

THE CHILDREN'S MUSEUM OF MANHATTAN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

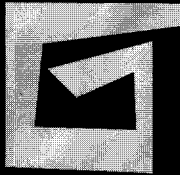
YEAR ENDED JUNE 30, 2007
WITH SUMMARIZED INFORMATION FOR 2006

THE CHILDREN'S MUSEUM OF MANHATTAN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2007
WITH SUMMARIZED INFORMATION FOR 2006

| | PAGE |
|---|--------|
| INDEPENDENT AUDITORS' REPORT | 3 |
| FINANCIAL STATEMENTS | |
| STATEMENTS OF FINANCIAL POSITION | 4 |
| STATEMENTS OF ACTIVITIES | 5 - 6 |
| STATEMENTS OF FUNCTIONAL EXPENSES | 7 |
| STATEMENTS OF CASH FLOWS | 8 |
| NOTES TO FINANCIAL STATEMENTS | 9 - 16 |
| INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION | 17 |
| SUPPLEMENTARY INFORMATION | |
| COMBINING STATEMENT OF FINANCIAL POSITION - BY FUND | 18 |
| TEMPORARILY RESTRICTED NET ASSETS - BY FUND | 19 |
| PERMANENTLY RESTRICTED NET ASSETS - BY FUND | 20 |



**We Succeed
Together**

*Member Firm
American Institute
of Certified Public
Accountants &
The Center for Public
Company Audit Firms*

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, 2007, 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 2006 financial statements and in our report dated February 19, 2007, we expressed an unqualified opinion on those 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, 2007, 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

January 28, 2008

THE CHILDREN'S MUSEUM OF MANHATTAN

STATEMENTS OF FINANCIAL POSITION

June 30, 2007

With Summarized Information for 2006

| | <u>2007</u> | <u>2006</u> |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 728,887 | \$ 626,228 |
| Contributions receivable | 3,517,005 | 3,424,898 |
| Accounts receivable | 96,181 | 42,375 |
| Prepaid expenses and other current assets | 32,383 | 108,277 |
| Museum store inventory | 17,463 | 8,349 |
| Property and equipment | 18,020,134 | 15,984,731 |
| Less: Accumulated depreciation and amortization | (11,210,926) | (10,168,456) |
| Cash - restricted | 333,000 | - |
| | <u>333,000</u> | <u>-</u> |
| Total assets | <u>\$ 11,534,127</u> | <u>\$ 10,026,402</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 296,498 | \$ 363,861 |
| Deferred revenue | 178,076 | 209,330 |
| Refundable deposits | 36,000 | 36,000 |
| Note payable | 1,017,500 | - |
| | <u>1,017,500</u> | <u>-</u> |
| Total liabilities | <u>1,528,074</u> | <u>609,191</u> |
| Commitments and Contingencies | | |
| Net Assets | | |
| Unrestricted | 8,692,203 | 6,938,134 |
| Temporarily restricted | 345,498 | 1,510,725 |
| Permanently restricted | 968,352 | 968,352 |
| | <u>968,352</u> | <u>968,352</u> |
| Total net assets | <u>10,006,053</u> | <u>9,417,211</u> |
| Total liabilities and net assets | <u>\$ 11,534,127</u> | <u>\$ 10,026,402</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, 2007

