

THE CHILDREN'S MUSEUM OF MANHATTAN

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JUNE 30, 2008
WITH SUMMARIZED INFORMATION FOR THE
YEAR ENDED JUNE 30, 2007**

THE CHILDREN'S MUSEUM OF MANHATTAN

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

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WITH SUMMARIZED INFORMATION FOR THE
YEAR ENDED JUNE 30, 2007**

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The Center for Public
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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, 2008, 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 2007 financial statements and, in our report dated January 28, 2008, 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, 2008, 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 23, 2009

THE CHILDREN'S MUSEUM OF MANHATTAN
STATEMENTS OF FINANCIAL POSITION
June 30, 2008
With Summarized Information at June 30, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,092,207	\$ 728,887
Marketable securities	5,403	-
Contributions receivable	1,757,477	3,517,005
Accounts receivable	-	96,181
Prepaid expenses and other current assets	55,521	32,383
Museum store inventory	18,458	17,463
Property and equipment	18,216,475	18,020,134
Less: Accumulated depreciation and amortization	(12,343,103)	(11,210,926)
Investments - restricted	<u>1,000,000</u>	<u>333,000</u>
 Total assets	 <u>\$ 9,802,438</u>	 <u>\$ 11,534,127</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 399,518	\$ 296,498
Deferred revenue	211,521	178,076
Refundable deposits	12,000	36,000
Note payable	<u>-</u>	<u>1,017,500</u>
 Total liabilities	 <u>623,039</u>	 <u>1,528,074</u>
 Commitments and Contingencies		
Net Assets		
Unrestricted	7,719,770	8,692,203
Temporarily restricted	459,629	345,498
Permanently restricted	<u>1,000,000</u>	<u>968,352</u>
 Total net assets	 <u>9,179,399</u>	 <u>10,006,053</u>
 Total liabilities and net assets	 <u>\$ 9,802,438</u>	 <u>\$ 11,534,127</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, 2008

With Summarized Information for the Year Ended June 30, 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total	Total
Revenue and Support						
Contributions						
Government	\$ 205,200	\$ -	\$ -	\$ 205,200	\$ -	\$ 1,656,500
Foundations	823,151	110,576	-	933,727	-	549,654
Corporations	284,058	45,000	-	329,058	-	495,370
Individuals	48,923	-	-	48,923	-	126,521
Benefits events, net of direct donor benefits of \$80,640 for 2008 and \$111,237 for 2007	268,131	-	-	268,131	-	283,731
Admissions donations	1,104,472	-	-	1,104,472	-	1,041,514
Membership dues	833,714	-	-	833,714	-	766,265
Education program services	558,387	-	-	558,387	-	627,769
Museum program fees	266,273	-	-	266,273	-	254,095
Museum store, less cost of sales of \$128,605 for 2008 and \$145,782 for 2007	117,521	-	-	117,521	-	137,110
Traveling exhibits	83,818	-	-	83,818	-	129,905
Donated services	55,563	-	-	55,563	-	89,518
Interest	61,094	-	31,648	92,742	-	17,844
Other	126,218	-	-	126,218	-	112,166
Net assets released from restriction	41,445	(41,445)	-	-	-	-
Total revenue and support	4,877,968	114,131	31,648	5,023,747	-	6,287,962

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, 2008

With Summarized Information for the year ended June 30, 2007

	2008			2007
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses				
Program services	4,300,749	-	-	4,140,122
Supporting services	1,071,936	-	-	1,211,729
General and administrative	477,716	-	-	347,269
Fundraising				
Total expenses	5,850,401	-	-	5,699,120
Change in net assets	(972,433)	114,131	31,648	(826,654)
Net assets at beginning of year	8,692,203	345,498	968,352	10,006,053
Net assets at end of year	<u>\$ 7,719,770</u>	<u>\$ 459,629</u>	<u>\$ 1,000,000</u>	<u>\$ 9,179,399</u>
				<u>\$ 10,006,053</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, 2008

