
**BROOKLYN CHILDREN'S
MUSEUM CORPORATION**

**Financial Statements
for the year ended
June 30, 2013
(with summarized comparative information for 2012)**

Independent Auditor's Report

To the Board of Trustees of
Brooklyn Children's Museum Corporation

We have audited the accompanying financial statements of the Brooklyn Children's Museum Corporation 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.

Opinion

In our opinion, the financial statements referred to in the first paragraph of the previous page present fairly, in all material respects, the financial position of Brooklyn Children's Museum Corporation as of June 30, 2013 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Museum's fiscal 2012 financial statements, and our report dated October 3, 2012 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.

Cordn O'Meara Mottis: Ronelly LLP

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Financial Position

Assets

	June 30	
	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 175,123	\$ 207,588
Contributions receivable, net		
Unrestricted	108,774	53,918
Restricted for future programs and periods	138,827	223,500
Prepaid expenses and other assets	28,917	57,475
Investments, at fair value	1,977,526	2,046,744
Property and equipment, net	<u>3,330,952</u>	<u>4,701,379</u>
Total assets	<u>\$ 5,760,119</u>	<u>\$ 7,290,604</u>

Liabilities and Net Assets

Liabilities		
Line of credit	\$ 262,000	\$ 112,000
Accounts payable and accrued expenses	399,361	479,150
Notes payable	175,000	195,000
Deferred revenue	63,275	24,498
Accrued postretirement benefits	<u>3,538,039</u>	<u>3,894,019</u>
Total liabilities	<u>4,437,675</u>	<u>4,704,667</u>
Net assets		
Unrestricted (deficit)	(3,151,412)	(3,082,298)
Temporarily restricted	2,725,653	3,920,032
Permanently restricted	<u>1,748,203</u>	<u>1,748,203</u>
Total net assets	<u>1,322,444</u>	<u>2,585,937</u>
Total liabilities and net assets	<u>\$ 5,760,119</u>	<u>\$ 7,290,604</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Activities Year Ended June 30, 2013 (With Summarized Comparative Information for the Year Ended June 30, 2012)

	2013			2012		
	Operating	Unrestricted Board Designated	Total	Temporarily Restricted	Permanently Restricted	Total
Support and revenue						
Contributions						
Individuals	\$ 73,132	\$ -	\$ 73,132	\$ -	\$ -	\$ 73,132
Corporations	38,719	-	38,719	75,000	-	113,719
Foundations	58,000	-	58,000	361,000	-	419,000
Government	56,340	-	56,340	380,814	-	437,154
Appropriations from City of New York	2,011,511	-	2,011,511	-	-	2,011,511
Admission fees	837,028	-	837,028	-	-	837,028
Membership fees	320,072	-	320,072	-	-	320,072
Exhibit rentals	67,225	-	67,225	-	-	67,225
Space rentals	236,361	-	236,361	-	-	236,361
Gift shop sales	139,710	-	139,710	-	-	139,710
Fund-raising events, net of direct expenses of \$69,398 in 2013 and \$76,520 in 2012	380,497	-	380,497	-	-	380,497
Interest and dividends	196	2,289	2,485	35,427	-	37,912
Net realized gain on investments	-	10,505	10,505	162,612	-	173,117
Net change in unrealized value of investments	-	6,695	6,695	103,639	-	110,334
Miscellaneous	83,695	77	83,772	-	-	83,772
Released from Board designated assets	63,895	(63,895)	-	-	-	-
Net assets released from restrictions	2,312,871	-	2,312,871	(2,312,871)	-	-
Total support and revenue	6,679,252	(44,329)	6,634,923	(1,194,379)	-	5,440,544
Expenses						
Program services						
Exhibitions	1,848,772	-	1,848,772	-	-	1,848,772
Collections	210,524	-	210,524	-	-	210,524
Education	1,189,658	-	1,189,658	-	-	1,189,658
Visitor services	695,083	-	695,083	-	-	695,083
Maintenance and security	1,414,759	-	1,414,759	-	-	1,414,759
Marketing and public affairs	431,074	-	431,074	-	-	431,074
Total program services	5,789,870	-	5,789,870	-	-	5,789,870
Supporting services						
General and administrative	1,081,620	17,963	1,099,583	-	-	1,099,583
Development	258,070	-	258,070	-	-	258,070
Total supporting services	1,339,690	17,963	1,357,653	-	-	1,357,653
Total expenses	7,129,560	17,963	7,147,523	-	-	7,147,523
(Decrease) in net assets before other addition (deduction)	(450,308)	(62,292)	(512,600)	(1,194,379)	-	(1,706,979)
Pension adjustment	443,486	-	443,486	-	-	443,486
(Decrease) in net assets	(6,822)	(62,292)	(69,114)	(1,194,379)	-	(1,263,493)
Net assets (deficit), beginning of year	(3,144,590)	62,292	(3,082,298)	3,920,032	1,748,203	2,585,937
Net assets (deficit), end of year	\$ (3,151,412)	\$ -	\$ (3,151,412)	\$ 2,725,653	\$ 1,748,203	\$ 1,322,444

