

MARTHA'S VINEYARD MUSEUM, INC.
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017
AND
INDEPENDENT AUDITOR'S REPORT

MARTHA'S VINEYARD MUSEUM, INC.
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017

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 - 14
Supplementary Information:	
Schedule 1 - Operating Expenses	15

INDEPENDENT AUDITOR'S REPORT

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

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ballus Lynch, LLP

Worcester, Massachusetts

June 26, 2018

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

(With Summarized Financial Information for 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,426,330	\$ 2,201,440
Accounts receivable	-	6,607
Pledges receivable	1,758,210	972,725
Inventories	48,790	35,496
Prepaid expenses and other assets	<u>23,214</u>	<u>15,642</u>
Total current assets	3,256,544	3,231,910
Pledges receivable	703,389	1,195,997
Endowment investments	1,568,212	1,203,926
Property and equipment, net	<u>7,358,426</u>	<u>4,831,567</u>
	<u>\$ 12,886,571</u>	<u>\$ 10,463,400</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	<u>\$ 265,587</u>	<u>\$ 264,641</u>
Net assets		
Unrestricted		
Operating	484,546	463,332
Designated for collection accessions	-	3,252
Plant	7,358,426	4,831,567
Temporarily restricted	3,186,805	3,314,401
Permanently restricted	<u>1,591,207</u>	<u>1,586,207</u>
Total net assets	<u>12,620,984</u>	<u>10,198,759</u>
	<u>\$ 12,886,571</u>	<u>\$ 10,463,400</u>

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

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(With Summarized Financial Information for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2017	2016
Operating activities:					
Revenue, gains, and other support					
Admissions and fees	\$ 92,446	\$ -	\$ -	\$ 92,446	\$ 83,642
Contributions	310,734	108,934	-	419,668	223,137
Grant income	-	17,325	-	17,325	22,363
Sales	24,161	-	-	24,161	20,153
Special fund raising events, net of direct benefit to donors of \$99,743 in 2017 and \$83,499 in 2016	141,296	-	-	141,296	121,441
Lighthouse admissions and fees	127,403	-	-	127,403	124,565
Interest and other income	1,638	1,009	-	2,647	4,904
Net assets released from restriction					
Satisfaction of purpose restrictions	159,474	(159,474)	-	-	-
Appropriation from Capital Campaign	525,000	-	-	525,000	665,000
Total	1,382,152	(32,206)	-	1,349,946	1,265,205
Operating expenses					
Program services	730,119	-	-	730,119	642,770
Supporting services					
General and administrative	512,956	-	-	512,956	293,710
Membership and fundraising	154,679	-	-	154,679	436,672
Total	1,397,754	-	-	1,397,754	1,373,152
Change in net assets from operating activities	(15,602)	(32,206)	-	(47,808)	(107,947)
Comprehensive capital campaign activities					
Capital campaign contributions	-	3,452,212	5,000	3,457,212	3,392,681
Capital campaign interest and investment income	-	183,282	-	183,282	10,663
Capital campaign expenses	(628,000)	-	-	(628,000)	(415,839)
Satisfaction of capital campaign restrictions					
Capital campaign expenses	628,000	(628,000)	-	-	-
Appropriation for operations	-	(525,000)	-	(525,000)	(665,000)
Acquisition of assets	2,577,884	(2,577,884)	-	-	-
Change in net assets from non-operating activities	2,577,884	(95,390)	5,000	2,487,494	2,322,505
Change in net assets before changes related to collection items					
Purchase of collection items	(17,461)	-	-	(17,461)	(2,832)
Change in net assets	2,544,821	(127,596)	5,000	2,422,225	2,211,726
Net assets, beginning of year	5,298,151	3,314,401	1,586,207	10,198,759	7,987,033
Net assets, end of year	\$ 7,842,972	\$ 3,186,805	\$ 1,591,207	\$ 12,620,984	\$ 10,198,759

