

Museum of the Emerald City of OZ

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

SCARECROW & LION
Certified Public Accountants
617 Red Ruby Dr., Suite 107
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INDEPENDENT
AUDITOR'S REPORT

To the Board of Directors
Museum of the Emerald City of Oz
Emerald City, OZ

We have audited the accompanying Statement of Financial Position of Museum of the Emerald City of Oz (a nonprofit organization) as of June 30, 2014 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These Financial Statements are the responsibility of the Organization's management. 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 OZ. 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 MECO as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in OZ.

SCARECROW & LION
Certified Public Accountants

October 8, 2014

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MUSEUM OF THE
EMERALD CITY OF OZ

STATEMENT OF FINANCIAL POSITION

For the period ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 109,189.95	\$ 56,055.07	\$ 0.00	\$ 165,245.02
Investments	51,108.60	0.00	457,734.17	508,842.77
Receivables	0.00	35,524.02	(35,524.02)	0.00
Prepaid expenses	17,600.99	1,900.00	0.00	19,500.99
Inventory	10,857.43	0.00	0.00	10,857.43
Total Current Assets	<u>188,756.97</u>	<u>93,479.09</u>	<u>422,210.15</u>	<u>704,446.21</u>
FIXED ASSETS				
Furniture and equipment	14,857.00	0.00	0.00	14,857.00
Less: Accumulated Depreciation	<u>(14,768.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>(14,768.00)</u>
Net Book Value	<u>89.00</u>	<u>0.00</u>	<u>0.00</u>	<u>89.00</u>
TOTAL ASSETS	<u>\$188,845.97</u>	<u>\$93,479.09</u>	<u>\$ 422,210.15</u>	<u>\$ 704,535.21</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 2,202.36	\$ 0.00	\$ 0.00	\$ 2,202.36
Accrued expenses	4,718.53	0.00	0.00	4,718.53
Security deposits	9,900.00	0.00	0.00	9,900.00
Federal tax payable	156.00	0.00	0.00	156.00
State tax payable	87.00	0.00	0.00	87.00
Deferred revenue	<u>58,144.00</u>	<u>0.00</u>	<u>0.00</u>	<u>58,144.00</u>
Total Current Liabilities	75,207.89	0.00	0.00	75,207.89
NET ASSETS	<u>113,638.08</u>	<u>93,479.09</u>	<u>422,210.15</u>	<u>629,327.32</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 188,845.97</u>	<u>\$ 93,479.09</u>	<u>\$ 422,210.15</u>	<u>\$ 704,535.21</u>

The accompanying notes are an integral part of these statements

MUSEUM OF THE
EMERALD CITY OF OZ

STATEMENT OF ACTIVITIES
For the period ending June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions	\$ 89,882.30	\$ 60,805.00	\$ 0.00	\$ 150,687.30
Government grants	93,239.75	3,119.25	0.00	96,359.00
Program service fees	61,092.74	\$ 0.00	\$ 0.00	61,092.74
Net room rentals	52,560.00	0.00	0.00	52,560.00
Net fundraising events	11,523.06	0.00	0.00	11,523.06
Memberships and dues	15,435.00	0.00	0.00	15,435.00
Other revenues	829.36	0.00	0.00	829.36
Investment income	20,029.41	56,957.02	0.00	76,986.43
Net assets released from restrictions	66,859.23	(66,859.23)	0.00	0.00
Total Revenues	<u>411,450.85</u>	<u>54,022.04</u>	<u>0.00</u>	<u>465,472.89</u>
EXPENSES				
Program services	\$ 248,779.61	\$ 0.00	\$ 0.00	\$ 248,779.61
Management and general	68,868.62	0.00	0.00	68,868.62
Fundraising and development	27,190.07	0.00	0.00	27,190.07
Total Expenses	<u>344,838.30</u>	<u>0.00</u>	<u>0.00</u>	<u>344,838.30</u>
CHANGE IN NET ASSETS BEFORE COLLECTION ITEMS NOT CAPITALIZED	<u>66,612.55</u>	<u>54,022.04</u>	<u>0.00</u>	<u>120,634.59</u>
Collection items purchased but not capitalized				
CHANGE IN NET ASSETS	<u>66,612.55</u>	<u>54,022.04</u>	<u>0.00</u>	<u>120,634.59</u>
Net Assets- July 1, 2013	47,025.53	39,457.05	422,210.15	508,692.73
Net Assets- June 30,2014	<u>\$ 113,638.08</u>	<u>\$ 93,479.09</u>	<u>\$ 422,210.15</u>	<u>\$ 629,327.32</u>