With Summarized Information for the Year Ended June 30, 2007

	2008			2007
	Program Services	General and Administrative	Fundraising	
Expenses				
Salaries	\$ 1,360,448	\$ 358,186	\$ 208,184	\$ 1,880,454
Payroll taxes and employee benefits	217,947	68,438	37,379	319,394
Advertising	25,635	-	-	21,363
China exhibit	28,074	-	-	58,832
Computer expenses	-	18,096	-	20,818
Contracted services	667,571	1,847	107,220	787,390
Credit card processing fees	41,402	-	26,428	52,124
Depreciation and amortization	663,926	468,251	-	1,042,470
Donated items	-	-	31,205	73,269
Equipment rental	6,864	15,361	7,224	36,205
Exhibit rental	-	-	-	140,886
Facility rental	360,764	42,443	61,621	190,000
Friends Committee expense	-	-	-	2,477
Insurance	47,881	5,214	2,607	68,378
Interest	57,288	-	-	73,187
Maintenance and repairs	77,636	9,133	4,567	76,026
Memberships, dues, and subscription	3,972	312	4,402	4,073
Miscellaneous	-	3,685	-	1,142
Museum store - cost of sales	128,605	-	-	145,782
Organizational strategic planning	128,999	-	-	61,352

* See note 8

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, 2008
 With Summarized Information for the Year Ended June 30, 2007

	2008			2007
	Program Services	General and Administrative	Fundraising	Total
<i>Expenses (Continued)</i>				
Postage and shipping	13,957	1,891	15,381	31,229
Printing	74,837	-	36,041	110,878
Professional services	50,067	57,492	-	107,559
Security	123,410	-	-	123,410
Supplies and material	165,375	4,409	7,508	177,292
Stipends	8,014	-	-	8,014
Storage	-	-	-	-
Telephone	20,457	2,407	1,203	24,067
Travel and entertainment	30,667	-	-	30,667
Utilities	125,558	14,771	7,386	147,715
	4,429,354	1,071,936	558,356	6,059,646
Less: Cost of goods sold and direct donor benefit	128,605	-	80,640	209,245
Total expenses, net of cost of goods sold and direct donor benefit	<u>\$ 4,300,749</u>	<u>\$ 1,071,936</u>	<u>\$ 477,716</u>	<u>\$ 5,850,401</u>
				<u>\$ 5,699,120</u>

THE CHILDREN'S MUSEUM OF MANHATTAN
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2008
With Summarized Information for the Year Ended June 30, 2007

	<u>2008</u>	<u>2007</u>
<i>Cash Flows From Operating Activities</i>		
Increase (decrease) in net assets	\$ (826,654)	\$ 588,842
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,132,177	1,042,470
Change in operating assets and liabilities:		
Marketable securities	(5,403)	-
Contributions receivable	1,426,528	(425,107)
Accounts receivable	96,181	(53,806)
Prepaid expenses and other current assets	(23,138)	75,894
Museum store inventory	(995)	(9,114)
Cash-restricted	(334,000)	-
Accounts payable and accrued expenses	103,020	(67,363)
Deferred revenue	33,445	(31,254)
Refundable deposits	(24,000)	-
	<u>1,577,161</u>	<u>1,120,562</u>
<i>Cash Flows From Investing Activities</i>		
Purchases of property and equipment	<u>(196,341)</u>	<u>(2,035,403) *</u>
	<u>(196,341)</u>	<u>(2,035,403)</u>
<i>Cash Flows From Financing Activities</i>		
Proceeds from borrowings under revolving loan facility	-	1,017,500
Repayments of borrowings under revolving loan facility	<u>(1,017,500)</u>	<u>-</u>
	<u>(1,017,500)</u>	<u>1,017,500</u>
Net increase in cash and cash equivalents	363,320	102,659
Cash and cash equivalents at beginning of year	<u>728,887</u>	<u>626,228</u>
Cash and cash equivalents at end of year	<u>\$ 1,092,207</u>	<u>\$ 728,887</u>
<i>Supplemental Disclosure of Cash Flow Information</i>		
Interest paid	\$ 57,288	\$ 73,187
<i>Noncash Financing Transactions</i>		
Receipt of permanently restricted contributions for investment	\$ 333,000	\$ 333,000

* Includes purchases of property and equipment related to the Greece and Playworks exhibits

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008
With Summarized Information for the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

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

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

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

Basis of Accounting

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

Basis of Presentation

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

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

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008
With Summarized Information for the Year Ended June 30, 2007

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

Basis of Presentation *(Continued)*

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

Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

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, 2008.

