utilities	115,807	6,812	136,244	148,563
Less: Cost of goods sold and direct donor benefit	3,943,219	434,894	5,352,713	5,486,868
93,195	-	38,620	131,815	405,254
Total expenses, net of cost of goods sold and direct donor benefit	\$ 3,850,024	\$ 974,600	\$ 5,220,898	\$ 5,081,614

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, 2011
With Summarized Information for the Year Ended June 30, 2010

	<u>2011</u>	<u>2010</u>
<i>Cash Flows From Operating Activities</i>		
Increase (decrease) in net assets	\$ 250,706	\$ (118,225)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	714,609	707,338
Contribution of marketable securities	(28,274)	(54,590)
Loss (gain) on sale of marketable securities	457	(204)
Loss on sale of assets	10,807	-
Unrealized gain on marketable securities	(1,871)	-
Changes in operating assets and liabilities:		
Contributions receivable	940,445	(4,812)
Prepaid expenses and other current assets	12,655	(50,062)
Museum store inventory	7,409	(2,180)
Accounts payable and accrued expenses	(13,241)	69,220
Deferred revenue	(20,166)	(42,127)
Refundable deposits	(16,000)	4,000
Investment - restricted	(334,000)	-
Net cash provided by operating activities	<u>1,523,536</u>	<u>508,358</u>
<i>Cash Flows From Investing Activities</i>		
Proceeds from sale of marketable securities	11,668	54,794
Proceeds from sale of asset	4,500	-
Purchases of property and equipment	<u>(466,831)</u>	<u>(130,832)</u>
Net cash used in investing activities	<u>(450,663)</u>	<u>(76,038)</u>
Net increase in cash and cash equivalents	1,072,873	432,320
Cash and cash equivalents at beginning of year	<u>1,934,789</u>	<u>1,502,469</u>
Cash and cash equivalents at end of year	<u>\$ 3,007,662</u>	<u>\$ 1,934,789</u>
<i>Supplemental Disclosure of Cash Flow Information</i>		
Interest paid	\$ 1,327	\$ 1,326

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, 2011
With Summarized Information for the Year Ended June 30, 2010

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) 958-605, "Revenue Recognition", 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, 2011
With Summarized Information for the Year Ended June 30, 2010

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 by the passage of 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 \$586,311 in temporarily restricted net assets at June 30, 2011.
- 3) Permanently restricted net assets represent endowments which are subject to restrictions 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, 2011.

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, 2010, 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 classified and accounted for as available-for-sale and accordingly, carried at fair value based on market quotes, with unrealized and realized gains and/or losses included in earnings along with charges for impairments that are other than temporary.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

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

Basis of Presentation *(Continued)*

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, 2011.

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, 2011, 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.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

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

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.

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.

Contributions

Contributions, including unconditional promises to give, are recorded in the period received at fair value which is net of estimated uncollectible amounts. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated by the donor for future periods or are restricted by the donor for specified purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from the investments thereof is expended for either general purposes or a purpose specified by the donor.

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.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

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.

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 2007 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.

Advertising

In accordance with FASB ASC 720 "Other Expenses", advertising costs of \$53,106 for the year ended June 30, 2011 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.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent Events

Management has evaluated subsequent events or transactions occurring through March 13, 2012, 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	\$ 140,922	\$ -	\$ 140,922
Savings and money market accounts	2,725,660	137,980	2,863,640
Petty cash	<u>3,100</u>	<u>-</u>	<u>3,100</u>
	<u>\$ 2,869,682</u>	<u>\$ 137,980</u>	<u>\$ 3,007,662</u>

At June 30, 2011, bank account balances at two banks exceeded the insured \$250,000 FDIC limit by approximately \$2,718,000.

At June 30, 2011, money market accounts held by a brokerage house exceeded the insured \$500,000 SIPC limit by approximately \$156,000.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

NOTE 3 - INVESTMENTS

Investments in marketable securities as of June 30, 2011 are reported at fair value and are summarized as follows:

	<u>Cost</u>	<u>Gross Unrealized Gain</u>	<u>Fair Value</u>
<u>Unrestricted</u>			
Equity securities	\$ 16,149	\$ 1,871	\$ 18,020

Investments in securities are generally exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term.

The following schedule summarizes the related investment return and its classification in the statement of activities for the year ended June 30, 2011:

	<u>Amount (Unrestricted)</u>
Net realized loss on sale of investments	\$ (457)
Net unrealized gain on investments	<u>1,871</u>
	<u>\$ 1,414</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

As of the beginning of the fiscal year ended June 30, 2011, the Museum implemented FASB ASC 820-10, *Fair Value Measurements*. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

NOTE 4 - FAIR VALUE MEASUREMENTS

Basis of Fair Value Measurement (Continued)

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables present by level, within the fair value hierarchy the Museum investment assets at fair value, as of June 30, 2011. As required by FASB ASC 820-10, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

The table below sets forth a summary of the fair value of the Museum's Level 1 investment assets for the year ended June 30, 2011:

<u>Description</u>	<u>6/30/11</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>
Available-for-sale securities	\$ 18,020	\$ 18,020

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

NOTE 5 - PROPERTY AND EQUIPMENT

Major classes of property and equipment are as follows:

	<u>Estimated Useful Lives - Years</u>	<u>Amounts</u>
Leasehold improvements	15	\$ 10,044,993
Exhibits	2 - 10	7,950,123
Office equipment	5 - 10	560,520
Furniture and fixtures	5 - 10	268,214
Website	3	<u>24,300</u>
		18,848,150
Less: Accumulated depreciation and amortization		<u>14,815,428</u>
Property and equipment, net		<u>\$ 4,032,722</u>

Related depreciation and amortization expense for the year ended June 30, 2011 was \$714,609.