The accompanying notes are an integral part of these statements

MUSEUM OF THE
EMERALD CITY OF OZ

STATEMENT OF FUNCTIONAL EXPENSES

For the period ending June 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 87,620.54	\$ 31,506.74	\$ 17,574.42	\$ 136,701.43
Employee benefits	20,874.45	7,501.75	4,240.13	32,616.33
Payroll taxes	8,247.96	2,964.11	1,675.37	12,887.44
Accounting and audit	0.00	6,650.50	0.00	6,650.50
Professional fees	3,126.46	572.22	1,346.23	5,044.91
Advertisement	5,125.60	4,390.96	487.88	10,004.44
Office expenses	7,201.73	12,545.08	1,418.25	21,165.06
Information technology	607.19	67.28	38.02	712.49
Occupancy	36,722.56	0.00	0.00	36,722.56
Travel	390.59	358.00	0.00	748.59
Conference and meetings	1,853.69	0.00	0.00	1,853.69
Depreciation	266.00	0.00	0.00	266.00
Insurance	3,198.00	2,051.00	0.00	5,249.00
Building maintenance	53,388.99	0.00	0.00	53,388.99
Dues and memberships	1,497.51	0.00	0.00	1,497.51
Supplies	18,658.34	176.30	166.77	19,001.41
Income tax	0.00	0.00	243.00	243.00
Miscellaneous	0.00	84.95	0.00	84.95
TOTAL EXPENSES	<u>\$ 248,779.61</u>	<u>\$68,868.62</u>	<u>\$ 27,190.07</u>	<u>\$ 344,838.30</u>

The accompanying notes are an integral part of these statements

MUSEUM OF THE
EMERALD CITY OF OZ

STATEMENT OF CASH FLOWS
For the year ended June 30, 2014

CASH FLOWS FROM OPERATING
ACTIVITIES

Change in net assets	\$ 120,634.59
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	266.00
Unrealized gain on investments	(72,315.85)
	<hr/> 48,584.74
(Increase) decrease in operating assets:	
Other assets	(15,974.31)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	2,627.44
Security deposits	900.00
Income taxes	243.00
Deferred revenue	6,804.50
	<hr/> 43,185.37

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(4,584.46)
Sales of investments	21,433.00
	<hr/>
Net Cash Provided by Investing Activities	16,848.54

CASH FLOWS FROM FINANCING
ACTIVITIES

Net Increase in Cash	<hr/> 60,033.91 <hr/>
Cash -July 1, 2013	<hr/> 105,211.11 <hr/>
Cash -June 30, 2014	<hr/> \$ 165,245.02 <hr/>

The accompanying notes are an integral part of these statements

MUSEUM OF THE EMERALD CITY OF OZ
NOTES TO FINANCIAL STATEMENTS

NOTE 1- NATURE OF ORGANIZATION

MECO is a not-for-profit corporation. The mission of the Organization is to engage diverse audiences in exploring the history and art of the Emerald City.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles for not-for-profit organizations.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, MECO 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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, MECO considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Fair value approximates carrying value due to initial maturities of the instruments being three months or less.

Investments

The MECO records investments at fair value with gains or losses included in the Statement of Activities. The fair market values are estimates based on quoted market prices for those investments.

Inventories

Inventories are recorded at the lower of cost or market. Cost is determined by the first-in, first-out method.

