

**HULL LIFESAVING MUSEUM, INC.  
(HLM, INC)**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED JUNE 30, 2013 & 2012**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of the Hull Lifesaving Museum, Inc. (HLM) (a non-profit organization) as of June 30, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses 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 relative to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made

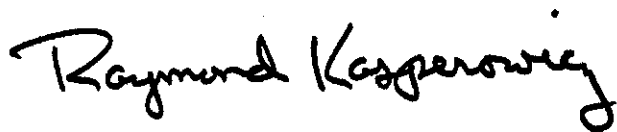
## INDEPENDENT AUDITOR'S REPORT (Continued)

by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of HLM as of June 30, 2013 and 2012, and 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.

A handwritten signature in black ink that reads "Raymond Kasperowicz". The signature is written in a cursive style with a large, looped initial 'R'.

February 10, 2014

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

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 29,566	\$ 29,295
Accounts receivable	17,136	34,215
Merchandise inventory, at cost	5,508	3,809
Prepaid expenses	3,252	1,019
Property & equipment, net of accumulated depreciation	<u>109,369</u>	<u>103,167</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 164,831</u></u>	<u><u>\$ 171,505</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 16,389	\$ 25,829
Notes payable	80,000	60,000
Deferred revenue	<u>-</u>	<u>10,000</u>
<b>TOTAL LIABILITIES</b>	<u>96,389</u>	<u>95,829</u>
<b>NET ASSETS</b>		
Unrestricted	<u>68,442</u>	<u>75,676</u>
<b>TOTAL NET ASSETS</b>	<u>68,442</u>	<u>75,676</u>
<b>LIABILITIES &amp; NET ASSETS</b>	<u><u>\$ 164,831</u></u>	<u><u>\$ 171,505</u></u>

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

	2013	2012
<b>UNRESTRICTED NET ASSETS</b>		
<b>Support</b>		
<b>Foundation and corporate donors</b>	\$ 359,111	\$ 342,455
<b>Agency funding and programs</b>	173,366	153,202
<b>Donated facilities</b>	139,800	139,800
<b>Contributing dues</b>	71,490	68,443
<b>Fundraising &amp; function income</b>	77,033	61,542
<b>Non-agency fund programs</b>	35,875	29,326
<b>Membership dues</b>	5,403	1,967
<b>Other income</b>	303	2,860
<b>Admission fees</b>	1,169	1,749
<b>Gift shop income, net</b>	3,092	2,761
<b>Interest income</b>	1	1
	866,643	804,106
<b>Expenses</b>		
<b>Programs</b>	808,118	709,956
<b>Management and general</b>	50,446	47,753
<b>Fundraising</b>	15,312	14,673
	873,876	772,382
<b>Excess (deficit) of support         and revenue over expenses</b>	(7,234)	31,725
<b>Net assets, beginning</b>	75,676	43,951
<b>Net assets, ending</b>	\$ 68,442	\$ 75,676

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

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

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (7,234)	\$ 31,725
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,792	10,661
(Increase) decrease in operating assets:		
Promises to give (unrestricted) and other receivables	17,079	(30,226)
Prepaid expenses	(2,233)	875
Inventory	(1,699)	(2,498)
Increase (decrease) in operating liabilities:		
Accounts payable	(9,440)	(13,415)
Deferred revenue	(10,000)	10,000
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(735)</u>	<u>7,122</u>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(18,994)</u>	<u>(49,257)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Addition of short-term debt	<u>20,000</u>	<u>15,000</u>
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>271</b>	<b>(27,135)</b>
<b>BEGINNING CASH</b>	<u>29,295</u>	<u>56,430</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><b>\$ 29,566</b></u>	<u><b>\$ 29,295</b></u>

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

**HULL LIFESAVING MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 1 - NATURE OF ACTIVITIES**

The Hull Lifesaving Museum (HLM) is a Massachusetts non-profit, charitable corporation that was founded in June 1981. In addition to its museum function, HLM endeavors to be an active part of the community, providing life-changing, and sometimes even life-saving, experiences based in lessons from our maritime heritage. HLM preserves and interprets the rich history of the region's rich maritime culture while operating year-round education, recreation, and workforce development programs serving a diverse urban and suburban constituency.

