

STEFFEN THOMAS MUSEUM & ARCHIVES, INC.
REVIEWED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2014

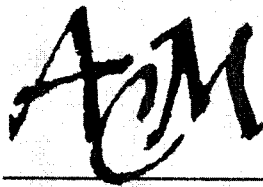


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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board
Steffen Thomas Museum & Archives, Inc.

We have reviewed the accompanying statement of financial position of Steffen Thomas Museum & Archives, Inc. (a nonprofit organization) as of June 30, 2014, and the related statement of activities, functional expenses and cash flows for the year then ended. A review consists primarily of applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Amanda C. Martin, CPA, LLC
October 7, 2014

STEFFEN THOMAS MUSEUM & ARCHIVES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

Assets

Current assets:

| | | |
|---------------------------------|----|--------------|
| Cash and cash equivalents | | |
| Unrestricted | \$ | 6,229.66 |
| Temporarily restricted | | 6,276.41 |
| Total cash and cash equivalents | | \$ 12,506.07 |

| | | |
|----------------------|--|-----------|
| Promises to give | | |
| Inventory | | - |
| Total current assets | | 77,811.10 |

Property and equipment:

| | | |
|------------------------------|--|-------------|
| Equipment | | |
| Furniture and fixtures | | 5,322.22 |
| Accumulated depreciation | | 25,001.57 |
| Total property and equipment | | (21,761.57) |
| | | 8,562.22 |

Other assets:

| | | |
|-----------------------|--|--------------|
| Endowment investments | | |
| Permanent collection | | 50,932.28 |
| Total other assets | | 1,180,747.28 |

| | | |
|--------------|--|-----------------|
| Total assets | | |
| | | \$ 1,267,120.60 |

Total Liabilities and Net Assets

Current liabilities:

| | | |
|---------------------------|----|-------------|
| Accounts payable | | |
| Sales tax payable | \$ | 1,474.67 |
| Payroll taxes payable | | 537.08 |
| Total current liabilities | | 1,388.74 |
| | | \$ 3,400.49 |

Net assets:

| | | |
|------------------------|--|--------------|
| Unrestricted | | |
| Temporarily restricted | | 76,696.42 |
| Permanently restricted | | 6,276.41 |
| Total net assets | | 1,180,747.28 |
| | | 1,263,720.11 |

| | | |
|----------------------------------|--|-----------------|
| Total liabilities and net assets | | |
| | | \$ 1,267,120.60 |

See accountant's report.

STEFFEN THOMAS MUSEUM & ARCHIVES, INC.
STATEMENT OF ACTIVITIES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|------------------------------------------------------------|---------------------|---------------------------|---------------------------|------------------------|
| Public Support and Revenue (Note 1) | | | | |
| Public support | | | | |
| Contributions | \$ 25,413.51 | \$ 6,725.00 | \$ - | \$ 32,138.51 |
| Grants | - | 13,300.00 | - | 13,300.00 |
| In-kind donations | 65,593.63 | - | - | 65,593.63 |
| Special events, net of direct costs | 19,594.87 | - | - | 19,594.87 |
| Total public support | <u>110,602.01</u> | <u>20,025.00</u> | <u>-</u> | <u>130,627.01</u> |
| Revenue | | | | |
| Admission fees and programs | 1,321.00 | - | - | 1,321.00 |
| Facility rent | 150.00 | - | - | 150.00 |
| Membership dues | 13,414.15 | - | - | 13,414.15 |
| Sales | 25,502.16 | - | - | 25,502.16 |
| Total revenue | <u>40,387.31</u> | <u>-</u> | <u>-</u> | <u>40,387.31</u> |
| Net Assets Released from Purpose Restrictions | 19,309.27 | (19,309.27) | (4,713.24) | (4,713.24) |
| Total public support and revenue | <u>170,298.59</u> | <u>715.73</u> | <u>(4,713.24)</u> | <u>166,301.08</u> |
| Expenses (Note 1) | | | | |
| Program services | 34,870.70 | - | - | 34,870.70 |
| Management and general | 115,659.15 | - | - | 115,659.15 |
| Fundraising | 29,879.42 | - | - | 29,879.42 |
| Total expenses | <u>180,409.27</u> | <u>-</u> | <u>-</u> | <u>180,409.27</u> |
| Investment Income (Loss) (Note 4) | | | | |
| Interest and dividend income | 6.51 | 4.88 | 1,822.32 | 1,833.71 |
| Realized gain (loss) on sale of marketable securities | - | - | - | - |
| Unrealized gain (loss) on sale of marketable securities | - | - | 2,888.93 | 2,888.93 |
| | <u>6.51</u> | <u>4.88</u> | <u>4,711.25</u> | <u>4,722.64</u> |
| Increase (decrease) in net assets | (10,104.17) | 720.61 | (1.99) | (9,385.55) |
| Net assets, beginning of year | <u>86,800.59</u> | <u>5,555.80</u> | <u>1,180,749.27</u> | <u>1,273,105.66</u> |
| Net assets, end of year | <u>\$ 76,696.42</u> | <u>\$ 6,276.41</u> | <u>\$ 1,180,747.28</u> | <u>\$ 1,263,720.11</u> |

