

MARTHA'S VINEYARD MUSEUM, INC.

***FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION***

YEAR ENDED DECEMBER 31, 2014

AND

INDEPENDENT AUDITOR'S REPORT

MARTHA'S VINEYARD MUSEUM, INC.
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11
Supplementary Information:	
Schedule 1 - Functional Expenses	12

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Martha's Vineyard Museum, Inc.
Edgartown, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Martha's Vineyard Museum, Inc. which comprise the statement of financial position as of December 31, 2014, and the related statements of activities 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 of 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 above present fairly, in all material respects, the financial position of Martha's Vineyard Museum, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Martha's Vineyard Museum, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ballus Lynch, LLP

Worcester, Massachusetts
June 12, 2015

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

(With Summarized Financial Information for 2013)

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 981,270	\$ 1,080,623
Accounts receivable	1,227	46,365
Pledges receivable	392,971	369,587
Inventories	41,103	41,623
Prepaid expenses and other assets	<u>2,338</u>	<u>912</u>
Total current assets	1,418,909	1,539,110
Pledges receivable	763,585	792,818
Property and equipment, net	4,222,071	4,245,383
Collection	<u>-</u>	<u>-</u>
	<u>\$ 6,404,565</u>	<u>\$ 6,577,311</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	<u>\$ 28,268</u>	<u>\$ 63,666</u>
Net assets		
Unrestricted		
Operating	528,652	525,968
Designated for collection accessions	2,903	912
Plant	4,150,305	4,202,716
Temporarily restricted	1,585,861	1,675,473
Permanently restricted	<u>108,576</u>	<u>108,576</u>
Total net assets	<u>6,376,297</u>	<u>6,513,645</u>
	<u>\$ 6,404,565</u>	<u>\$ 6,577,311</u>

See accompanying independent auditor's report and notes to financial statements.

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

(With Summarized Financial Information for 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2014	2013
Operating activities:					
Revenue, gains, and other support					
Membership dues	\$ 102,746	\$ -	\$ -	\$ 102,746	\$ 73,242
Admissions and fees	62,048	-	-	62,048	54,943
Contributions	228,988	26,827	-	255,815	311,650
Grant income	-	117,463	-	117,463	140,374
Sales	32,279	-	-	32,279	27,858
Special fund raising events	188,970	-	-	188,970	151,005
Lighthouse admissions and fees	149,826	-	-	149,826	143,910
Interest and other income	572	1,294	-	1,866	2,190
Net assets released from restriction					
Satisfaction of time restrictions	59,092	(59,092)	-	-	-
Satisfaction of purpose restrictions	310,384	(310,384)	-	-	-
Appropriation from Capital Campaign	430,000	-	-	430,000	330,000
Total	1,564,905	(223,892)	-	1,341,013	1,235,172
Operating expenses					
Program services	967,810	-	-	967,810	924,338
Supporting services					
General and administrative	297,609	-	-	297,609	305,492
Membership and fund raising	346,707	-	-	346,707	270,849
Total	1,612,126	-	-	1,612,126	1,500,679
Change in net assets from operating activities	(47,221)	(223,892)	-	(271,113)	(265,507)
Comprehensive capital campaign activities					
Capital campaign contributions	-	858,853	-	858,853	1,843,251
Capital campaign interest	-	1,968	-	1,968	2,653
Capital campaign expenses	(296,541)	-	-	(296,541)	(456,930)
Satisfaction of capital campaign restrictions					
Capital campaign expenses	296,541	(296,541)	-	-	-
Appropriation for operations	-	(430,000)	-	(430,000)	(330,000)
Change in net assets from non-operating activities	-	134,280	-	134,280	1,058,974
Change in net assets before changes related to collection items					
Purchase of collection items	(47,221)	(89,612)	-	(136,833)	793,467
	(515)	-	-	(515)	(10,498)
Change in net assets	(47,736)	(89,612)	-	(137,348)	782,969
Net assets, beginning of year	4,729,596	1,675,473	108,576	6,513,645	5,730,676
Net assets, end of year	\$ 4,681,860	\$ 1,585,861	\$ 108,576	\$ 6,376,297	\$ 6,513,645

See accompanying independent auditor's report and notes to financial statements.