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

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

(With Summarized Financial Information for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,422,225	\$ 2,211,726
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Adjustments related to operating activities:		
Depreciation and amortization	55,583	54,807
Unrealized (gain) loss on investments	(143,410)	4,558
Changes in operating assets and liabilities:		
Accounts receivable	6,607	(823)
Pledges receivable	57,941	89,044
Inventories	(13,294)	214
Prepaid expenses and other assets	(7,572)	(627)
Accounts payable and accrued liabilities	946	25,493
Adjustments related to capital campaign activities:		
Revenue restricted for capital campaign activities	(3,452,212)	(1,674,014)
Revenue restricted for endowment investment	(5,000)	(1,053,667)
Expenditures related to the capital campaign	628,000	415,839
Total adjustments	<u>(2,872,411)</u>	<u>(2,139,176)</u>
Net cash provided by (used in) operating activities	<u>(450,186)</u>	<u>72,550</u>
Cash flows from investing activities:		
Expenditures for property, plant, and equipment	(2,582,442)	(490,692)
Purchases of endowment investments	(220,876)	(920,944)
Capital campaign expenditures	(628,000)	(415,839)
Net cash used in investing activities	<u>(3,431,318)</u>	<u>(1,827,475)</u>
Cash flows from financing activities:		
Contributions collected for endowment investment	194,553	808,436
Contributions collected for capital activities	2,911,841	1,894,983
Net cash provided by financing activities	<u>3,106,394</u>	<u>2,703,419</u>
Net increase (decrease) in cash and cash equivalents	(775,110)	948,494
Cash and cash equivalents, beginning of year	<u>2,201,440</u>	<u>1,252,946</u>
Cash and cash equivalents, end of year	<u>\$ 1,426,330</u>	<u>\$ 2,201,440</u>
Supplemental disclosures of cash flows information is as follows		
Cash paid during the year for :		
Interest	\$ -	\$ -

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 Martha's Vineyard Museum inspires all people to discover, explore, and strengthen their connections to this island and its diverse heritage.

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.

Comprehensive capital campaign

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. For the Comprehensive Capital Campaign, the Museum raised \$3,457,212 and \$3,392,681 in cash and pledges in 2017 and 2016, respectively, which are included in the financial statements. In addition, beyond these amounts, the museum received intentions to give of \$275,000 and \$249,093 through letters of intent or pledges with certain conditions in 2017 and 2016 respectively.

Construction of New Campus - Following preparation of the concept design for the new campus in Vineyard Haven in 2014, detailed architectural planning in 2016 and steady progress in the fund raising described above, the Museum started construction on the new campus in mid-2017. As first steps, the Museum satisfied all town and island approvals, completed archaeological explorations and addressed hazardous material abatement in the historic Marine Hospital to be renovated. Total project construction and non-construction costs are estimated to be almost \$18,000,000 and are primarily presented as expenditures for property, plant and equipment, with some shown as expenses. The construction of the new campus, moving to Vineyard Haven and reopening in the new site are all planned to be completed by the end of 2018.

Cooke House Property in Edgartown - When the Museum relocates to its new campus, the Cooke House will remain a Museum property in Edgartown on an over 17,000 square foot site, which will be developed as an historic home and garden to be known as the Cooke House and Legacy Gardens. Additional funds will be raised to support the establishment of the garden area, ongoing maintenance to the property and educational programming. The remaining Edgartown property of almost 22,000 square feet is in the process of being sold, and the proceeds will be used to support the overall Comprehensive Capital Campaign program.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive capital campaign (continued)

Bank Loan Agreement - During 2017 the Museum reached agreement with a local bank to lend the Museum up to \$6,000,000 to help manage the timing differences for construction project costs and receipt of pledge payments and proceeds from real estate sales. This bank agreement terminates in July, 2022. The purpose of the bank loan is only to help manage cash flow during the construction period. At the end of 2017 there is no draw on the line of credit, and the Museum does not anticipate having any outstanding loan balance when fund raising is completed.

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, 2016, from which the summarized information was derived.

Subsequent events

The Museum has evaluated the financial statement impact of subsequent events occurring through June 26, 2018, the date that the financial statements were available to be issued.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statement of financial position. Investment income, including gains or losses on investments, is reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

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 that the donor requires to be used to acquire long-lived assets (for example, land, buildings, furniture, fixtures, and equipment) are reported as temporarily restricted until the long-lived assets have been acquired, at which time the entity reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

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, cataloguing, and fund-raising services throughout the year.

Endowment investments

The Museum's endowment consists of National Endowment for the Humanities and donor restricted endowment funds established to support the various programs and projects that further the mission of the Museum. The funds are currently held in mutual funds and a money market account. The Museum has adopted spending policies for its endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, the Board establishes a budgeted appropriation amount for expenditure during the year.

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 \$97,582 and \$260,736 in 2017 and 2016, respectively, including \$40,673 and \$215,694 related to the capital campaign.