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 6 - CONTRIBUTIONS RECEIVABLE

As of June 30, 2011, 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>
2011	367,497	-	-	367,497
Less: Discounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net	<u>\$ 367,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,497</u>

Of the unconditional promises to give scheduled to be received as of June 30, 2011, the amount consists primarily of a NYC Department of Cultural Affairs award of \$246,836 for the years ended June 30, 2006 and 2007.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

Health exhibit	\$ 313,657
Islamic program	47,116
New York City Housing Authority	76,500
Jr. Staff internship program	25,000
FY 2011 activities	<u>124,038</u>
	<u>\$ 586,311</u>

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

Islamic program	\$ 7,513
Jr. Staff internship program	25,000
FY 2011 activities	<u>157,187</u>
	<u>\$ 189,700</u>

NOTE 8 - 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 9 - MEMBERSHIP DUES

Membership dues were received as follows:

Family membership	\$ 619,550
Corporate membership	115,000
Friend membership	27,375
Supporter membership	8,590
Access membership	<u>200</u>
	<u>\$ 770,715</u>

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

NOTE 10 - TAX-DEFERRED ANNUITY PLAN

During the year ended June 30, 1998, the Museum 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 Museum. 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, 2011.

NOTE 11 - CONCENTRATION OF RISK

Receivables from one donor represented approximately 75% of total unconditional promises to give as of June 30, 2011.

Approximately 10% of the Museum's revenue from contributions and fundraising was provided by the Museum's trustees and officers for the year ended June 30, 2011.

NOTE 12 - 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, which was to be agreed upon by January 1, 2012, is currently being negotiated.

Rent expense totaled \$248,756 for the year ended June 30, 2011.

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, 2011.

<u>Years Ending June 30,</u>	<u>Premises</u>	<u>Other</u>	<u>Total</u>
2012	\$ 249,658	\$ 7,995	\$ 257,653
2013	62,414	3,540	65,954
2014	-	2,166	2,166
2015	-	594	594
	<u>\$ 312,072</u>	<u>\$ 14,295</u>	<u>\$ 326,367</u>

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

NOTE 13 - 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 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of the Museum's financial instruments, which include cash and cash equivalents, investments, accounts payable and accrued expenses approximate their fair values at June 30, 2011 due to the short-term nature of these instruments.

NOTE 15 - 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 still indeterminable.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

The Board of Trustees
The Children's Museum of Manhattan

We have audited the financial statements of The Children's Museum of Manhattan as of and for the year ended June 30, 2011, and our report thereon dated March 13, 2012, which expressed an unqualified opinion on those financial statements, appears on page 3. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 24 - 27, which is the responsibility of management, 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 the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

DDK & Company LLP

March 13, 2012

**THE CHILDREN'S MUSEUM OF MANHATTAN
SUPPLEMENTARY INFORMATION
STATEMENT OF FINANCIAL POSITION - BY NET ASSET CLASSIFICATION
June 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Elimination	Total
ASSETS					
Cash and cash equivalents	\$ 2,869,682	\$ 137,980	\$ -	\$ -	\$ 3,007,662
Marketable securities	18,020	-	-	-	18,020
Contributions receivable	367,497	-	-	-	367,497
Prepaid expenses and other	102,605	5,000	-	-	107,605
current assets	11,787	-	-	-	11,787
Museum store inventory	18,848,150	-	-	-	18,848,150
Property and equipment	(14,815,428)	-	-	-	(14,815,428)
Less: Accumulated depreciation and amortization	-	-	-	-	-
Receivables due from other funds	-	443,331	-	(443,331)	-
Investments - restricted	-	-	-	-	-
Total assets	\$ 7,402,313	\$ 586,311	\$ 1,000,000	\$ (443,331)	\$ 8,545,293

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, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Elimination	Total
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 278,392	\$ -	\$ -	\$ -	\$ 278,392
Deferred revenue	71,444	-	-	-	71,444
Refundable deposits	6,000	-	-	-	6,000
Payables due to other funds	443,331	-	-	(443,331)	-
Total liabilities	799,167	-	-	(443,331)	355,836
Commitments and Contingencies					
Net Assets					
Unrestricted	6,603,146	-	-	-	6,603,146
Temporarily restricted	-	586,311	-	-	586,311
Permanently restricted	-	-	1,000,000	-	1,000,000
Total net assets	6,603,146	586,311	1,000,000	-	8,189,457
Total liabilities and net assets	\$ 7,402,313	\$ 586,311	\$ 1,000,000	\$ (443,331)	\$ 8,545,293

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, 2011

Restrictions Satisfied by Payments/Purpose	Investment Income	Support	Net Assets July 1, 2010	Net Assets June 30, 2011
\$ (189,700)	\$ -	\$ 440,195	\$ 335,816	\$ 586,311

Program Service Fund

See Independent Auditors' Report on Supplementary Information.

**THE CHILDREN'S MUSEUM OF MANHATTAN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PERMANENTLY RESTRICTED NET ASSETS - BY FUND
 Year Ended June 30, 2011**

	Restrictions Satisfied by	Payments/ Purpose	Investment Income	Support	Net Assets July 1, 2010	Net Assets June 30, 2011
The Laurie M. Tisch Foundation	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000

See Independent Auditors' Report on Supplementary Information.