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, 2008
With Summarized Information for the Year Ended June 30, 2007

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

Unconditional Promises to Give *(Continued)*

The Museum provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Museum's estimate is based on historical collection experience and a review of the current status of unconditional promises to give. It is reasonably possible that the Museum's estimate of the allowance for doubtful accounts will change. At June 30, 2008, 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 costs of additions and improvements are 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, their costs and related accumulated depreciation and amortization are removed from the accounts and the resulting gains or losses are included in operations. Depreciation of property and equipment is accounted for on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is calculated by the straight-line method over the shorter of the term of the related lease or the useful lives of the improvements.

Donated Assets

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

Donated Services

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

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008
With Summarized Information for the Year Ended June 30, 2007

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.

Expense Allocation

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

Use of Estimates

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

Fair Values of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, 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.

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.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008
With Summarized Information for the Year Ended June 30, 2007

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

Advertising

In accordance with Statement of Position 93-7, "Reporting of Advertising Costs," advertising costs of approximately \$26,000 for the year ended June 30, 2008 were expensed as incurred.

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	\$ 202,955	\$ -	\$ 202,955
Savings and money market accounts	843,284	42,868	886,152
Petty cash	<u>3,100</u>	<u>-</u>	<u>3,100</u>
	<u>\$ 1,049,339</u>	<u>\$ 42,868</u>	<u>\$ 1,092,207</u>

At June 30, 2008, bank account balances exceeded the insured \$100,000 FDIC limit by approximately \$1,281,000.

At June 30, 2008, money market accounts held by a brokerage house exceeded the insured \$500,000 SIPC limit by approximately \$163,000.

NOTE 3 - PROPERTY AND EQUIPMENT

Major classes of property and equipment are as follows:

	<u>Estimated Useful Life - Years</u>	<u>Amounts</u>
Leasehold improvements	15	\$ 10,015,193
Exhibits	2 - 10	7,453,170
Office equipment	5 - 10	479,898
Furniture and fixtures	5 - 10	<u>268,214</u>
		18,216,475
Less: Accumulated depreciation and amortization		<u>12,343,103</u>
Property and equipment, net		<u>\$ 5,873,372</u>

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008
With Summarized Information for the Year Ended June 30, 2007

NOTE 3 - PROPERTY AND EQUIPMENT *(Continued)*

Related depreciation and amortization expense for the year ended June 30, 2008 was approximately \$1,132,000.

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

NOTE 4 - CONTRIBUTIONS RECEIVABLE

As of June 30, 2008, 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>
2008	\$ 1,375,444	\$ 45,000	\$ -	\$ 1,420,444
2009	362,803	-	-	362,803
2010	30,000	-	-	30,000
2011	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total	1,773,247	45,000	-	1,818,247
Less: Discounts	<u>(60,770)</u>	<u>-</u>	<u>-</u>	<u>(60,770)</u>
Net	<u>\$1,712,477</u>	<u>\$ 45,000</u>	<u>\$ -</u>	<u>\$ 1,757,477</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 scheduled to be received as of June 30, 2008, the amount consists primarily of a NYC Department of Cultural Affairs award of \$1,118,000 for the years ended June 30, 2006 and 2007, which have not been received as of November 14, 2008.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

With Summarized Information for the Year Ended June 30, 2007

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 matures on August 28, 2009, to provide financing for the renovation of the third floor of the Museum. The note bears interest equal to the higher of the bank's prime rate (5% at June 30, 2008) plus 1% or the Federal Funds Effective Rate plus 0.50% per annum (2.5% at June 30, 2008). The loan was secured based on a NYC Department of Cultural Affairs unconditional promise to give of \$1,250,000 and an unconditional promise to give from Judith and John Hannan of \$1,000,000. The loan is subject to various covenants and representations. At June 30, 2008, there was no outstanding balance on this line of credit; accordingly, the unused portion of the loan is \$1,730,000.

Related interest expense on this line of credit totaled approximately \$57,000 for the year ended June 30, 2008.

NOTE 6 - MEMBERSHIP DUES

Membership dues were received as follows:

Family membership	\$ 672,379
Corporate membership	110,000
Friend membership	30,770
Supporter membership	19,665
Access membership	<u>900</u>
	<u>\$ 833,714</u>

NOTE 7 - CONCENTRATION OF RISKS

Receivables from two donors represented approximately 78% of total unconditional promises to give as of June 30, 2008.