With Summarized Information for 2006

| | 2007 | | | 2006 | | |
|--|--------------|------------------------|------------------------|--------------|--------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total | Total |
| Revenue and support | | | | | | |
| Contributions - government | \$ 1,656,500 | \$ - | \$ - | \$ 1,656,500 | \$ 1,528,800 | \$ 1,528,800 |
| Contributions - foundations | 539,121 | 10,533 | - | 549,654 | 1,903,465 * | 1,903,465 * |
| Contributions - corporations | 167,370 | 328,000 | - | 495,370 | 252,494 | 252,494 |
| Contributions - individuals | 126,521 | - | - | 126,521 | 1,342,769 * | 1,342,769 * |
| Benefits events, net of direct donor benefits of \$111,237 for 2007 and \$116,914 for 2006 | 283,731 | - | - | 283,731 | 227,041 | 227,041 |
| Admissions donations | 1,041,514 | - | - | 1,041,514 | 840,422 | 840,422 |
| Membership dues | 766,265 | - | - | 766,265 | 536,435 | 536,435 |
| Education program services | 627,769 | - | - | 627,769 | 397,374 | 397,374 |
| Museum program fees | 254,095 | - | - | 254,095 | 278,344 | 278,344 |
| Museum store, less cost of sales of \$145,782 for 2007 and \$124,465 for 2006 | 137,110 | - | - | 137,110 | 52,504 | 52,504 |
| Traveling exhibits | 129,905 | - | - | 129,905 | 220,134 | 220,134 |
| Donated services | 89,518 | - | - | 89,518 | - | - |
| Other | 129,877 | 133 | - | 130,010 | 127,939 | 127,939 |
| Net assets released from restriction | 1,503,893 | (1,503,893) | - | - | - | - |
| Total revenue and support | 7,453,189 | (1,165,227) | - | 6,287,962 | 7,707,721 | 7,707,721 |

* Includes pledges which will be received over several years.

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, 2007

With Summarized Information for 2006

| | 2007 | | | 2006 | |
|----------------------------|--------------|------------------------|------------------------|---------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| Expenses | | | | | |
| Program services | 4,140,122 | - | - | 4,140,122 | 3,154,753 |
| Supporting services | 1,211,729 | - | - | 1,211,729 | 1,188,061 |
| General and administrative | 347,269 | - | - | 347,269 | 418,494 |
| Fundraising | | | | | |
| Total expenses | 5,699,120 | - | - | 5,699,120 | 4,761,308 |
| Change in net assets | 1,754,069 | (1,165,227) | - | 588,842 | 2,946,413 |
| Net assets - beginning | 6,938,134 | 1,510,725 | 968,352 | 9,417,211 | 6,470,798 |
| Net assets - ending | \$ 8,692,203 | \$ 345,498 | \$ 968,352 | \$ 10,006,053 | \$ 9,417,211 |

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, 2007
With Summarized Information for 2006