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Functional Expenses Year Ended June 30, 2013 (With Summarized Comparative Information for the Year Ended June 30, 2012)

	2013										2012	
	Exhibitions	Collections	Education	Visitor Services	Maintenance and Security	Marketing and Public Affairs	Total Program Services	General and Administrative	Development (Operating)	Total Supporting Services	Total	
Salaries, wages and benefits	\$ 255,175	\$ 136,354	\$ 892,270	\$ 477,333	\$ 1,034,173	\$ 284,856	\$ 3,080,161	\$ 793,437	\$ 159,847	\$ 953,284	\$ 4,033,445	\$ 4,564,805
Professional fees	7,587	1,179	33,108	1,150	95,880	19,894	158,798	66,800	48,915	115,715	274,513	374,291
Office expenses	7,140	383	7,004	2,940	4,027	2,104	23,598	24,945	7,334	32,279	55,877	103,733
Supplies	21,146	1,359	127,919	18,567	38,276	857	208,124	36,759	2,515	39,274	247,398	188,563
Cost of goods sold	-	-	-	116,038	-	444	116,482	-	-	-	116,482	141,808
Travel and meetings	209	278	13,066	1,300	91	708	15,652	1,797	60	1,857	17,509	16,730
Marketing	-	-	-	-	-	96,683	96,683	256	9,535	9,791	106,474	68,003
Equipment	176	46,132	2,717	14,178	-	171	63,374	10,804	9,525	20,329	83,703	61,980
Maintenance and utilities	98,157	3,356	35,408	30,152	103,857	15,352	286,282	23,837	7,198	31,035	317,317	333,808
Research and development	28,789	-	3,890	1,000	-	-	33,679	-	-	-	33,679	70,931
Insurance	5,121	3,511	18,280	5,959	23,254	9,481	65,606	23,708	11,792	35,500	101,106	87,859
Investment fees	-	-	-	-	-	-	-	17,963	-	17,963	17,963	18,602
Miscellaneous	-	15	1,095	26,466	1,025	524	29,125	34,097	1,349	35,446	64,571	46,633
Sub-total	423,500	192,567	1,134,757	695,083	1,300,583	431,074	4,177,564	1,034,403	258,070	1,292,473	5,470,037	6,077,746
Depreciation	1,425,272	-	-	-	-	-	1,425,272	-	-	-	1,425,272	1,408,299
Postretirement benefits	-	17,957	54,901	-	114,176	-	187,034	65,180	-	65,180	252,214	234,966
Total	\$ 1,848,772	\$ 210,524	\$ 1,189,658	\$ 695,083	\$ 1,414,759	\$ 431,074	\$ 5,789,870	\$ 1,099,583	\$ 258,070	\$ 1,357,653	\$ 7,147,523	\$ 7,721,011

