

HULL LIFESAVING MUSEUM, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2011 & 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Hull Lifesaving Museum, Inc.

I have audited the accompanying statement of financial position of the Hull Lifesaving Museum, Inc. (the Museum) (a non-profit organization) as of June 30, 2011 and 2010, and the related statements of activity and cash flows for the year then ended. These financial statements are the responsibility of the management of the Hull Lifesaving Museum, Inc. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hull Lifesaving Museum, Inc. as of June 30, 2011 and 2010, the changes in its net assets and its cash flow for the year then ended in conformity with generally accepted accounting principles in the United States of America.



September 1, 2011

HULL LIFESAVING MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 56,430	\$ 62,679
Accounts receivable	3,989	9,962
Merchandise inventory, at cost	1,311	7,561
Prepaid expenses	1,894	3,726
Property & equipment, net of accumulated depreciation	<u>64,571</u>	<u>70,526</u>
TOTAL ASSETS	<u><u>\$ 128,195</u></u>	<u><u>\$ 154,454</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 18,251	\$ 8,968
Accrued payroll and taxes	20,993	10,939
Loan payable	45,000	40,000
Deferred revenue	-	70,000
TOTAL LIABILITIES	<u>84,244</u>	<u>129,907</u>
NET ASSETS		
Unrestricted	<u>43,951</u>	<u>24,547</u>
TOTAL NET ASSETS	<u>43,951</u>	<u>24,547</u>
LIABILITIES & NET ASSETS	<u><u>\$ 128,195</u></u>	<u><u>\$ 154,454</u></u>

The accompanying notes are an integral part of these financial statements.

HULL LIFESAVING MUSEUM, INC.
STATEMENTS OF ACTIVITY
YEARS ENDED JUNE 30,

	2011	2010 (Restated)
UNRESTRICTED NET ASSETS		
Support		
Foundation and corporate donors	\$ 262,646	\$ 203,051
Agency funding and programs	222,096	172,480
Donated facilities	139,800	139,800
Contributing dues	68,683	113,578
Fundraising & function income	47,616	15,032
Non-agency fund programs	30,159	23,268
Membership dues	4,330	2,065
Other income	2,172	7,817
Admission fees	1,984	1,704
Gift shop income, net	1,458	2,129
Interest income	1	106
	780,946	681,030
Expenses		
Programs	627,742	702,337
Management and general	78,198	23,111
Fundraising	55,602	16,271
	761,542	741,719
Excess (deficit) of support and revenue over expenses	19,404	(60,689)
Net assets, beginning	24,547	85,236
Net assets, ending	\$ 43,951	\$ 24,547

**HULL LIFESAVING MUSEUM, INC.
SUPPLEMENTARY INFORMATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30,**

	<u>Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2011 Totals</u>	<u>2010 Totals (Restated)</u>
Direct labor	\$ 243,371	-	-	\$ 243,371	\$ 233,944
Salaries and benefits	171,428	44,527	6,679	222,634	226,558
Facilities	132,810	6,990	-	139,800	139,800
Events	-	-	41,133	41,133	45,057
Insurance	36,241	1,907	-	38,148	39,289
Professional fees	1,007	8,057	1,007	10,071	7,050
Telephone	8,849	466	-	9,315	10,230
Supplies	6,937	1,301	434	8,671	4,220
Printing	1,626	3,251	3,251	8,128	5,515
Depreciation	7,479	394	-	7,873	1,473
Utilities	1,492	5,969	-	7,462	7,404
Office	4,845	369	53	5,266	3,866
Facility operating costs & maintenance	3,816	201	-	4,017	4,348
Postage	771	1,541	1,541	3,853	1,710
Miscellaneous	700	2,099	700	3,499	3,121
Station	2,986	-	-	2,986	4,510
Bank and credit card fees	314	629	629	1,572	1,502
Professional development	732	92	92	915	823
Internet	784	44	44	871	1,249
Curatorial	825	-	-	825	2,541
Website	729	41	41	810	905
Penalties	-	250	-	250	353
Publications	-	72	-	72	-
(Gain)/Loss on inventory valuation	-	-	-	-	(3,749)
Total	<u>\$ 627,742</u>	<u>\$ 78,198</u>	<u>\$ 55,602</u>	<u>\$ 761,542</u>	<u>\$ 741,719</u>

**HULL LIFESAVING MUSEUM, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 19,404	\$ (60,689)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,873	1,473
(Increase) decrease in operating assets:		
Promises to give (unrestricted) and other receivables	5,973	13,214
Prepaid expenses	1,832	51
Inventory	6,250	(3,411)
Increase (decrease) in operating liabilities:		
Accounts payable	9,283	(13,739)
Deferred revenue	(70,000)	33,950
Accrued payroll	10,054	(8,497)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(9,332)	(37,648)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Payments for property and equipment	(1,918)	(1,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Addition of short-term debt	5,000	40,000
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	5,000	40,000
NET INCREASE/(DECREASE) IN CASH	(6,249)	1,102
BEGINNING CASH	62,679	61,577
ENDING CASH AND CASH EQUIVALENTS	\$ 56,430	\$ 62,679

The accompanying notes are an integral part of these financial statements.