| | 2007 | | | 2006 | |
|---|---------------------|----------------------------|-------------------|---------------------|---------------------|
| | Program Services | General and Administrative | Fundraising | Total | Total |
| Expenses | | | | | |
| Salaries | \$ 1,371,712 | \$ 342,997 | \$ 165,745 | \$ 1,880,454 | \$ 1,918,060 |
| Payroll taxes and employee benefits | 244,399 | 46,141 | 28,854 | 319,394 | 327,071 |
| Advertising | 20,591 | - | 772 | 21,363 | 13,723 |
| Bad debt | - | - | - | - | 15,598 |
| China exhibit | 58,832 | - | - | 58,832 | 14,002 |
| Computer expenses | - | 20,818 | - | 20,818 | 17,223 |
| Contracted services | 734,872 | 6,491 | 46,027 | 787,390 | 509,858 |
| Credit card fees | 33,635 | - | 18,489 | 52,124 | 37,319 |
| Depreciation and amortization | 464,615 | 577,855 | - | 1,042,470 | 827,326 |
| Donated items | - | - | 73,269 | 73,269 | 38,702 |
| Equipment rental | 11,782 | 21,064 | 3,359 | 36,205 | 50,459 |
| Exhibit rental | 140,886 | - | - | 140,886 | 179,460 |
| Facility rental | 127,500 | 15,000 | 47,500 | 190,000 | 187,500 |
| Friends committee expense | - | - | 2,477 | 2,477 | 4,827 |
| Insurance | 58,640 | 6,492 | 3,246 | 68,378 | 50,341 |
| Interest expense | 73,187 | - | - | 73,187 | 1,655 |
| Long range planning | 61,352 | - | - | 61,352 | 48,000 |
| Maintenance and repairs | 64,622 | 7,603 | 3,801 | 76,026 | 54,616 |
| Memberships, dues, and subscription | 649 | 2,617 | 807 | 4,073 | 5,904 |
| Miscellaneous | - | 1,122 | 20 | 1,142 | 797 |
| Museum store - cost of sales | 145,782 | - | - | 145,782 | 124,465 |
| Postage and shipping | 22,589 | 3,227 | 17,743 | 43,559 | 59,821 |
| Printing | 52,411 | - | 24,642 | 77,053 | 63,846 |
| Professional services | 25,963 | 123,300 | 1,738 | 151,001 | 37,723 |
| Security | 133,034 | - | - | 133,034 | 98,669 |
| Supplies and material | 234,076 | 8,938 | 8,902 | 251,916 | 139,687 |
| Stipends | 16,733 | - | - | 16,733 | 11,832 |
| Storage | 18,821 | - | - | 18,821 | 21,930 |
| Telephone | 22,511 | 2,648 | 1,324 | 26,483 | 27,950 |
| Travel and entertainment | 24,755 | 11,069 | 2,617 | 38,441 | 19,745 |
| Utilities | 121,955 | 14,347 | 7,174 | 143,476 | 161,314 |
| | 4,285,904 | 1,211,729 | 458,506 | 5,956,139 | 5,069,423 |
| Less: Cost of goods sold and direct donor benefit | 145,782 | - | 111,237 | 257,019 | 308,115 |
| Total expenses net of cost of goods sold direct donor benefit | <u>\$ 4,140,122</u> | <u>\$ 1,211,729</u> | <u>\$ 347,269</u> | <u>\$ 5,699,120</u> | <u>\$ 4,761,308</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, 2007
With Summarized Information for 2006

| | <u>2007</u> | <u>2006</u> |
|--|--------------------|--------------------|
| <i>Cash Flows from Operating Activities</i> | | |
| Increase in net assets | \$ 588,842 | \$ 2,946,413 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,042,470 | 827,326 |
| Allowance for uncollectible promises to give | - | 15,598 |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | (425,107) | (3,424,898) |
| Accounts receivable | (53,806) | (11,737) |
| Prepaid expenses and other current assets | 75,894 | (55,904) |
| Museum store inventory | (9,114) | (409) |
| Accounts payable and accrued expenses | (67,363) | 329,954 |
| Deferred revenue | (31,254) | (27,407) |
| Refundable deposits | - | (6,000) |
| Net cash provided by operating activities | <u>1,120,562</u> | <u>592,936</u> |
| <i>Cash Flows from Investing Activities</i> | | |
| Purchases of property and equipment | <u>(2,035,403)</u> | <u>(1,815,122)</u> |
| Net cash used in investing activities | <u>(2,035,403)</u> | <u>(1,815,122)</u> |
| <i>Cash Flows from Financing Activities</i> | | |
| Proceeds from loan | <u>1,017,500</u> | <u>-</u> |
| Net cash provided by financing activities | <u>1,017,500</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 102,659 | (1,222,186) |
| Cash and cash equivalents at beginning of year | <u>626,228</u> | <u>1,848,414</u> |
| Cash and cash equivalents at end of year | <u>\$ 728,887</u> | <u>\$ 626,228</u> |
| <i>Supplemental Information</i> | | |
| Interest paid | \$ 73,187 | \$ 1,655 |
| <i>Non-cash transactions</i> | | |
| Contributions restricted for investment | \$ 333,000 | \$ - |

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, 2007

1 - Summary of Significant Accounting Policies

Operations

The Children's Museum of Manhattan ("the Museum") is a New York not-for-profit organization operating 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, at 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 their exhibits to other museums for a contracted fee.