See accountant's report.

STEFFEN THOMAS MUSEUM & ARCHIVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

| | <u>Program Services</u> | <u>Supporting Services</u> | | <u>Total</u> |
|---------------------------|-------------------------|----------------------------|---------------------|----------------------|
| | | Management and General | Fundraising | |
| Accounting | \$ - | \$ 2,768.00 | \$ - | \$ 2,768.00 |
| Advertising | - | 29,747.98 | 23,025.00 | 52,772.98 |
| Awards and prizes | 140.00 | - | - | 140.00 |
| Bank and merchant charges | - | 2,536.04 | - | 2,536.04 |
| Contract labor | 2,920.00 | 281.75 | 1,005.00 | 4,206.75 |
| Depreciation expense | - | 3,484.66 | - | 3,484.66 |
| Dues and subscriptions | 45.00 | 414.79 | - | 459.79 |
| Exhibits | 207.28 | - | - | 207.28 |
| Food and beverage | 487.60 | - | 3,439.39 | 3,926.99 |
| Gifts | - | 345.00 | - | 345.00 |
| Insurance | - | 1,514.19 | - | 1,514.19 |
| Museum shop | - | 15,022.18 | - | 15,022.18 |
| Office expense | - | 1,235.76 | - | 1,235.76 |
| Postage and delivery | 65.20 | 862.76 | 730.31 | 1,658.27 |
| Printing and reproduction | 24.29 | 1,798.28 | 698.98 | 2,521.55 |
| Rent | - | 100.00 | 220.34 | 320.34 |
| Repairs and maintenance | - | 10,115.62 | - | 10,115.62 |
| Salaries | 27,777.05 | 39,899.10 | - | 67,676.15 |
| Supplies | 890.60 | 119.77 | 760.40 | 1,770.77 |
| Taxes and licenses | - | 100.22 | - | 100.22 |
| Taxes - payroll | 2,124.93 | 3,303.52 | - | 5,428.45 |
| Telephone | - | 293.39 | - | 293.39 |
| Travel | 188.75 | - | - | 188.75 |
| Utilities | - | 1,716.14 | - | 1,716.14 |
| | <u>\$ 34,870.70</u> | <u>\$ 115,659.15</u> | <u>\$ 29,879.42</u> | <u>\$ 180,409.27</u> |

See accountant's report.

STEFFEN THOMAS MUSEUM & ARCHIVES, INC.
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2014

| | | |
|-----------------------------------------------------------------------------------------------|-----------------|----------------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | | \$ (9,385.55) |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | \$ 3,484.66 | |
| Unrealized gain on investments | (2,888.93) | |
| Donation for permanent collection included in contributions | - | |
| (Increase) decrease in operating assets | | |
| Accounts receivable | - | |
| Inventory | (133.63) | |
| Unrestricted unconditional promises to give | 25.00 | |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | - | |
| Payroll taxes payable | (408.32) | |
| Sales tax payable | (41.70) | |
| Other current liabilities | 1,474.67 | |
| Net cash used in operating activities | <u>1,511.75</u> | 1,511.75 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | - | |
| Purchases of endowment investments | - | |
| Dividends reinvested into endowment investments | (1,822.32) | |
| Proceeds from sale of endowment investments | 4,713.24 | |
| Net cash used in investing activities | <u>2,890.92</u> | 2,890.92 |
| Cash flows from financing activities: | | |
| Collections of contributions restricted for long-term purposes | - | |
| Net cash provided by financing activities | <u>-</u> | - |
| Net increase in cash | | \$ (4,982.88) |
| Cash at beginning of period | | <u>17,488.95</u> |
| Cash at end of period | | <u><u>\$ 12,506.07</u></u> |

See accountant's report.