**HULL LIFESAVING MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 1 - NATURE OF ACTIVITIES

The Hull Lifesaving Museum, Inc (the Museum) is a Massachusetts non-profit, charitable corporation that was founded in June 1981. The Museum preserves the region's lifesaving tradition and maritime culture through collections, exhibits, experiential and interpretive education, research, and service to others. The Museum's open water rowing programs in Boston Harbor educate young people about themselves while developing a constituency that takes stewardship for its maritime history. The deeds, traditions, and ethic of the 19th century coastal lifesavers – Skill, Courage, and Caring – are the foundation of the Museum's exhibits and programs and its underlying commitment to working to impact society, and individual lives, for the better.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accrual Accounting

The accounts of the Museum are maintained on the accrual basis of accounting. This means that bills for materials received by or services rendered for the Museum are reported as costs or expenses regardless of when payment is made. Likewise, revenue is recognized when goods or services have been substantially rendered by the Museum rather than upon the receipt of the payment for those goods or services. However, dues are considered fully earned upon the later of the date of receipt or the first day of the fiscal year to which they apply, because no significant services must be rendered after the date of receipt.

(b) Financial Statement Presentation

The Museum has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not for Profit Organizations*. Under SFAS No. 117, the Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are available as determined by the officers of the Museum for day-to-day operations to carry out the objectives of the Museum.

Temporarily restricted net assets are subject to donor imposed stipulations that may or will be met by actions of the Museum and/or the passage of time. There were no temporarily restricted net assets in fiscal years 2011 and 2010.

Permanently restricted net assets arise from gifts and bequests accepted with donor restrictions that (1) the principal be maintained intact and (2) that income is expended as specified by the donor. There were no permanently restricted net assets in fiscal years 2011 and 2010.

HULL LIFESAVING MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts. The Museum's cash balances are maintained with Citizens Bank and Sovereign Bank. Money market accounts are maintained with Edward Jones Investments. The statement of cash flows reports cash activity in restricted net assets, but only as it pertains to investing and financing activities.

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Checking and Savings	41,143	37,393
Money Market	15,287	25,286
	<u>56,430</u>	<u>62,679</u>

(d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. These may 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, or the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. At June 30, 2011 and June 30, 2010 there were no restrictions in place.

**HULL LIFESAVING MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) **Contributed Goods and Service**

The Museum records various types of in-kind support including contributed facilities, tools, and boats. Rent free use of three facilities has been assigned an estimate value and cost of \$139,800. The statement of activity for the year ended June 30, 2010 was restated to reflect this contribution.

Contributions of tangible assets are recognized at fair market value when received. There were no contributed tangible assets during fiscal 2011 and 2010.

(g) **Compensated Absences and Fringe Benefits**

Employees of the Museum are entitled to compensation for vacation, sick, and personal days depending on hours worked and years of service. No year to year carryover is allowed for vacation, sick, or personal days.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are capitalized on the statement of position at cost and represent expenditures for tangible assets having a useful life beyond one accounting cycle. Costs for maintenance and repair of these assets are charged to operations. Costs of significant renewals and betterments are capitalized on the Statement of Position.

	June 30,	
	2011	2010
Boats	\$ 84,548	\$ 84,548
Equipment	43,598	41,536
Furnishings	11,271	11,271
MP Boat	10,000	10,000
Museum Boat House	15,209	15,209
Museum Improvements	14,350	14,350
Vehicles	-	1,500
	178,976	178,414
Less: Accumulated Depreciation	(114,405)	(107,888)
Total	\$ 64,571	\$ 70,526

Property and equipment are depreciated over their estimated useful lives on a straight-line basis. The building is depreciated over 40 years. General equipment is depreciated over 10 years. Computer equipment is depreciated over 5 years.

**HULL LIFESAVING MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 4 – LOANS PAYABLE

The Museum has two loans payable. One loan of \$40,000 is due the Capouch Trust and the other loan of \$5,000 is due the Executive Director. These loans are verbal agreements and bear no interest.

NOTE 5 – PROGRAM GRANTS

The Museum receives funds from federal, state, and municipal agencies, as well as private foundations, to operate job-training and experiential education programs for youths committed to the Department of Youth Service and in Boston Public Schools. Additionally, the Museum receives grants from these resources to support Museum education, exhibits, and historic preservation of its sites. Revenue from these activities is recognized when earned.

NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on the functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 7 – RELATED PARTY TRANSACTIONS

In fiscal year 2011, the Executive Director loaned \$5,000 to the Museum for working capital purposes. This loan is still outstanding as of the date of this report.

NOTE 8 - TAX-EXEMPT STATUS

The Museum, since its inception, has been qualified as a tax-exempt organization under the provisions of Internal Revenue Service Code Sec. 501(c)(3).

NOTE 9 – ADVERTISING

The Museum expenses advertising costs as incurred.

NOTE 10 – CONCENTRATIONS OF CREDIT RISK

The Museum's financial instruments that are exposed to concentration of credit risk consist of cash held at various deposit accounts. At June 30, 2011 all bank cash accounts and brokerage money market accounts were fully insured.

**HULL LIFESAVING MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 11 - FACILITIES

The Hull Lifesaving Museum leases its two Hull, MA facilities, the Point Allerton Station and the Windmill Point Boathouse, through a year-to-year lease agreement with the Town of Hull. The Lifesaving Museum staff and Board are currently working to develop a long-term arrangement.

The Boston Redevelopment Authority (BRA) allows the Museum access to its Seaport Boatshop at 22 Drydock Avenue, Boston. The Museum also has access to floats at the Barking Crab Restaurant, operated by Neptune Marine Services.

Free use of these facilities and moorings has been assigned an estimate value and cost of \$139,800. The statement of activity for the year ended June 30, 2010 was restated to reflect this contribution.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

According to management, the Museum has no known long-term commitments not reflected in the financial statements or any contingent liabilities of a material nature. Also, there are no known legal actions underway or anticipated against the financial interests of the Museum as of the date of this report other than those disclosed in these footnotes.