Approximately 7% of the Museum's revenue from contributions and fundraising was provided by the Museum's trustees and officers for the year ended June 30, 2008.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008
With Summarized Information for the Year Ended June 30, 2007

NOTE 8 - LEASES

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

Rent expense totaled \$464,828 for the year ended June 30, 2008, which includes an unpaid cost of living adjustment of \$208,495 for the period October 1, 2002 to September 30, 2007 and an unpaid rent increase of \$54,683 for the period October 1, 2007 to June 30, 2008.

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, 2008.

Years Ending June 30,	Premises	Other	Total
2009	\$ 237,900	\$ 11,700	\$ 249,600
2010	237,900	7,600	245,500
2011	237,900	6,700	244,600
2012	237,900	4,500	242,400
2013	59,500	-	59,500
	<u>\$ 1,011,100</u>	<u>\$ 30,500</u>	<u>\$ 1,041,600</u>

NOTE 9 - NYC DEPARTMENT OF CULTURAL AFFAIRS AWARD

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

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

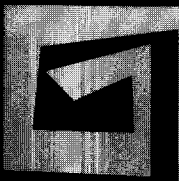
THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008
With Summarized Information for the Year Ended June 30, 2007

NOTE 10 - Commitments and Contingencies

Tax Examination

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

SUPPLEMENTARY INFORMATION



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**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 21 - 24 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 23, 2009

THE CHILDREN'S MUSEUM OF MANHATTAN
SUPPLEMENTARY INFORMATION
STATEMENT OF FINANCIAL POSITION - BY NET ASSET CLASSIFICATION
June 30, 2008

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Elimination	Total
Cash and cash equivalents	\$ 1,049,339	\$ 42,868	\$ -	\$ -	\$ 1,092,207
Marketable securities	5,403	-	-	-	5,403
Contributions receivable	1,712,477	45,000	-	-	1,757,477
Accounts receivable	-	-	-	-	-
Prepaid expenses and other current assets	50,521	5,000	-	-	55,521
Museum store inventory	18,458	-	-	-	18,458
Property and equipment	18,216,475	-	-	-	18,216,475
Less: Accumulated depreciation and amortization	(12,343,103)	-	-	-	(12,343,103)
Receivables due from other funds	-	385,099	-	(385,099)	-
Investments - restricted	-	-	1,000,000	-	1,000,000
Total assets	\$ 8,709,570	\$ 477,967	\$ 1,000,000	\$ (385,099)	\$ 9,802,438

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, 2008

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Elimination	Total
Liabilities					
Accounts payable and accrued expenses	\$ 393,180	\$ 6,338	\$ -	\$ -	\$ 399,518
Deferred revenue	211,521	-	-	-	211,521
Refundable deposits	-	12,000	-	-	12,000
Payables due to other funds	385,099	-	-	(385,099)	-
Note payable	-	-	-	-	-
Total liabilities	989,800	18,338	-	(385,099)	623,039
Commitments and Contingencies					
Net Assets					
Unrestricted	7,719,770	-	-	-	7,719,770
Temporarily restricted	-	459,629	-	-	459,629
Permanently restricted	-	-	1,000,000	-	1,000,000
Total net assets	7,719,770	459,629	1,000,000	-	9,179,399
Total liabilities and net assets	\$ 8,709,570	\$ 477,967	\$ 1,000,000	\$ (385,099)	\$ 9,802,438

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, 2008

	Net Assets		Support	Investment Income	Restrictions Satisfied by		Net Assets June 30, 2008
	July 1, 2007				Payments/ Purpose		
Monkey King Fund	\$ 17,498	\$ 10,576	\$ -	\$ -	\$ (28,074)	\$ -	
Program Service Fund	328,000	145,000	-	-	(13,371)	459,629	
	<u>\$ 345,498</u>	<u>\$ 155,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (41,445)</u>	<u>\$ 459,629</u>	

THE CHILDREN'S MUSEUM OF MANHATTAN
SUPPLEMENTARY INFORMATION
SCHEDULE OF PERMANENTLY RESTRICTED NET ASSETS - BY FUND
Year Ended June 30, 2008

	Net Assets		Investment Income	Restrictions Satisfied by		Net Assets June 30, 2008
	July 1, 2007	Support		Payments/ Purpose		
The Laurie M. Tisch Foundation	\$ 968,352	\$ -	\$ 31,648	\$ -	-	\$ 1,000,000