STEFFEN THOMAS MUSEUM & ARCHIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Steffen Thomas Museum & Archives, Inc. (the Museum) is an independent, not-for-profit, community-supported organization. The Museum was formed in 1998 and is dedicated to providing art education programs and projects for children and families in rural Northeast and Middle Georgia communities. Using Georgia artist Steffen Thomas' work as examples of creative expression, the museum provides opportunities for children to develop their own talents, a deeper understanding of themselves, of their connections to all living things and of their responsibility for preserving the environment. The Museum is supported through donor contributions, grants and program services.

Basis of Accounting

The accompanying financial statements of the Museum have been prepared on the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

In accordance with financial accounting standards, the Museum is required to report information on its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The net assets of the Museum are classified as follows:

Unrestricted net assets are available without restriction for support of the Museum.

Temporarily restricted net assets are restricted by donors to be used for certain purposes or future periods.

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used as specified by the donors.

Cash and Cash Equivalents

The Museum considers money market funds and short-term investments with an original maturity of three months or less to be cash equivalents which may exceed federally insured limits of \$250,000. The Museum has not experienced any losses on these accounts, and management does not believe it is exposed to any significant credit risk. Cash funds which are restricted or designated for long-term or endowment purposes are not included in cash and cash equivalents for purposes of the statement of cash flows.

Promises to Give

Contributions are recognized at fair value when the donor makes a promise to give to the Museum that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Museum uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Inventories

Inventories, which consist primarily of educational materials and other items and art held for sale in the Museum's gift shop, are stated at the lower of cost or market, determined by the first-in, first-out (FIFO) method. Donated inventories are recorded at fair value as of the date contributed.

Investments

Investments in marketable securities with readily determinable fair values are presented in the financial statements at fair value. Investments that are donated are recorded at fair value at the date of the donation. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

The Museum capitalizes property and equipment over \$500. Lesser amounts are expensed when the cost is incurred. Purchased property and equipment are capitalized at cost. Donated property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Museum reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives which is usually between five and thirty-nine years.

Permanent Art Collection

The Museum owns and displays a large collection of Steffen Thomas' sculptures, paintings, mosaics, ceramics, furniture, works on paper as well as personal papers and artifacts documenting his life. These items, acquired through purchases and contributions, are part of the Museum's permanent collection and are recognized as assets in the accompanying statement of financial position.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions.

In-Kind Contributions

The Museum receives contributions of various services and other items for fundraising activities. These are reflected at their estimated fair value at the date of receipt. In-kind contributions are not allocated to other income and expense accounts but are shown on the statements of activities as in-kind revenue and expense (or asset) in the same amount.

The Museum receives contributed services from a large number of volunteers who assist in fundraising and other efforts to develop and staff the Museum's many programs. The value of such services, which the Museum considers generally not practical to estimate, has not been recognized in the financial statements.

In-kind contributions of fixed assets and other materials are recorded when there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Museum's activities.

Functional Allocation of Expenses

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

Income Taxes

The Museum is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Museum's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the Internal Revenue Service generally for three years after they are filed.

Management has evaluated the Museum's tax positions and concluded that it has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustments to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Included in the financial statements are certain financial instruments carried at fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties that is other than in a forced or liquidation sale; similarly, the fair value of a liability is the

amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

All financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy established by FASB ASC 820, *Fair Value Measurements and Disclosure*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs as follows:

- *Level 1* – values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the organization’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

2. Cash

Cash consists of \$12,506.07 in several checking and money market accounts that earn interest at variable rates.

3. Unconditional Promises to Give

Unconditional promises to give are comprised of the following at June 30, 2013:

| | | |
|-----------------------------------------------------------------|-----------|----------|
| Pledges | \$ | - |
| Less: Allowance for doubtful accounts | | - |
| Discount to net present value of estimated future cash flows | | - |
| Net unconditional promises to give | <u>\$</u> | <u>-</u> |

Net unconditional promises to give are expected to be collected as follows as of June 30, 2013:

| | | |
|--------------------------|-----------|----------|
| Due in one year or less | \$ | - |
| Due in one to five years | | - |
| Total | <u>\$</u> | <u>-</u> |

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 6%, when the donor makes an unconditional promise to give.