2 - PLEDGES RECEIVABLE

Pledges receivable consist of:

	<u>2017</u>	<u>2016</u>
Unrestricted		
Operating	\$ 29,020	\$ 30,849
Restricted		
Operating - for lighthouse access	50,000	60,000
Operating - for Morgan Learning Center	-	45,000
Operating - for Catboat Vanity	12,000	20,000
Capital campaign - for endowment	211,030	385,231
Capital campaign	<u>2,279,245</u>	<u>1,835,225</u>
	2,581,295	2,376,305
Less: Unamortized discount	<u>119,696</u>	<u>207,583</u>
	<u>\$ 2,461,599</u>	<u>\$ 2,168,722</u>

Pledges receivable include \$687,550 and \$366,680 of amounts due from Board members in 2017 and 2016 respectively. Further, as of December 31, 2017, the Museum had additional outstanding intentions to give of \$1,573,771 through letters of intent or pledges with certain specified conditions, which are not included above.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - PLEDGES RECEIVABLE (Continued)

As of December 31, 2017, pledges are expected to be received according to the following schedule:

	<u>Operating</u>	<u>Capital</u>
Within one year	\$ 40,769	\$ 1,727,441
One to five years	<u>50,250</u>	<u>762,835</u>
	<u>\$ 91,019</u>	<u>\$ 2,490,276</u>

3 - ENDOWMENT INVESTMENTS

Endowment investments are presented in the financial statements at fair value and are comprised of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Money market account	\$ -	\$ 600,976
Mutual funds	<u>1,568,212</u>	<u>602,950</u>
	<u>\$ 1,568,212</u>	<u>\$ 1,203,926</u>

Investments are included in the following net asset categories in the statement of financial position:

	<u>2017</u>	<u>2016</u>
Board designated endowment	\$ 6,957	\$ -
Endowment funds		
Temporarily restricted	181,078	2,950
Permanently restricted	<u>1,380,177</u>	<u>1,200,976</u>
Total	<u>\$ 1,568,212</u>	<u>\$ 1,203,926</u>

The following summarizes the net investment return included in the statement of activities:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 34,718	\$ 7,508
Investment gains (losses) unrealized	<u>143,410</u>	<u>(4,558)</u>
	<u>\$ 178,128</u>	<u>\$ 2,950</u>

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - ENDOWMENT INVESTMENTS (Continued)

Endowment assets include cash and investments. Changes in endowment investments for the year ended December 31, 2016 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, December 31, 2015	\$ -	\$ -	\$ 287,540	\$ 287,540
Investment return:				
Interest and dividend income	-	7,508	-	7,508
Investment gains (losses) (realized and unrealized)	-	(4,558)	-	(4,558)
Total investment return	-	2,950	-	2,950
Additions	-	-	913,436	913,436
Endowment investments, December 31, 2016	-	2,950	1,200,976	1,203,926
Investment return:				
Interest and dividend income	-	34,718	-	34,718
Investment gains (losses) (realized and unrealized)	-	143,410	-	143,410
Total investment return	-	178,128	-	178,128
Additions	6,957	-	179,201	186,158
Endowment investments, December 31, 2017	<u>\$ 6,957</u>	<u>\$ 181,078</u>	<u>\$ 1,380,177</u>	<u>\$ 1,568,212</u>

In addition to the endowment investments, the Museum has pledges receivable restricted for endowment of \$211,030 and \$385,231 as of December 31, 2017 and 2016, respectively.

4 - PROPERTY AND EQUIPMENT

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

	<u>Estimated Useful Lives</u>	<u>2017</u>	<u>2016</u>
Land	-	\$ 1,379,032	\$ 1,379,032
Historic buildings	-	507,947	507,947
Buildings and improvements	7 - 31 years	1,139,902	1,139,902
Equipment and furniture	3 - 10 years	242,406	237,850
Construction in progress	-	5,172,095	2,594,209
		8,441,382	5,858,940
Less: Accumulated depreciation and amortization		<u>1,082,956</u>	<u>1,027,373</u>
		<u>\$ 7,358,426</u>	<u>\$ 4,831,567</u>

Depreciation and amortization for property, plant, and equipment was \$55,583 and \$54,807 in 2017 and 2016, respectively.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

5 - FUNCTIONAL EXPENSES

The expenses incurred to provide the various programs and activities of the Museum have been summarized on a functional basis in this footnote. Accordingly, all costs, including capital campaign expenses, have been allocated to the programs and supporting services benefited as shown below. The significant increase in general and administrative expenses is primarily due to the one-time expenditure of over \$400,000 for hazardous material abatement as part of the project construction of the new campus in Vineyard Haven.