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Cash Flows

	Year Ended	
	June 30	
	2013	2012
Cash flows from operating activities		
(Decrease) in net assets	\$ (1,263,493)	\$ (2,858,733)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities		
Depreciation	1,425,272	1,408,299
Donated stocks	(12,330)	-
Proceeds from donated stock	12,330	-
Net realized (gain) on sale of investments	(173,117)	(43,096)
Change in unrealized value of investments	(110,334)	127,240
Forgiveness of note payable	(10,000)	(10,000)
Decrease in assets		
Contributions receivable	29,817	241,328
Prepaid expenses and other assets	28,558	5,630
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(79,789)	(6,465)
Deferred revenue	38,777	(2,674)
Accrued postretirement benefits	(355,980)	876,092
Net cash (used in) operating activities	<u>(470,289)</u>	<u>(262,379)</u>
Cash flows from investing activities		
Purchases of property and equipment	(54,845)	(107,269)
Purchases of investments	(281,824)	(469,644)
Proceeds from sales of investments	735,120	686,402
Net change in money market funds	<u>(100,627)</u>	<u>(90,595)</u>
Net cash provided by investing activities	<u>297,824</u>	<u>18,894</u>
Cash flows from financing activities		
Repayment of line of credit	-	(150,000)
Borrowings on line of credit	150,000	112,000
Repayment of note payable	<u>(10,000)</u>	<u>(10,000)</u>
Net cash provided by (used in) financing activities	<u>140,000</u>	<u>(48,000)</u>
Net (decrease) in cash and cash equivalents	(32,465)	(291,485)
Cash and cash equivalents, beginning of year	<u>207,588</u>	<u>499,073</u>
Cash and cash equivalents, end of year	<u>\$ 175,123</u>	<u>\$ 207,588</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 17,804</u>	<u>\$ 14,534</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements
June 30, 2013****Note 1 – Nature of organization and summary of significant accounting policies**Nature of organization

Brooklyn Children's Museum Corporation (the "Museum") actively engages children in educational and entertaining experiences through innovation and excellence in exhibitions, programs and use of its collections. It encourages children to develop an understanding of and respect for themselves, cultural diversity and the world around them. While the Museum serves children of all ages, its major focus is pre-kindergarten and primary school age children in New York City. The Museum also recognizes its unique opportunity to serve the surrounding community by providing special programs for teens and families and forging partnerships with other committed organizations. The Museum is a member of the group of the New York City cultural institutions on City-owned property (the Cultural Institutions Group or "CIG") and, accordingly, receives substantial operating and capital support from the City of New York (see note 9).

Net assets

Unrestricted net assets consist of amounts that can be spent at the discretion of the Museum. Included in unrestricted net assets is the Board-designated fund. The Board-designated fund has been segregated for investment by the Board of Trustees.

Temporarily restricted net assets consist of contributions that are restricted by the donor for a specific purpose or pertain to future periods.

Permanently restricted net assets consist of contributions that are restricted by the donor in that the principal must remain in perpetuity but the investment return earned on such funds may be spent in accordance with the donor's terms.

Release from Board-designated funds

The Board of Trustees authorized transfers of \$63,895 for the 2013 fiscal year and \$137,748 for the 2012 fiscal year from the Board-designated fund to Museum operations to supplement support and revenue.

Contributions

The Museum reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose for 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.

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can reasonably be determined.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2013****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Cash equivalents

The Museum considers highly liquid investments with an original maturity of 90 days or less to be cash equivalents or their money market funds, held in the investment portfolio.

Allowance for doubtful accounts

As of June 30, 2013 and June 30, 2012, the Museum has an allowance for doubtful accounts of \$2,500 for any possible uncollectible contributions. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and the current economic conditions.

Investments

The Museum reports investments at fair value in the statement of financial position. The fair value of the investments is based on publicly quoted or observable securities. Realized and unrealized gains and losses are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation.

Fair value measurements

Fair value measurements establish a hierarchy that prioritizes the inputs used to measure fair value into three broad levels. The Museum's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Property and equipment

Property and equipment are recorded at cost. Expenditures for property and equipment are capitalized for assets in excess of a nominal amount and that have a useful life greater than one year. Depreciation is being provided on the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. It is the Museum's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, these donations are recorded as temporarily restricted support. The Museum reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of the donated property and equipment's depreciation expense.

