

THE CHILDREN'S MUSEUM OF MANHATTAN

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED INFORMATION FOR THE
YEAR ENDED JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Children's Museum of Manhattan

We have audited the accompanying financial statements of The Children's Museum of Manhattan (a nonprofit organization) (legal name: The Children's Museum of Manhattan, G.A.M.E. Inc) (the "Museum"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT *(Continued)*

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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited The Children's Museum of Manhattan's 2012 financial statements, and our report dated March 7, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

DDK & Company LLP

New York, New York
March 24, 2014

THE CHILDREN'S MUSEUM OF MANHATTAN
STATEMENTS OF FINANCIAL POSITION
June 30, 2013
With Summarized Information at June 30, 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 3,329,837	\$ 3,154,031
Marketable securities	11,055	13,077
Accounts receivable	67,926	-
Contributions receivable	108,452	271,744
Prepaid expenses and other current assets	70,159	59,197
Museum store inventory	21,369	18,967
Property and equipment	16,695,832	16,294,475
Less: Accumulated depreciation and amortization	(13,532,093)	(12,408,319)
Investments - restricted	1,000,000	1,000,000
Total assets	\$ 7,772,537	\$ 8,403,172
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 284,536	\$ 234,740
Deferred revenue	122,348	56,011
Refundable deposits	12,000	12,000
Total liabilities	418,884	302,751
 Commitments and Contingencies		
Net Assets		
Unrestricted	6,159,819	6,839,572
Temporarily restricted	193,834	260,849
Permanently restricted	1,000,000	1,000,000
Total net assets	7,353,653	8,100,421
Total liabilities and net assets	\$ 7,772,537	\$ 8,403,172

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

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

Year Ended June 30, 2013

With Summarized Information for the Year Ended June 30, 2012

	2013			2012			
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted		Total
		Restricted	Permanently Restricted		Restricted	Permanently Restricted	
Revenue and Support							
Contributions							
Government	\$ 639,597	\$ -	\$ -	\$ 639,597	\$ -	\$ -	\$ 477,922
Foundations	552,007	93,750	-	645,757	-	-	655,571
Corporations	80,219	100,000	-	180,219	-	-	129,718
Individuals	251,932	-	-	251,932	-	-	235,946
Benefit events, net of direct donor benefits of \$11,207 for 2013 and \$221,921 for 2012	26,255	-	-	26,255	-	-	704,737
Admissions donations	1,468,709	-	-	1,468,709	-	-	1,441,486
Membership dues	764,150	-	-	764,150	-	-	764,718
Education program services	345,494	-	-	345,494	-	-	335,331
Museum program fees	219,763	-	-	219,763	-	-	249,133
Museum store, less cost of sales of \$86,359 for 2013 and \$99,373 for 2012	58,820	-	-	58,820	-	-	70,466
Donated goods and services	40,362	-	-	40,362	-	-	201,454
Interest	7,707	-	-	7,707	-	-	8,628
Gain (loss) on sale of investments	3,292	-	-	3,292	-	-	1,703
Unrealized gain (loss) on investments	267	-	-	267	-	-	(1,800)
Other	403,350	-	-	403,350	-	-	525,571
Net assets released from restriction	260,765	(260,765)	-	-	-	-	-
Total revenue and support	5,122,689	(67,015)	-	5,055,674	-	-	5,800,584

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, 2013

With Summarized Information for the Year Ended June 30, 2012

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Expenses					
Program services	4,417,664	-	-	4,417,664	4,446,940
Supporting services	1,009,629	-	-	1,009,629	1,006,252
General and administrative	375,149	-	-	375,149	436,428
Fundraising					
Total expenses	5,802,442	-	-	5,802,442	5,889,620
Change in net assets	(679,753)	(67,015)	-	(746,768)	(89,036)
Net assets at beginning of year	6,839,572	260,849	1,000,000	8,100,421	8,189,457
Net assets at end of year	\$ 6,159,819	\$ 193,834	\$ 1,000,000	\$ 7,353,653	\$ 8,100,421