	<u>Unrestricted</u>	
	<u>2017</u>	<u>2016</u>
Total expenses		
Program services	\$ 730,119	\$ 645,453
Supporting services		
General and administrative	993,890	383,950
Membership and fundraising	<u>301,745</u>	<u>759,588</u>
Total	<u>\$ 2,025,754</u>	<u>\$ 1,788,991</u>

The expenses above are presented in the statement of activities as follows:

	<u>2017</u>	<u>2016</u>
Operating expenses	\$ 1,397,754	\$ 1,373,152
Capital campaign expenses	<u>628,000</u>	<u>415,839</u>
	<u>\$ 2,025,754</u>	<u>\$ 1,788,991</u>

6 - RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Capital Campaign	\$ 2,955,973	\$ 3,051,363
Educational programs	88,405	141,449
Collection acquisitions	5,000	10,000
Lighthouse access	27,216	37,216
Lighthouses	39,754	18,379
Film and book publishing	42,147	35,684
Future operations	<u>28,310</u>	<u>20,310</u>
	<u>\$ 3,186,805</u>	<u>\$ 3,314,401</u>

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - RESTRICTED NET ASSETS (Continued)

During 2017, 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	\$ -
Educational Programs	89,510
Other Programs	<u>69,964</u>
	159,474
Capital Campaign Activities	<u>3,730,884</u>
	<u>\$ 3,890,358</u>

Permanently restricted net assets are restricted to:

	<u>2017</u>	<u>2016</u>
Endowment investments in perpetuity, the income and appreciation from which is expendable to support the operations of the Museum.	<u>\$ 1,591,207</u>	<u>\$ 1,586,207</u>

7 - 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 2014.

8 - STATEMENT OF CASH FLOWS

During 2017, the Museum purchased property, plant and equipment totaling \$2,582,442. Of this amount, \$4,558 was part of the operating capital budget and \$2,577,884 was related to the capital campaign.

9 - RECLASSIFICATION

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation. Such reclassifications had no effect on change in net assets as previously reported.

SUPPLEMENTARY INFORMATION

MARTHA'S VINEYARD MUSEUM, INC.

OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2017
(With Summarized Financial Information for 2016)

	Program	General and Administrative	Membership and Fund Raising	Totals	
				2017	2016
Salaries and wages	\$ 378,256	\$ 317,603	\$ 54,693	\$ 750,552	\$ 727,291
Employee benefits	32,004	26,872	4,628	63,504	82,860
Payroll taxes	31,757	26,665	4,592	63,014	60,886
Total personnel expenses	442,017	371,140	63,913	877,070	871,037
Accounting and legal	-	14,870	-	14,870	12,653
Advertising	1,238	50	55,621	56,909	45,042
Collection and exhibits	23,920	-	-	23,920	35,679
Contract services and professional fees	-	26,488	10,808	37,296	13,099
Cost of sales	12,563	-	41	12,604	9,585
Dues and subscriptions	1,065	1,000	-	2,065	1,139
Insurance	-	23,523	-	23,523	19,837
Lighthouses	45,670	-	-	45,670	38,404
Occupancy					
Utilities	5,668	15,275	-	20,943	20,108
Landscaping	-	5,450	-	5,450	-
Repairs and maintenance	1,451	2,841	-	4,292	41,556
Security	2,703	-	-	2,703	-
Trash removal	-	1,245	-	1,245	-
Printing, postage and mailing	1,223	2,935	10,781	14,939	13,621
Publications for membership	28,176	-	4,523	32,699	34,003
Programs and events	103,849	-	1,382	105,231	87,176
Staff development	9,434	(283)	475	9,626	9,371
Supplies	7,301	10,688	1,790	19,779	43,776
Taxes and licenses	-	500	-	500	-
Telephone	1,228	10,893	-	12,121	8,577
Travel	1,823	164	784	2,771	182
Other	2,663	8,721	4,561	15,945	13,500
Total expenses before depreciation and amortization	691,992	495,500	154,679	1,342,171	1,318,345
Depreciation and amortization	38,127	17,456	-	55,583	54,807
	<u>\$ 730,119</u>	<u>\$ 512,956</u>	<u>\$ 154,679</u>	<u>\$ 1,397,754</u>	<u>\$ 1,373,152</u>

See accompanying independent auditor's report.