The Museum included the Capital Expansion cost of exhibit design, fabrication and installation in property and equipment. In addition, the Museum also capitalizes the investment in new traveling exhibits.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2013****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Property and equipment (continued)

The Museum uses a facility owned by the City of New York. Capital additions, improvements, and equipment funded by the City of New York and for which the Museum does not have title, are not capitalized by the Museum (see note 9). The building expansion was funded and owned by the City of New York. Property and equipment acquired using the Museum's funds are reflected as assets in the accompanying statement of financial position.

Collections

Consistent with the policies of many other Museums, the value of the Museum's collections is not reflected in the statement of financial position. Purchases of items are expensed in the year that the items are acquired. Contributed collection items are not reflected in the financial statements. Proceeds from de-accessions or insurance recoveries are used to acquire other items for collection.

Contributions for the purchase of items for the collection are classified as temporarily restricted net assets until acquisitions are made. The cost of these items is reported as a separate program expense.

Functional expenses

The cost of providing the various programs and other activities has been summarized on a functional basis. 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 amounts reported in the financial statements. Actual results could differ from these estimates.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. 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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) **June 30, 2013**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Concentrations of credit risk

The Museum's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and contributions receivable. The Museum places its cash and cash equivalents with what it believes to be quality financial institutions. The Museum invests in money market funds, equities, corporate bonds and U.S. Government Obligations. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to the foregoing, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position as of June 30, 2013. The Museum routinely assesses the financial strength of its holdings in its investment portfolio. The Museum monitors the collectibility of its receivables on an on going basis. As a consequence, concentrations of credit risk are limited.

Subsequent events

The Museum has evaluated events and transactions for potential recognition or disclosure through October 9, 2013, which is the date the financial statements were available to be issued.

Note 2 – Contributions receivable

Contributions receivable consist of the following as of June 30, 2013 and June 30, 2012:

	<u>Unrestricted</u>	<u>Restricted for Future Programs and Periods</u>	<u>Total</u>
Due in less than one year	\$ 111,274	\$ 138,827	\$ 250,101
Less: allowance for doubtful accounts	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
Total, June 30, 2013	<u>\$ 108,774</u>	<u>\$ 138,827</u>	<u>\$ 247,601</u>
Total, June 30, 2012	<u>\$ 53,918</u>	<u>\$ 223,500</u>	<u>\$ 277,418</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2013

Note 3 – Investments

The following is a summary of investments held by the Museum as of June 30, 2013 and June 30, 2012:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 268,808	\$ 268,808	\$ 168,181	\$ 168,181
Equities				
Minerals/materials	37,238	52,096	92,115	150,576
Consumer/healthcare	196,331	311,458	293,440	389,331
Communications	-	-	24,023	25,669
Energy	144,410	226,876	151,427	217,191
Financial	262,961	337,355	208,896	230,467
Industrials	158,198	234,367	142,195	169,728
Technology	115,868	162,624	234,702	258,687
Corporate bonds	266,727	273,942	316,673	326,636
U.S. Government Obligations	<u>107,187</u>	<u>110,000</u>	<u>105,628</u>	<u>110,278</u>
Total	<u>\$ 1,557,728</u>	<u>\$ 1,977,526</u>	<u>\$ 1,737,280</u>	<u>\$ 2,046,744</u>

Note 4 – Property and equipment

A summary of the property and equipment and accumulated depreciation as of June 30, 2013 and June 30, 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Exhibits	\$9,665,501	\$9,527,806
Building improvements	505,133	505,133
Furniture, fixtures and equipment	407,044	407,044
Construction in progress	<u>-</u>	<u>82,850</u>
Total	10,577,678	10,522,833
Less: accumulated depreciation	<u>7,246,726</u>	<u>5,821,454</u>
Total property and equipment	<u>\$3,330,952</u>	<u>\$4,701,379</u>