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, 2013

With Summarized Information for the Year Ended June 30, 2012

	2013				2012
	Program Services	General and Administrative	Fundraising	Total	Total
Expenses					
Salaries	\$ 1,647,250	\$ 369,462	\$ 199,032	\$ 2,215,744	\$ 2,280,819
Payroll taxes and employee benefits	258,012	121,852	30,650	410,514	387,590
Advertising	35,818	-	-	35,818	69,492
Bad debt expense	-	20,217	-	20,217	30,000
Computer expenses	559	43,057	-	43,616	40,818
Contracted services	248,144	875	58,651	307,670	542,315
Credit card processing fees	43,137	-	28,027	71,164	67,590
Depreciation and amortization	848,620	275,154	-	1,123,774	943,976
Donated items	2,500	-	-	2,500	136,698
Equipment rental	16,449	42,433	-	58,882	102,133
Facility rental	230,976	26,271	13,136	270,383	344,375
Insurance	50,368	5,555	2,842	58,765	53,366
Interest	1,292	152	76	1,520	1,338
Maintenance and repairs	96,188	11,109	5,647	112,944	101,064
Memberships, dues, and subscription	5,379	8,869	17,320	31,568	17,713
Miscellaneous	-	5,740	-	5,740	9,873
Museum store - cost of sales	86,359	-	-	86,359	99,373
Organizational strategic planning	317,270	-	-	317,270	108,801

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, 2013

With Summarized Information for the Year Ended June 30, 2012

	2013			2012
	Program Services	General and Administrative	Fundraising	Total
Expenses (Continued)				
Postage and shipping	27,683	1,546	3,745	21,823
Printing	41,812	-	10,635	67,978
Professional services	37,862	49,950	-	248,065
Security	114,013	-	-	133,812
Supplies and material	166,724	11,397	7,825	177,037
Stipends	23,096	-	-	25,800
Taxes	-	30	-	28
Telephone	18,789	589	1,105	23,100
Travel and entertainment	55,424	42	-	43,224
Utilities	130,299	15,329	7,665	132,713
	4,504,023	1,009,629	386,356	6,210,914
Less: Cost of goods sold and direct donor benefit	86,359	-	11,207	321,294
Total expenses, net of cost of goods sold and direct donor benefit	<u>\$ 4,417,664</u>	<u>\$ 1,009,629</u>	<u>\$ 375,149</u>	<u>\$ 5,889,620</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, 2013
With Summarized Information for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
<i>Cash Flows From Operating Activities</i>		
Decrease in net assets	\$ (746,768)	\$ (89,036)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Bad debt expense	20,217	30,000
Depreciation and amortization	1,123,774	943,976
Contribution of marketable securities	(15,956)	(13,000)
Gain on sale of marketable securities	(3,292)	(1,703)
Unrealized loss (gain) on marketable securities	(267)	1,800
Changes in operating assets and liabilities:		
Accounts receivable	(67,926)	-
Contributions receivable	143,075	65,753
Prepaid expenses and other current assets	(10,962)	48,408
Museum store inventory	(2,402)	(7,180)
Accounts payable and accrued expenses	49,796	(43,652)
Deferred revenue	66,337	(15,433)
Refundable deposits	-	6,000
	<u>555,626</u>	<u>925,933</u>
<i>Cash Flows From Investing Activities</i>		
Proceeds from sale of marketable securities	21,537	17,846
Purchases of property and equipment	(401,357)	(797,410)
	<u>(379,820)</u>	<u>(779,564)</u>
Net cash used in investing activities		
Net increase in cash and cash equivalents	175,806	146,369
Cash and cash equivalents at beginning of year	<u>3,154,031</u>	<u>3,007,662</u>
Cash and cash equivalents at end of year	<u>\$ 3,329,837</u>	<u>\$ 3,154,031</u>
<i>Supplemental Disclosure of Cash Flow Information</i>		
Interest paid	\$ 1,520	\$ 1,338
<i>Supplemental Disclosure of Non Cash Investing</i>		
Contributions of marketable securities received by the Museum	\$ 15,956	\$ 13,000

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, 2013
With Summarized Information for the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of 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 tour the United States. The Museum's programs focus on literacy and early childhood education, healthy lifestyles, and creativity in the arts, sciences and world cultures. 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.

Basis of Presentation

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 Museum reports 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, 2013
With Summarized Information for the Year Ended June 30, 2012

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 \$193,834 in temporarily restricted net assets at June 30, 2013 that can be used to support programs during 2014
- 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, 2013.

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, 2012, 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.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013
With Summarized Information for the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(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 may change. An allowance for doubtful accounts was not deemed necessary at June 30, 2013.

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 may change. At June 30, 2013, 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, 2013
With Summarized Information for the Year Ended June 30, 2012

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

Impairment of Long-Lived Assets

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). Capitalized 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, 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 provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013
With Summarized Information for the Year Ended June 30, 2012

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 2009 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

Advertising costs of \$35,818 for the year ended June 30, 2013 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, 2013
With Summarized Information for the Year Ended June 30, 2012

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.