HLM serves over 2,000 people annually in curriculum- and experiential-education-based in-school and after-school programs, full-time job-training for older Department of Youth Services-committed youth, professional development for teachers and museum colleagues, and five major, region-wide rowing races. Tours, lectures, workshops, art programs, special events, and exhibits attract another 1,500 guests annually, while an additional 9,000 people participate in HLM through museum visits.

HLM operates from four sites, two in Hull and two in downtown Boston's Seaport (Innovation) District. In Hull, the Point Allerton U.S. Lifesaving Station houses our exhibits and museum-based programs inspired by our region's coastal heritage, and the Windmill Point Boathouse is the home of our South Shore Youth and Adult Rowing Programs. In Boston, the Seaport Boatshop houses the Maritime Apprentice Program, our Department of Labor-funded job-training program for Boston's most proven-risk, DYS-committed young adults. Our downtown Boston Rowing Center, in Fort Point Channel, runs Home Waters, our experiential education program for Boston youth and Boston Adult Rowing. All of HLM's programs run year-round, and all are designed to cultivate multi-year relationships with participants and families.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) **Accrual Accounting**

The accounts of HLM are maintained on the accrual basis of accounting. This means that bills for materials received by or services rendered for HLM 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 HLM 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.

**HULL LIFESAVING MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(b) Financial Statement Presentation

HLM has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not for Profit Organizations*. Under SFAS No. 117, HLM 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 HLM officers for day-to-day operations to carry out the organization's objectives.

Temporarily restricted net assets are subject to donor imposed stipulations that may or will be met by actions of HLM and/or the passage of time. There were no temporarily restricted net assets in fiscal years 2013 and 2012.

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 2013 and 2012.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts. HLM's cash balances are maintained with 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.

	June 30, 2013	June 30, 2012
Checking and Savings	\$ 24,278	\$ 19,007
Money Market	5,289	10,288
	\$ 29,566	\$ 29,295

(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.



**HULL LIFESAVING MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(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, 2013 and June 30, 2012 there were no restrictions in place.

(f) Contributed Property and Equipment

HLM records various types of in-kind support including contributed facilities, tools, and boats. Rent free use of three facilities has been assigned a fair value of \$139,800 as of the date of the donation.

Contributions of tangible assets are recognized at fair market value when received. There were no contributed tangible assets during fiscal 2013 and 2012.

(g) Compensated Absences and Fringe Benefits

Employees of HLM are entitled to compensation for vacation, sick, and personal days depending on hours worked and years of service.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable generally represent amounts due for services performed or grant milestones achieved. Management periodically assesses the collectability of HLM's accounts receivable taking into account economic conditions impacting government agencies or charitable foundations. Based on experience with the agencies and foundations involved, no allowance for doubtful accounts was deemed required. See Note 6 regarding deferred revenue treatment of one account in the receivables balance at June 30, 2012.

**HULL LIFESAVING MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 4 - 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 Statements of Financial Position.

	June 30,	
	2013	2012
Boats	119,048	101,047
Equipment	44,592	43,598
Furnishings	11,271	11,271
Leasehold Improvements	72,316	72,316
	247,226	228,232
Less: Accumulated Depreciation	(137,857)	(125,065)
Total	\$ 109,369	\$ 103,167

Property and equipment are depreciated over their estimated useful lives on a straight-line basis. Leasehold improvements are depreciated over 20 years. General equipment is depreciated over 10 years. Computer equipment is depreciated over 5 years.

**NOTE 5 - NOTES PAYABLE**

HLM has three notes payable totaling \$80,000 that were due June 30, 2013 to the Joseph Capouch Revocable Trust. The Trust has agreed to extend the due date of all three notes to June 30, 2014 and waive any applicable accrued interest or penalties through the reset due date of June 30, 2014.

**NOTE 6 - DEFERRED REVENUE**

Deferred revenue at June 30, 2012 stems from notification from a charitable foundation that a \$10,000 cash payment was imminent which will be earned through the program period September 2012 through August 2013. Accordingly, management has recognized that this payment will not be earned revenue until the following fiscal periods.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

In fiscal year 2012, the HLM paid \$5,000 due to Executive Director. This loan is no longer outstanding as of the date of this report. No interest was charged during the loan of these funds.

**HULL LIFESAVING MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 8 – PROGRAM GRANTS**

HLM 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, HLM receives grants from these resources to support education, exhibits, and historic preservation of its sites. Revenue from these activities is recognized when earned.