Note 5 – Commitments

Line of credit

The Museum has a revolving line of credit for \$350,000. The line of credit, which expires on January 26, 2014, is secured by all business assets of the Museum. Amounts borrowed under the line are evidenced by a promissory note and bear interest at Libor plus 11.208% per annum. The Museum cannot create or permit any liens on its real or personal property, other than already existing liens or those incurred in the ordinary course of business without bank approval. As of June 30, 2013, the outstanding balance was \$262,000.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)**
June 30, 2013**Note 5 – Commitments (continued)****License agreement**

In October 2011, the Museum and the City of New York Department of Cultural Affairs entered into a 25-year license agreement for the continued occupancy of the premises by the Museum in the amount of one dollar per year. The Museum has an option to extend the license for an additional twenty-five years, as outlined in the agreement.

Gift shop agreement

In August 2013, the Museum entered into an agreement with an independent contractor to operate its gift shop through June 30, 2014, unless cancelled by either party prior to that date, as outlined in the agreement. The Museum will receive a percentage of the gross sales from the gift shop, as outlined in the agreement.

Note 6 – Notes payable

In June 2009, the Museum and certain Board Members executed three unsecured notes payable totaling \$225,000, which were due June 25, 2011 through July 15, 2011. The notes are in the following amounts: \$100,000, \$100,000 and \$25,000. The proceeds from the notes were used for general operations of the Museum. The notes require quarterly interest payments of prime rate plus 2.0% per annum.

It is the intention of one of the Board Members to forgive the first note of \$100,000 over ten years. Accordingly, \$10,000 was forgiven in the 2012 and 2013 fiscal years. The second note of \$100,000 was extended for ten years through July 2020. Commencing in July 2011, this note requires annual principal payments of \$10,000. The third note of \$25,000 was extended through June 30, 2014. The interest rate remained the same on all notes.

Note 7 – Endowments

Effective September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), the provisions of which apply to endowment funds existing on or established after that date. The Museum's endowment consists of funds established for specific purposes. The Museum is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Museum classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted and temporarily restricted net assets based on donor stipulations.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2013

Note 7 – Endowments (continued)

The Museum's long-term assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Museum, the Board of Trustees has taken into account the financial needs and circumstances of the Museum, the time horizon available for investment, the nature of the Museum's cash flows and liabilities, and other factors that affect their risk tolerance.

The Museum has a policy of spending the investment return generated from its permanently restricted funds, which is allowable under the donor guidelines. The Museum has adopted a spending policy where investment return for the Museum will be appropriated from the restricted funds to meet the expenditure needs of the Museum in accordance with the spending rule adopted by the Board of Trustees in the approved annual budget for each fiscal year. The amount available for spending each year, if available, will be 5% of the average market value of the Funds as of March 31st of the last five years. The total distribution shall be set in advance of the upcoming fiscal year, and shall be included in the Annual Budget that is reviewed and adopted by the Board of Trustees.

During the 2013 fiscal year, the Museum borrowed \$235,000 from the unrestricted endowments.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no permanent endowment fund deficiencies as of June 30, 2013.

Permanently restricted net assets

These net assets represent contributions and bequests made into the following funds and are restricted to investment in perpetuity. Investment return from these funds is recorded as temporarily restricted net assets and is available to be spent in accordance with the donors' terms and as approved by the Board of Trustees.

Permanently restricted net assets as of June 30, 2013 and June 30, 2012 are as follows:

Brooklyn Institute of Arts and Sciences	\$ 496,333
90 th Anniversary Capital Campaign	251,870
Centennial – Collections Central Endowment	<u>1,000,000</u>
Total	<u>\$1,748,203</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2013

Note 8 – Temporarily restricted net assets

Temporarily restricted net assets activity as of and for the year ended June 30, 2013 is as follows:

	Balance at June 30, 2012	Contributions and Other	Net Assets Released from Restrictions	Balance at June 30, 2013
Time restrictions				
Undepreciated portion Capital Expansion (see note 1)	\$ 3,205,975	\$ -	\$ (1,032,600)	\$ 2,173,375
Other capital projects	147,919	13,588	(20,381)	141,126
Future programs	140,844	1,094,904	(978,125)	257,623
Charles E. Inness Fund for the Children of Brooklyn	135,294	-	(6,765)	128,529
Free admissions	140,000	10,000	(150,000)	-
Collections web based exhibit	<u>150,000</u>	<u>-</u>	<u>(125,000)</u>	<u>25,000</u>
Total	<u>\$ 3,920,032</u>	<u>\$ 1,118,492</u>	<u>\$ (2,312,871)</u>	<u>\$ 2,725,653</u>

Note 9 – Public support appropriation from the City of New York

The City of New York made the following appropriations to the Museum, which are included in unrestricted public support for the years ended June 30, 2013 and June 30, 2012:

	2013	2012
Department of Cultural Affairs		
Operational support	\$1,643,048	\$1,734,852
Energy	247,190	253,175
Pension	103,889	125,322
Other	<u>17,384</u>	<u>19,207</u>
Total	<u>\$2,011,511</u>	<u>\$2,132,556</u>

Projects supported by the City of New York are subject to audit at a later date.

In addition, capital expenditures to the Museum's facilities, in the amounts of \$103,197 and \$491,393 were made by the City of New York during the years ended June 30, 2013 and June 30, 2012, respectively. The City of New York has spent \$46,872,675 on capital expenditures from the 2000 fiscal year through the 2013 fiscal year. In accordance with a directive from the City of New York, capital expenditures paid for by the City belong to the City of New York and are not included in these financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2013

Note 10 – Pension and retirement plans and other postretirement benefits

Multiemployer pension plan

All eligible Museum employees are members in the Cultural Institutions Retirement System (CIRS) pension plan (“pension plan”), which is a multiemployer plan administered by the City of New York. The pension plan expense for the year ended June 30, 2013 was \$159,110, of which \$86,394 was funded by an appropriation from the City of New York. The pension plan expense for the year ended June 30, 2012 was \$182,095, of which \$100,148 was funded by an appropriation from the City of New York.

The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Museum chooses to stop participating in the multiemployer plan, the Museum may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Museum’s participation in this Plan for the years ended June 30, 2013 and June 30, 2012, is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employee Identification Number (“EIN”) and the three-digit plan number, if applicable. The third column lists the expiration date of the collective-bargaining agreement to which the Plan is subject. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in fiscal 2013 and 2012 is for the plan’s year-end at June 30, 2012 and June 30, 2011, respectively. The zone status is based on information that the Museum received from the Plan and is certified by the Plan’s actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Expiration Date of Collective Bargaining Agreement</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/Implemented</u>	<u>Surcharge Imposed</u>	<u>Contributions to the Plan</u>	
			<u>Fiscal 2012</u>	<u>Fiscal 2011</u>			<u>Fiscal 2013</u>	<u>Fiscal 2012</u>
Cultural Institutions Pension Plan	11-2001170/001	6/30/13	Green	Green	No	No	\$ 159,110	\$ 182,095

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2013****Note 10 – Pension and retirement plans and other postretirement benefits (continued)****401(k) savings plan**

In addition, all eligible Museum employees can participate in the CIRS 401(k) savings plan (the “savings plan”). An eligible employee may contribute a portion of his/her compensation in accordance with Internal Revenue Service regulations. For those employees that contribute 6% of his/her compensation to the plan, the Museum makes matching contributions of 2% of an employee's compensation. For those employees that contribute less than 6% of his/her compensation, the Museum makes matching contributions to the plan proportionately less than the 2% of an employee's compensation. The savings plan expense for the year ended June 30, 2013 was \$33,463, of which \$17,495 was funded by an appropriation from the City of New York. The savings plan expense for the year ended June 30, 2012 was \$46,278, of which \$25,174 was funded by an appropriation from the City of New York.