Subsequent Events

Management has evaluated subsequent events or transactions occurring through March 24, 2014, 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	\$ 271,725	\$ -	\$ 271,725
Savings and money market accounts	2,228,717	826,295	3,055,012
Petty cash	<u>3,100</u>	<u>-</u>	<u>3,100</u>
	<u>\$ 2,503,542</u>	<u>\$ 826,295</u>	<u>\$ 3,329,837</u>

At June 30, 2013, bank account balances at two banks exceeded the insured \$250,000 FDIC limit by approximately \$3,722,000.

NOTE 3 - INVESTMENTS

Investments in marketable securities as of June 30, 2013 are reported at fair value and are summarized as follows:

	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Value</u>
<u>Unrestricted</u>			
Equity securities	\$ 10,788	\$ 267	\$ 11,055

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 may occur in the near term.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013
With Summarized Information for the Year Ended June 30, 2012

NOTE 3 - INVESTMENTS *(Continued)*

The following schedule summarizes the related investment return and its classification in the statement of activities for the year ended June 30, 2013:

	Amount (Unrestricted)
Change in realized gain on sale of investments	\$ 3,292
Change in unrealized gain on investments	<u>267</u>
	<u>\$ 3,559</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

A fair value hierarchy that prioritizes the inputs to valuation techniques is 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 are described below:

Basis of Fair Value Measurement

- 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, 2013. Investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013
With Summarized Information for the Year Ended June 30, 2012

NOTE 4 - FAIR VALUE MEASUREMENTS *(Continued)*

Basis of Fair Value Measurement *(Continued)*

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, 2013:

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>
Available-for-sale securities	\$ <u>11,055</u>	\$ <u>11,055</u>

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	\$ 10,064,810
Exhibits	2 - 10	5,728,374
Office equipment	5 - 10	604,584
Furniture and fixtures	5 - 10	268,214
Website	3	<u>29,850</u>
		16,695,832
Less: Accumulated depreciation and amortization		<u>13,532,093</u>
Property and equipment, net		<u>\$ 3,163,739</u>

Related depreciation and amortization expense for the year ended June 30, 2013 was \$1,123,774. Included in depreciation expense is approximately \$733,000 of depreciation attributable to long term exhibits which have been capitalized and depreciated over the useful lives of the exhibition in accordance with US GAAP.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013
With Summarized Information for the Year Ended June 30, 2012

NOTE 6 - CONTRIBUTIONS RECEIVABLE

As of June 30, 2013, 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>
2013	\$ 88,520	\$ -	\$ -	\$ 88,520
2014	10,000	-	-	10,000
2015	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
	108,520	-	-	108,520
Less: Discounts	<u>68</u>	<u>-</u>	<u>-</u>	<u>68</u>
Net	<u>\$ 108,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,452</u>

NOTE 7 - NET ASSETS AT JUNE 30, 2012

Net assets at June 30, 2012 were classified as the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support	\$ 6,126,046	\$ (325,462)	\$ -	\$ 5,800,584
Expenses	<u>5,889,620</u>	<u>-</u>	<u>-</u>	<u>5,889,620</u>
Change in net assets	236,426	(325,462)	-	(89,036)
Net assets at June 30, 2011	<u>6,603,146</u>	<u>586,311</u>	<u>1,000,000</u>	<u>8,189,457</u>
Net assets at June 30, 2012	<u>\$ 6,839,572</u>	<u>\$ 260,849</u>	<u>\$ 1,000,000</u>	<u>\$ 8,100,421</u>

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013
With Summarized Information for the Year Ended June 30, 2012

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

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

FY 2014 activities	\$ 193,750
Equipment purchase	<u>84</u>
	<u>\$ 193,834</u>

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

FY 2013 activities	\$ 104,667
New York City Housing Authority	53,075
Eat Sleep Play	50,000
Jr. Staff internship program	25,000
Islamic program	17,107
Equipment purchase	<u>10,916</u>
	<u>\$ 260,765</u>

NOTE 9 - 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 10 - MEMBERSHIP DUES

Membership dues were received as follows:

Family membership	\$ 592,970
Corporate membership	132,500
Friend membership	25,695
VIP membership	8,000
Supporter membership	4,845
Access membership	<u>140</u>
	<u>\$ 764,150</u>

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013
With Summarized Information for the Year Ended June 30, 2012

NOTE 11 - DONATED SERVICES

The fair value of donated services included as contributions in the financial statements and the corresponding program expenses for the year ended June 30, 2013, are as follows:

	<u>General & Administrative</u>
Legal services	\$ 37,862

NOTE 12 - 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, 2013.