4. Investments

The fair values of investments in marketable securities totaled \$50,932.28 as of June 30, 2014. The following schedule summarizes investment returns and their classifications in the statement of activities for the year ended:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--------------------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Interest and dividend income | \$ 6.51 | \$ 4.88 | \$ 1,822.32 | \$ 1,833.71 |
| Net realized and unrealized gain (loss) | <u>-</u> | <u>-</u> | <u>2,888.93</u> | <u>2,888.93</u> |
| Total investment return | <u>\$ 6.51</u> | <u>\$ 4.88</u> | <u>\$ 4,711.25</u> | <u>\$ 4,722.64</u> |

5. Endowment Fund

The Museum's endowment fund was established in 2001 to provide for growth and continuance of the Museum. Under United States generally accepted accounting principles, the net assets of the endowment fund, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Museum has interpreted the Uniform Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets 1) the original value of gifts donated to the permanent endowment, 2) the original value of subsequent gifts to the permanent endowment and 3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the donor-restricted endowment funds.
- 3) General economic conditions.
- 4) The possible side effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the Organization.
- 7) The Museum's investment policies.

The Museum has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide its programs with current income. Endowment assets are invested in money market funds, common stock and mutual funds. The Museum continually seeks to build endowment assets through additional contributions. The Museum is currently working on a new policy for investment and spending policies for endowment assets but the present policy is as follows:

- Objective – to preserve and enhance the real purchasing power of assets by providing above average risk-adjusted returns over the long term.
- Risk philosophy – low risk level to preserve principal and produce a return sufficient to protect the purchasing power of the assets from inflation after meeting annual spending requirements.
- Performance standard – total return is expected to outperform a benchmark composite return for a similar asset mix.
- Spending – investment income is available for expenditures as deemed necessary.

Permanently restricted net assets are as follows:

| | |
|-------------------------------------|---------------------|
| Endowment net assets, July 1, 2013 | \$ 50,934.27 |
| Contributions | - |
| Withdrawals | (4,713.24) |
| Investment income | 1,822.32 |
| Realized gain (loss) | - |
| Net appreciation (depreciation) | <u>2,888.93</u> |
| Endowment net assets, June 30, 2014 | <u>\$ 50,932.28</u> |

6. Fair Value Measurements

At June 30, 2014, the following investments are reported at fair value in the accompanying financial statement of financial position:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------------------|---------------------|---------------------|----------------|----------------|
| Endowment Investments | | | | |
| Common stock | \$ 13,241.74 | \$ 13,241.74 | \$ - | \$ - |
| Mutual funds | 31,355.63 | 31,355.63 | - | - |
| Money market fund | <u>6,334.91</u> | <u>6,334.91</u> | - | - |
| Total endowment investments | <u>\$ 50,932.28</u> | <u>\$ 50,932.28</u> | <u>\$ -</u> | <u>\$ -</u> |

7. Restricted Net Assets

Temporarily restricted net assets consist of cash and are available for the following purposes as of June 30, 2014:

| | |
|----------------------------------------------------------------|-------------|
| Provide assistance with employee salaries and program services | \$ 6,276.41 |
|----------------------------------------------------------------|-------------|

Permanently restricted net assets consist of endowment investments (cash and marketable securities) to be held indefinitely and the permanent collection:

| | |
|---------------------------------------------------------------------------|------------------------|
| Endowment investments to provide for growth and continuance of the Museum | \$ 50,932.28 |
| Permanent collection | <u>1,129,815.00</u> |
| Total | <u>\$ 1,180,747.28</u> |

8. Lease

The Museum leases its facility for \$100 annually under a non-cancellable operating lease that has no expiration date. At June 30, 2014, the minimum rental commitments under this lease are \$100 per year for the years ending June 30, 2014 through 2016.

7. Subsequent Events

The Organization has evaluated events occurring subsequent to June 30, 2014 through October 7, 2014, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2014 including the estimates inherent in the processing of financial statements.