Basis of Accounting

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

Basis of Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," 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 CHILDREN'S MUSEUM OF MANHATTAN

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Financial statement presentation is in conformity with the Financial Accounting Standards Board, SFAS No.117, "Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Comparative 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, 2006, from which the summarized information was derived.

Cash Equivalents

The Museum considers all holdings of highly liquid instruments with original maturities of three months or less to be cash equivalents.

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. Accounts receivable are presented net of an allowance for doubtful accounts of \$0 at June 30, 2007.

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, 2007

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. As of June 30, 2007, the Museum deemed that all unconditional promises to give were deemed collectible; therefore, no allowance for uncollectible unconditional promises to give has been made.

Property and Equipment

Property and equipment are stated at cost less depreciation and amortization. Expenditures that substantially increase useful lives and major expenditures for property and equipment are capitalized. Maintenance, repairs and minor renewals 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 costs and related accumulated depreciation and amortization are removed from the accounts and resulting gains or losses are included in operations. Depreciation is calculated by the straight-line and other accelerated GAAP methods over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the estimated useful lives of the related assets or the life of the lease, whichever is less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Museum is a not-for-profit museum exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Museum is also exempt at the state and local tax levels. Accordingly, no provision for income taxes has been made.

THE CHILDREN'S MUSEUM OF MANHATTAN

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

1 - **Summary of Significant Accounting Policies** *(Continued)*

Fair Values of Financial Instruments

Cash, cash equivalents, accounts receivable, short-term unconditional promises to give, loans and accounts payable: The carrying amounts reported in the statement of financial position 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.

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 educational 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.

Donated Assets

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

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Museum. Volunteers also 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.

Advertising

Advertising costs are expensed as incurred. For the year ended June 30, 2007 advertising costs totaled approximately \$21,000.

THE CHILDREN'S MUSEUM OF MANHATTAN

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

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.

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 | \$ 93,656 | \$ - | \$ 93,656 |
| Savings and money market accounts | 542,128 | 90,103 | 632,231 |
| Petty cash | <u>3,000</u> | <u>-</u> | <u>3,000</u> |
| | <u>\$ 638,784</u> | <u>\$ 90,103</u> | <u>\$ 728,887</u> |

At June 30, 2007, bank account balances exceeded the insured FDIC and SIPC limits by approximately \$544,000.

3 - **Property and Equipment**

Property and equipment is comprised of the following:

| | <u>Estimated Useful Life - Years</u> | <u>Amounts</u> |
|--|--|---------------------|
| Leasehold improvements | 15 | \$ 10,015,193 |
| Exhibits | 2-10 | 7,305,195 |
| Office equipment | 5-10 | 433,582 |
| Furniture and fixtures | 5-10 | <u>266,164</u> |
| | | 18,020,134 |
| Less: Accumulated depreciation and amortization | | <u>11,210,926</u> |
| Net property and equipment | | <u>\$ 6,809,208</u> |

Related depreciation and amortization expense for the year ended June 30, 2007 was approximately \$1,042,000.

THE CHILDREN'S MUSEUM OF MANHATTAN

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

4 - Contributions Receivable

As of June 30, 2007, unconditional promises to give are expected 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> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| 2007 | \$ 2,312,458 | \$ 150,000 | \$ - | \$ 2,462,458 |
| 2008 | 421,168 | - | 333,000 | 754,168 |
| 2009 | 397,000 | - | - | 397,000 |
| 2010 | 30,000 | - | - | 30,000 |
| 2011 | <u>5,000</u> | <u>-</u> | <u>-</u> | <u>5,000</u> |
| Total | 3,165,626 | - | 333,000 | 3,648,626 |
| Less: Discounts | <u>(99,973)</u> | <u>-</u> | <u>(31,648)</u> | <u>(131,621)</u> |
| Net | <u>\$3,065,653</u> | <u>\$ 150,000</u> | <u>\$ 301,352</u> | <u>\$ 3,517,005</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 ranging from 5.07% to 5.12%.