Use of Estimates

The preparation of financial statements in conformity with OZ generally accepted

MUSEUM OF THE EMERALD CITY OF OZ
NOTES TO FINANCIAL STATEMENTS

accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fixed Assets

Property and equipment is stated at cost. Donated property and equipment is recorded at fair market value at the date of donation. Provisions for depreciation and amortization are made over the estimated useful lives of the assets on a straight line basis.

Income Tax Status

The Museum is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the OZ Internal Revenue Code and is exempt from income taxes on earnings received for exempt purposes.

The most significant tax position of the Museum is its assertion that it is exempt from income taxes. Other significant tax positions include its determination of whether any amounts are subject to unrelated business income tax (UBIT). Management has determined that the Museum's rental activity is subject to UBIT for the year ended June 30, 2014.

Unrestricted and Restricted Revenue and Support

Under 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 absence or existence and nature of any donor restrictions.

Support that is restricted by the donor 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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

MUSEUM OF THE EMERALD CITY OF OZ
NOTES TO FINANCIAL STATEMENTS

Donated Services

No amounts have been reflected in the Financial Statements for volunteer services. The Organization pays for most services requiring specific expertise.

Collections

The collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items were acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items have been restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

NOTE 3- UNRESTRICTED NET ASSETS

Unrestricted net assets consist of resources available for the various programs and administration of the Organization which have not been restricted by a donor.

Board designated net assets represents amounts established by the Board of Directors and represents unrestricted funds which are set aside for future projects of the Organization.

The components of the Unrestricted Net Assets are as follows:

Unrestricted, undesignated net assets	\$ 88,638.08
Board designated net assets	<u>25,000.00</u>
Total	<u>\$ 113,638.08</u>

MUSEUM OF THE EMERALD CITY OF OZ
NOTES TO FINANCIAL STATEMENTS

NOTE 4- TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets are available for the following purposes or periods:

Renovation	\$3,000.00
Facility Improvements	1,500.00
Collections Fund	9,197.79
Exhibit	3,510.18
Parlor Restoration	7,346.28
Marketing and Website	3,420.00
125th Anniversary Fund	20,000.00
Piano Restoration	500.00
Dorothy Fund	9,480.82
Endowment	35,524.02
Total	<u>\$93,479.09</u>

NOTE 5- PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are an Endowment valued at \$ 422,210.15 at June 30, 2014.

During 2014 the endowment fund experienced gains due to the market increase. The gains were enough to cover the accumulated losses experienced by the fund. As of June 30, 2014, \$35,524.02 is available to be released for current operations.

NOTE 6- ART COLLECTION

The Museum's collections are made up of approximately 5,000 art objects, furniture and books that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collection.

NOTE 7- FAIR VALUE MEASUREMENTS

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. FAS 157 describes three approaches to measuring the fair value of

MUSEUM OF THE EMERALD CITY OF OZ
NOTES TO FINANCIAL STATEMENTS

assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. The standard does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based upon the inputs to the valuation technique:

LEVEL 1 -Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

LEVEL 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

LEVEL 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Museum's Investments are invested in both Level 1 and Level 2 assets.

NOTE 8- INVESTMENTS

Investment returns for the year ended June 30, 2014 are as follows:

	Unrestricted	Permanently Restricted	Total
Dividends and interest	\$417.17	\$4,253.41	\$4,670.58
Net unrealized gain		72,315.85	72,315.85
Returns on investments	\$417.17	\$76,569.26	\$76,986.43

The Organization records investments at market value. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and

MUSEUM OF THE EMERALD CITY OF OZ
NOTES TO FINANCIAL STATEMENTS

losses are included in the change in net assets.

Certificate of Deposit (<i>Level 1</i>)	\$51,108.60
Community Foundation Investment Pool A (Endowment)(<i>Level 2</i>)	458,076.17
Community Foundation Short Term Investment Pool (Endowment) (pending redemption from investment pool on 07/01/2014) (<i>Level 2</i>)	(342.00)

Total Investments \$ 508,842.77

NOTE 10- EMPLOYEE BENEFIT PLANS

All full-time employees of the Organization are covered under a 403(b) retirement plan. Retirement plan expenses charged to operations amounted to \$5,567.10 for the year ended June 30, 2014.

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