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

(With Summarized Financial Information for 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (137,348)	\$ 782,969
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Adjustments related to operating activities:		
Depreciation and amortization	52,411	52,393
Changes in operating assets and liabilities:		
Accounts receivable	45,138	(29,781)
Pledges receivable	77,014	91,524
Inventories	520	(6,620)
Prepaid expenses and other assets	(1,426)	(912)
Accounts payable and accrued liabilities	(35,398)	15,220
Adjustments related to capital campaign activities:		
Revenue restricted for capital campaign activities	(428,853)	(1,513,251)
Expenditures related to the capital campaign	296,541	456,930
	<u>5,947</u>	<u>(934,497)</u>
Total adjustments		
Net cash used in operating activities	<u>(131,401)</u>	<u>(151,528)</u>
Cash flows from investing activities:		
Expenditures for property, plant, and equipment	(29,099)	(30,031)
Capital campaign expenditures	(296,541)	(456,930)
	<u>(325,640)</u>	<u>(486,961)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Receipt of capital contributions and grants	357,688	601,435
	<u>357,688</u>	<u>601,435</u>
Net cash provided by financing activities		
Net decrease in cash and cash equivalents	(99,353)	(37,054)
Cash and cash equivalents, beginning of year	<u>1,080,623</u>	<u>1,117,677</u>
Cash and cash equivalents, end of year	<u>\$ 981,270</u>	<u>\$ 1,080,623</u>

See accompanying independent auditor's report and notes to financial statements.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Martha's Vineyard Museum was organized as the Dukes County Historical Society, Inc. on July 12, 1923. On August 19, 1996, the corporate name was changed to Martha's Vineyard Historical Society, Inc. (the "Society"). During 2006, the Board of Directors authorized the use of the name "Martha's Vineyard Museum" while retaining its corporate name. During 2010, the Board of Directors changed the corporate name to Martha's Vineyard Museum, Inc. (the "Museum"). The Museum is a non-profit organization organized for the purpose of collecting, preserving, publishing, and sharing historical and relevant matters relating to the County of Dukes County.

The Museum consists of property in the Edgartown Campus including the Cooke House, the Pease House, the Huntington Library, a First Order Fresnel Lens, the Carriage/Boat Shed and the Try Works reproduction. In addition, the Museum owns the former Marine Hospital property in Vineyard Haven, the planned location of a new facility. The Museum also has stewardship of the Gay Head, East Chop and Edgartown lighthouses. The Museum has permanent and changing exhibits that explore the history, culture, art, natural history and landscape of Martha's Vineyard Island. The Museum also offers a broad range of adult and children's educational programs, exhibits and events to members and the general public.

Method of accounting

The financial statements of the Museum have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Museum obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Accounting 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Financial statement presentation

The Museum presents information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted - All resources over which the governing board has discretionary control. The governing board of the Museum may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Temporarily Restricted - Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently Restricted - Endowment resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments.

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 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 December 31, 2013, from which the summarized information was derived.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

The Museum has evaluated the financial statement impact of subsequent events occurring through June 12, 2015, the date that the financial statements were available to be issued.

Cash

The Museum maintains accounts at various financial institutions which, at times, may exceed federally insured limits. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Pledges receivable

Pledges are recorded as receivables in the year the pledge is made. Pledges for support of current operations are recorded as unrestricted support. Pledges for support of future operations, capital activities, and endowment are recorded as temporarily restricted or permanently restricted support. Subsequent write-offs of pledges are recorded as negative contribution support in the period the pledge is considered uncollectible.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not recognized until such time as the conditions are substantially met.

Inventories

Inventories, which consist of gift shop items, are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Temporary investments

The Museum receives marketable securities as contributions. An investment account is maintained only to liquidate these contributions.

Property and equipment

Property and equipment are carried at cost, or if donated at fair value as of the date of the gift. Depreciation and amortization are computed using the straight-line method.