Defined contribution retirement plan

The Museum has a defined contribution retirement plan for all eligible employees. The Museum does not contribute to the plan.

Other postretirement benefits

In addition to providing retirement plans, the Museum provides certain postretirement health and supplemental benefits for eligible retired employees. All of the Museum's non-union employees hired before June 30, 2007 and all union employees may become eligible for these benefits if they reach retirement age while working for the Museum and satisfy certain years of service requirements. The Museum funds its postretirement benefit cost on a pay-as-you-go basis.

The postretirement benefit obligation and the net periodic postretirement cost were computed using an assumed discount rate of 4.62% and 4.01%, respectively, for the fiscal years ended June 30, 2013 and June 30, 2012.

The Museum continues to evaluate ways in which it can better manage these benefits and control the costs. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefits may have a significant effect on the amount of the reported obligation and future annual expense.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2013

Note 10 – Pension and retirement plans and other postretirement benefits (continued)

Other postretirement benefits (continued)

The following is a summary of the changes in the postretirement benefit obligation as of June 30, 2013 and June 30, 2012:

	<u>2013</u>	<u>2012</u>
Postretirement benefit obligation at the beginning of year		
a. Actives not fully eligible to retire	\$ 787,990	\$ 511,032
b. Actives fully eligible to retire	937,871	631,079
c. Retirees	<u>2,168,158</u>	<u>1,875,816</u>
d. Total	3,894,019	3,017,927
Service cost	104,179	81,018
Interest cost	148,035	153,948
Plan participant's contributions	N/A	N/A
Actuarial (gain)/loss	(443,486)	791,032
Benefits paid	<u>(164,708)</u>	<u>(149,906)</u>
Total postretirement benefit obligation at end of year	<u>3,538,039</u>	<u>3,894,019</u>
Consists of:		
a. Actives not fully eligible to retire	666,822	787,990
b. Actives fully eligible to retire	568,105	937,871
c. Retirees	<u>2,303,112</u>	<u>2,168,158</u>
d. Total	<u>\$3,538,039</u>	<u>\$3,894,019</u>

The estimated annual benefit payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 177,884
2015	176,698
2016	175,475
2017	180,548
2018	189,078
2019 – 2023	900,047

For a non-funded plan, the expected contributions equal the benefit payments for the next fiscal year totaling \$177,884.

The net periodic postretirement benefit cost for the years ended June 30, 2013 and June 30, 2012 totaled \$252,214 and \$234,966, respectively. The Museum's cash payment for the years then ended have been recorded as operating expenses. The accrued portion of the net periodic benefit gain (cost) is recorded as a non-operating addition (deduction) in the statement of activities.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)**
June 30, 2013**Note 11 – Unrestricted net asset deficit elimination plan**

Since June 2008, the deficit in the unrestricted net assets is due to the following: (1) capital expenditures and the resulting unfunded depreciation, (2) increased liability for post-retirement healthcare benefits, and (3) significant additional first-year operating expenses, and to a lesser extent, additional expenses incurred on an annual basis due to the Museum's capital expansion that was completed in the 2008 fiscal year.

The Museum has reacted to its annual deficits with several downsizings. At the same time, healthcare, pension and post-retirement healthcare costs have continued to increase.

During 2011, the Museum adopted an unrestricted net asset deficit elimination plan. The Museum is committed to eliminating the net assets deficit over the next three years and committed to increasing unrestricted net assets in order to restore financial strength that was jeopardized due to expansion followed by the economic recession.

In June 2013, the Museum produced a balanced budget for fiscal year 2014 by again reducing a number of less essential positions. The Museum's current strategic plan focuses on improving the Museum's financial position by increasing earned and contributed support and revenue and continuing to seek cost savings. Furthermore, the Museum is committed to reducing the post-retirement healthcare liability.

Note 12 – Tax status

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Museum has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation within the meaning of Section 509(a)(1) of the Code. As of June 30, 2013, no amounts have been recognized for uncertain income tax positions. The Museum's tax returns for the fiscal year 2010 and forward are subject to the usual review by the appropriate authorities.