Of the unconditional promises to give expected to be received as of June 30, 2007, \$2,250,000 is comprised of two NYC Department of Cultural Affairs awards of \$1,000,000 and \$1,250,000 for the years ended June 30, 2007 and 2006, respectively, that have not been received as of January 28, 2008.

5 - Note Payable

In August 2006, the Museum entered into an agreement with a bank for a revolving loan facility aggregating \$1,730,000, maturing on August 28, 2009, to provide funds for the renovation of the third floor of the Museum. The note bears interest equal to the higher of the banks' prime rate (8.25% at June 30, 2007) plus 1% or the Federal Funds Effective Rate plus 0.50% per annum (9.25% at June 30, 2007). The loan is secured by a NYC Department of Cultural Affairs 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, 2007, the outstanding balance on this line of credit was \$1,017,500. The unused portion of the loan is \$712,500.

Related interest expense on this line of credit totaled approximately \$73,000 for the year ended June 30, 2007.

THE CHILDREN'S MUSEUM OF MANHATTAN

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

6 - Membership Dues

Membership dues were received as follows:

| | |
|----------------------|-------------------|
| Family membership | \$ 621,813 |
| Corporate membership | 100,000 |
| Friend membership | 22,622 |
| Supporter membership | 20,605 |
| Access membership | <u>1,225</u> |
| | <u>\$ 766,265</u> |

7 - Risks and Uncertainties

Receivables from two donors represented approximately 81% of total unconditional promises to give as of June 30, 2007.

Approximately 30% of the Museum's revenue from contributions and fundraising was provided by the Museum's trustees and officers for the year ended June 30, 2007

8 - Leases

The Museum leases space located in Manhattan, New York. The current operating lease expires on September 30, 2007.

Rent expense totaled \$150,000 for the year ended June 30, 2007.

In addition, the Museum leases equipment and a vehicle under various operating leases expiring in 2011.

The following is a schedule of approximate future minimum rental payments required under the above operating leases as of June 30, 2007.

| Years Ending June 30, | Premises | Other | Total |
|--------------------------|------------------|------------------|------------------|
| 2008 | \$ 37,500 | \$ 11,700 | \$ 49,200 |
| 2009 | | 11,700 | 11,700 |
| 2010 | | 7,600 | 7,600 |
| 2011 | | 6,700 | 6,700 |
| 2012 | | <u>4,500</u> | <u>4,500</u> |
| | <u>\$ 37,500</u> | <u>\$ 42,200</u> | <u>\$ 79,700</u> |

THE CHILDREN'S MUSEUM OF MANHATTAN

NOTES TO FINANCIAL STATEMENTS

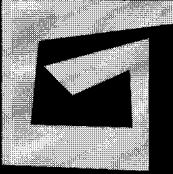
Year Ended June 30, 2007

8 - Leases (Continued)

Subsequent to year-end, the Museum exercised the lease option to renew for an additional fifteen years. The new operating lease expires on September 30, 2022 and contains options to renew for an additional ten or fifteen year period. The Museum has the right at any time to terminate the lease upon twelve months prior written notice if the museum and the landlord cannot mutually agree on substantially lower rent than indicated in the lease extension.

The following is a schedule, if the museum does not exercise its right to cancel, of approximate future minimum rental payments required under the lease renewal:

| <u>Years Ending June 30,</u> | |
|----------------------------------|---------------------|
| 2008 | \$ 150,000 |
| 2009 | 237,500 |
| 2010 | 287,500 |
| 2011 | 337,500 |
| 2012 | 387,500 |
| Thereafter | <u>5,800,000</u> |
| | <u>\$ 7,200,000</u> |



**We Succeed
Together**

*Member Firm
American Institute
of Certified Public
Accountants &
The Center for Public
Company Audit Firms*

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Trustees
The Children's Museum of Manhattan

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 18 - 20 is presented for purposes of supplementary 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 express no opinion on it.