Collection

As allowed by accounting principles generally accepted in the United States of America and following the practices of many museums, the Museum has not capitalized its collection of items of historical nature and other related objects purchased or donated. The collection is held for public exhibition, education, or research in furtherance of public service rather than financial gain. The Museum continually reviews its collection and may de-access or acquire additional items. Expenditures for additional collection items are presented as a reduction in the appropriate class of net assets. Proceeds from de-accessions are reflected as increases in unrestricted net assets. The Museum has established a policy that requires the proceeds from items de-accessed to be used to acquire other items for the collection.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions, gifts, grants

Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Restricted gifts are required to be reported as restricted support in the period received and are then reclassified to unrestricted net assets upon satisfaction of the donor restriction.

Contributions of assets other than cash are recorded at their fair value in the period received. Contributions of donated services that create or enhance the non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. No amounts have been reflected in the financial statements for donated services as the Museum pays for most services requiring special expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Museum with its programs. Museum volunteers provide services as a guide, librarian, publication editor, cataloging, and fund-raising services throughout the year.

In late 2012 the Museum initiated a Comprehensive Capital Campaign to raise funds for the relocation of its campus to the property in Vineyard Haven purchased in September 2011. The Campaign will raise funds for three objectives: construction of facilities, additions to the Museum's endowment, and funding for operations support and program expansion during the period of planning and transition to the new location. All contributions to the campaign are considered temporarily restricted. Contributions to the general campaign may be used to satisfy direct campaign expenses or may be appropriated for operations by the Board in accordance with the planned objectives and budget for the Campaign. Contributions to specific objectives of the campaign remain temporarily restricted until the donor restriction is satisfied.

In the Comprehensive Capital Campaign, the Museum raised \$858,853 and \$1,843,251 in cash and pledges in 2014 and 2013, respectively, which are included in the financial statements. In addition, beyond this amount the Museum received intentions to give of \$541,298 and \$1,814,292 through letters of intent or pledges with certain specified conditions in 2014 and 2013, respectively.

Functional expenses

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

Description of program and supporting services

The following programs and supporting services are included in the accompanying financial statements:

Publications - Foster knowledge, stimulate interest, and facilitate participation in public and private historic preservation through the printing and publication of the Museum's general materials, magazine and the administration of book publishing.

Education - Encourage an understanding of all aspects of preservation and the development of related skills through such programs as providing essential restoration trade skills, identifying and nurturing target audiences (including the schools and children's programs) from communication, merchandising, preservation-related products, and understanding of local heritage including influences of whaling.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of program and supporting services (continued)

Historical properties - Comprise activities designed to preserve and manage effectively for public benefit the Museum's real and personal property, and administers programs for the preservation of historic properties such as lighthouses.

Preservation services - Includes information and technical assistance to the Museum's members, private and public organizations, and governmental bodies with respect to contemporary preservation issues, including maritime preservation, and the efficient oversight and administration of interns - provided by regional colleges and universities.

Membership development - Encompasses the identification, cultivation, and expansion of the Museum's membership as the primary effort to promote preservation awareness and to increase public involvement in preservation activities.

Management and general - Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Museum's program strategy; maintain competent legal services for the program administration of the Museum; and manage the financial and budgetary responsibilities of the Museum.

Advertising and promotion

All costs associated with advertising and promoting the Museum are expensed in the year incurred. Advertising and public relations expense was \$43,637 and \$32,570 in 2014 and 2013, respectively.

2 - PLEDGES RECEIVABLE

Pledges receivable consist of:

	<u>2014</u>	<u>2013</u>
Unrestricted		
Operating	\$ 67,440	\$ 142,031
Restricted		
Operating-for lighthouse access	90,000	100,000
Capital campaign	<u>1,106,974</u>	<u>1,042,341</u>
	1,264,414	1,284,372
Less: Unamortized discount	<u>107,858</u>	<u>121,967</u>
	<u>\$ 1,156,556</u>	<u>\$ 1,162,405</u>

Pledges receivable include \$715,100 and \$1,045,936 of amounts due from Board members in 2014 and 2013 respectively.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - PLEDGES RECEIVABLE (Continued)

As of December 31, 2014, pledges are expected to be received according to the following schedule:

	<u>Operating</u>	<u>Capital</u>
Within one year	\$ 45,000	\$ 347,971
One to five years	102,440	759,003
Longer than five years	<u>10,000</u>	<u>-</u>
	<u>\$ 157,440</u>	<u>\$ 1,106,974</u>