**NOTE 9 – 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. See page 12 for schedule.

**NOTE 10- TAX-EXEMPT STATUS**

HLM, since its inception, has been qualified as a tax-exempt organization under the provisions of Internal Revenue Service Code Sec. 501(c)(3). Donors may deduct contributions made to HLM within Internal Service Code regulations. HLM is subject to federal and state income tax on income from any unrelated business activity.

HLM adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles in the United States. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. HLM has analyzed tax positions taken for filing with the Internal Revenue Service and any state jurisdiction where it operates. HLM believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on HLM's financial condition, results of operations or cash flows. Accordingly, HLM has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2013 or 2012. HLM's policy is to classify income tax related interest and penalties in operating expenses.

HLM is subject to routine audits by tax jurisdictions; however, there are currently no audits for any tax periods in progress. HLM's federal income tax returns are generally open to examination for the last three years.

**HULL LIFESAVING MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 11 – ADVERTISING**

HLM expenses advertising costs as incurred.

**NOTE 12 – CONCENTRATIONS OF CREDIT RISK AND MARKET RISK**

HLM's financial instruments that are exposed to concentration of credit risk consist of cash held at various deposit accounts. At June 30, 2013 and 2012 all bank cash accounts and brokerage money market accounts were fully insured.

With regard to accounts receivable and various funding sources, HLM receives its revenue from government agencies and charitable foundations which are not guaranteed. Accordingly, there is uncertainty in the level of future funding.

**NOTE 13 - FACILITIES**

The Town of Hull houses HLM's two Hull, MA facilities, the Point Allerton Station and the Windmill Point Boathouse. The HLM staff and Board are currently working to develop a long-term arrangement with Town officials.

The Boston Redevelopment Authority (BRA) houses HLM's Maritime Apprentice Program at 22 Drydock Avenue, Boston where HLM has established the 2,500 square-foot Seaport Boatshop. HLM also has access to the floats at the Barking Crab Restaurant, operated by Neptune Marine Services in Fort Point Channel, where HLM operates its Boston Rowing Center.

Free use of these facilities and floats has been assigned an estimated value and cost of \$139,800.

**NOTE 14 - FAIR VALUE**

HLM reports its qualified assets and liabilities in accordance with the Fair Value Measurements and Disclosures Standards and accounting principles generally accepted in the United States of America. These standards define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. This policy establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value framework are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

**HULL LIFESAVING MUSEUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 14 - FAIR VALUE (continued)**

- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. HLM's qualifying assets or liabilities are recorded at fair value using Level 1 inputs.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

According to management, HLM 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 HLM as of the date of this report other than those disclosed in these footnotes.

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 10, 2014, the date which the financial statements were available to be issued.

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

	Programs	Management and General	Fund Raising	2013 Totals	2012 Totals	Change
Salaries and benefits	\$ 521,841	\$ 17,830	\$ 6,517	\$ 546,188	\$ 466,005	\$ 80,183
Facilities	132,810	6,990	-	139,800	139,800	-
Events	46,849	-	3,744	50,593	49,796	797
Insurance	39,434	2,075	-	41,509	26,728	14,781
Professional fees	-	7,000	-	7,000	9,771	(2,771)
Telephone	6,661	351	-	7,011	10,346	(3,335)
Supplies	6,010	1,127	376	7,512	6,841	671
Printing	653	1,305	1,305	3,263	3,831	(568)
Depreciation	12,152	640	-	12,792	10,661	2,131
Utilities	5,865	1,466	-	7,331	7,170	161
Office	4,736	1,015	1,015	6,766	10,959	(4,193)
Facility operating costs & maintenance	13,879	730	-	14,610	5,657	8,953
Postage	296	591	591	1,478	2,339	(861)
Miscellaneous	1,764	5,292	1,764	8,820	1,067	7,753
Station	8,840	-	-	8,840	1,963	6,877
Bank and credit card fees	-	1,698	-	1,698	2,234	(536)
Professional development	2,692	656	-	3,348	2,678	670
Internet	-	2,103	-	2,103	855	1,248
Curatorial	3,637	-	-	3,637	220	3,417
Website	-	995	-	995	645	350
Penalties	-	(1,418)	-	(1,418)	275	(1,693)
Total	<u>\$ 808,118</u>	<u>\$ 50,446</u>	<u>\$ 15,312</u>	<u>\$ 873,876</u>	<u>\$ 759,841</u>	<u>\$ 114,035</u>