DDK & Company LLP

January 28, 2008

THE CHILDREN'S MUSEUM OF MANHATTAN

SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF FINANCIAL POSITION - BY FUND

June 30, 2007

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Elimination | Total |
|---|----------------------|------------------------|------------------------|---------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 638,784 | \$ 90,103 | \$ - | \$ - | \$ 728,887 |
| Contributions receivable | 3,065,653 | 150,000 | 301,352 | - | 3,517,005 |
| Accounts receivable | 96,181 | - | - | - | 96,181 |
| Prepaid expenses and other current assets | 27,383 | 5,000 | - | - | 32,383 |
| Museum store inventory | 17,463 | - | - | - | 17,463 |
| Property and equipment | 18,020,134 | - | - | - | 18,020,134 |
| Less: Accumulated depreciation and amortization | (11,210,926) | - | - | - | (11,210,926) |
| Receivables due from other funds | - | 483,762 | 334,000 | (817,762) | - |
| Cash - restricted | - | - | 333,000 | - | 333,000 |
| Total assets | \$ 10,654,672 | \$ 728,865 | \$ 968,352 | \$ (817,762) | \$ 11,534,127 |
| LIABILITIES AND NET ASSETS | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | \$ 290,685 | \$ 5,813 | \$ - | \$ - | \$ 296,498 |
| Deferred revenue | 170,522 | 7,554 | - | - | 178,076 |
| Refundable deposits | - | 36,000 | - | - | 36,000 |
| Payables due to other funds | 483,762 | 334,000 | - | (817,762) | - |
| Note payable | 1,017,500 | - | - | - | 1,017,500 |
| Total liabilities | 1,962,469 | 383,367 | - | (817,762) | 1,528,074 |
| Commitments and Contingencies | | | | | |
| Net Assets | | | | | |
| Unrestricted | 8,692,203 | - | - | - | 8,692,203 |
| Temporarily restricted | - | 345,498 | - | - | 345,498 |
| Permanently restricted | - | - | 968,352 | - | 968,352 |
| Total net assets | 8,692,203 | 345,498 | 968,352 | - | 10,006,053 |
| Total liabilities and net assets | \$ 10,654,672 | \$ 728,865 | \$ 968,352 | \$ (817,762) | \$ 11,534,127 |

THE CHILDREN'S MUSEUM OF MANHATTAN

SUPPLEMENTARY INFORMATION

TEMPORARILY RESTRICTED NET ASSETS - BY FUND

Year Ended June 30, 2007

| | Net Assets July 1, 2006 | Support | Investment Income | Restrictions Satisfied by Payments/ Purpose | Increase (Decrease) in Net Assets | Net Assets June 30, 2007 |
|-----------------------|----------------------------|-------------------|----------------------|--|---|-----------------------------|
| Capital Campaign Fund | \$ 1,445,061 | \$ - | \$ - | \$ (1,445,061) | \$ (1,445,061) | \$ - |
| Monkey King Fund | 65,664 | 10,533 | 133 | (58,832) | (48,166) | 17,498 |
| Program Service Fund | - | 328,000 | - | - | 328,000 | 328,000 |
| | <u>\$ 1,510,725</u> | <u>\$ 338,533</u> | <u>\$ 133</u> | <u>\$ (1,503,893)</u> | <u>\$ (1,165,227)</u> | <u>\$ 345,498</u> |

THE CHILDREN'S MUSEUM OF MANHATTAN

SUPPLEMENTARY INFORMATION

PERMANENTLY RESTRICTED NET ASSETS - BY FUND

Year Ended June 30, 2007

| Net Assets July 1, 2006 | Support | Investment Income | Restrictions Satisfied by Payments/ Purpose | Increase in Net Assets | Net Assets June 30, 2007 |
|----------------------------|---------|----------------------|--|---------------------------|-----------------------------|
| | | | | | |
| \$ 968,352 | \$ - | \$ - | \$ - | \$ - | \$ 968,352 |

The Laurie M. Tisch Foundation