NOTE 13 - RELATED PARTY TRANSACTIONS

Approximately 13% of the Museum's revenue from contributions and fundraising was provided by the Museum's trustees and officers for the year ended June 30, 2013.

NOTE 14 - CONCENTRATION OF RISK

Receivables from three donors represented approximately 74% of total unconditional promises to give as of June 30, 2013.

NOTE 15 - 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 was \$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. For year ended June 30, 2013, the monthly rental lease payment continued at \$19,826 plus applicable annual cost of living adjustment.

Rent expense totaled \$270,383 for the year ended June 30, 2013.

THE CHILDREN'S MUSEUM OF MANHATTAN
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013
With Summarized Information for the Year Ended June 30, 2012

NOTE 15 - LEASES *(Continued)*

The Museum also leases equipment under various operating leases expiring in 2016, 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, 2013.

<u>Years Ending June 30,</u>	<u>Premises</u>	<u>Other</u>	<u>Total</u>
2014	\$ -	\$ 8,106	\$ 8,106
2015	-	6,534	6,534
2016	-	990	990
	<u>\$ -</u>	<u>\$ 15,630</u>	<u>\$ 15,630</u>

NOTE 16 - 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 not-for-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 17 - 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, 2013, and have issued our report thereon dated March 24, 2014 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 25 - 28 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 audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

DDK & Company LLP

New York, New York
March 24, 2014

THE CHILDREN'S MUSEUM OF MANHATTAN
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINANCIAL POSITION - BY NET ASSET CLASSIFICATION
June 30, 2013
(Unaudited)

	Unrestricted	Temporarily Restricted		Permanently Restricted	Elimination	Total
		Restricted	Restricted			
ASSETS						
Cash and cash equivalents	\$ 2,503,542	\$ 826,295	\$ -	\$ -	\$ -	\$ 3,329,837
Marketable securities	11,055	-	-	-	-	11,055
Accounts receivable	67,926	-	-	-	-	67,926
Contributions receivable	108,452	-	-	-	-	108,452
Prepaid expenses and other current assets	65,159	5,000	-	-	-	70,159
Museum store inventory	21,369	-	-	-	-	21,369
Property and equipment	16,695,832	-	-	-	-	16,695,832
Less: Accumulated depreciation and amortization	(13,532,093)	-	-	-	-	(13,532,093)
Receivables due from other funds	637,461	-	-	-	(637,461)	-
Investments - restricted	-	-	1,000,000	-	-	1,000,000
Total assets	\$ 6,578,703	\$ 831,295	\$ 1,000,000	\$ (637,461)	\$ (637,461)	\$ 7,772,537

See Independent Auditors' Report on Supplementary Information.

THE CHILDREN'S MUSEUM OF MANHATTAN
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINANCIAL POSITION - BY NET ASSET CLASSIFICATION
June 30, 2013
(Unaudited)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Elimination	Total
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 284,536	-	\$ -	-	\$ 284,536
Deferred revenue	122,348	-	-	-	122,348
Refundable deposits	12,000	-	-	-	12,000
Payables due to other funds	-	637,461	-	(637,461)	-
Total liabilities	418,884	637,461	-	(637,461)	418,884
Commitments and Contingencies					
Net Assets					
Unrestricted	6,159,819	-	-	-	6,159,819
Temporarily restricted	-	193,834	-	-	193,834
Permanently restricted	-	-	1,000,000	-	1,000,000
Total net assets	6,159,819	193,834	1,000,000	-	7,353,653
Total liabilities and net assets	\$ 6,578,703	\$ 831,295	\$ 1,000,000	\$ (637,461)	\$ 7,772,537

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, 2013
 (Unaudited)

	Net Assets July 1, 2012	Support	Investment Income	Restrictions Satisfied by Payments/ Purpose	Net Assets June 30, 2013
Program Service Fund	\$ 260,849	\$ 193,750	-	\$ (260,765)	\$ 193,834

THE CHILDREN'S MUSEUM OF MANHATTAN
SUPPLEMENTARY INFORMATION
SCHEDULE OF PERMANENTLY RESTRICTED NET ASSETS - BY FUND
Year Ended June 30, 2013
(Unaudited)

	Net Assets July 1, 2012	Support	Investment Income	Restrictions Satisfied by Payments/ Purpose	Net Assets June 30, 2013
The Laurie M. Tisch Foundation	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000