3 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consist of the following:

	<u>Estimated Useful Lives</u>	<u>2014</u>	<u>2013</u>
Land	-	\$ 1,379,032	\$ 1,379,032
Historic buildings	-	507,947	507,947
Buildings and improvements	7 - 31 years	1,138,356	1,138,356
Equipment and furniture	3 - 10 years	201,570	197,142
Construction in progress	-	<u>1,919,948</u>	<u>1,895,277</u>
		5,146,853	5,117,754
Less: Accumulated depreciation and amortization		<u>924,782</u>	<u>872,371</u>
		<u>\$ 4,222,071</u>	<u>\$ 4,245,383</u>

Depreciation and amortization for property, plant, and equipment was \$52,411 and \$52,393 in 2014 and 2013, respectively.

4 - RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Capital Campaign	\$ 1,241,100	\$ 1,106,820
Educational programs	142,241	288,189
Collection acquisitions	10,000	12,500
Lighthouse access	57,216	69,216
Lighthouses	19,379	31,543
Film and book publishing	39,023	41,612
Future operations	<u>76,902</u>	<u>125,593</u>
	<u>\$ 1,585,861</u>	<u>\$ 1,675,473</u>

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - RESTRICTED NET ASSETS (Continued)

During 2014, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

Operations	\$ 59,092
Educational Programs	282,131
Other Programs	<u>28,253</u>
	369,476
Capital Campaign Activities	<u>726,541</u>
	<u>\$ 1,096,017</u>

5 - TAX-EXEMPT STATUS

The Museum qualifies as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is required. Management annually reviews for uncertain tax positions along with any related interest and penalties and believes that the Museum has no uncertain tax positions that would have a material adverse effect, individually or in the aggregate upon the Museum's statement of financial position, or the related statements of activities, or cash flows. The Museum files income tax returns in the U.S. federal jurisdiction. The Museum is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2011.

6 - RECLASSIFICATIONS

Certain amounts in the 2013 comparative totals have been reclassified to conform to the 2014 presentation. Such reclassifications had no effect on the change in net assets as previously reported.

SUPPLEMENTARY INFORMATION

MARTHA'S VINEYARD MUSEUM, INC.

FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014
(With Summarized Financial Information for 2013)

	Program	General and Administrative	Membership and Fund Raising	Totals	
				2014	2013
Salaries and wages	\$ 354,603	\$ 151,412	\$ 158,731	\$ 664,746	\$ 656,760
Employee benefits	30,246	12,914	13,539	56,699	48,262
Payroll taxes	28,972	12,371	12,968	54,311	51,551
Total personnel expenses	413,821	176,697	185,238	775,756	756,573
Accounting and legal	-	12,062	-	12,062	10,494
Advertising	9,827	-	33,810	43,637	32,570
Collection and exhibits	22,870	-	15	22,885	15,661
Contract services	1,538	5,520	6,675	13,733	10,160
Cost of sales	20,399	-	-	20,399	12,981
Dues and subscriptions	545	1,143	-	1,688	2,546
Insurance					
Building and liability	-	19,114	-	19,114	14,535
Interest	-	370	-	370	-
Lighthouses	52,916	-	-	52,916	55,332
Occupancy					
Utilities	1,829	20,470	-	22,299	25,140
Repairs and maintenance	978	18,283	-	19,261	16,527
Printing, postage and mailing	2,680	3,087	9,213	14,980	14,711
Publications for membership	24,256	-	6,671	30,927	27,022
Programs and special events	355,509	-	99,672	455,181	405,297
Supplies	3,250	27,677	1,649	32,576	31,545
Telephone	-	7,629	-	7,629	7,579
Travel	122	1,656	16	1,794	628
Other	4,859	3,901	3,748	12,508	8,985
Total expenses before depreciation and amortization	915,399	297,609	346,707	1,559,715	1,448,286
Depreciation and amortization	52,411	-	-	52,411	52,393
	<u>\$ 967,810</u>	<u>\$ 297,609</u>	<u>\$ 346,707</u>	<u>\$ 1,612,126</u>	<u>\$ 1,500,679</u>

See accompanying independent auditor's report.