

HULL LIFESAVING MUSEUM, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED JUNE 30, 2014 & 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 Kasgerowicz". The signature is written in a cursive style with a large, looping 'y' at the end.

October 30, 2014

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

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 45,766	\$ 29,566
Restricted cash and equivalents	74,822	-
Accounts receivable	<u>35,986</u>	<u>17,136</u>
Total current assets	<u>156,573</u>	<u>46,702</u>
Property & equipment, net of accumulated depreciation	116,541	109,369
Merchandise inventory, at cost	6,923	5,508
Prepaid expenses	<u>-</u>	<u>3,252</u>
TOTAL ASSETS	<u><u>\$ 280,038</u></u>	<u><u>\$ 164,831</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 39,600	\$ 16,389
Deferred revenue	<u>14,005</u>	<u>-</u>
Total current liabilities	<u>53,605</u>	<u>16,389</u>
Notes payable	<u>74,000</u>	<u>80,000</u>
TOTAL LIABILITIES	<u>127,605</u>	<u>96,389</u>
NET ASSETS		
Temporarily Restricted		
Capital Fund	74,822	-
Unrestricted	<u>77,611</u>	<u>68,442</u>
TOTAL NET ASSETS	<u>152,433</u>	<u>68,442</u>
LIABILITIES & NET ASSETS	<u><u>\$ 280,038</u></u>	<u><u>\$ 164,831</u></u>

The accompanying notes are an integral part of these financial statements

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

	Unrestricted				Temporarily Restricted	Total		Change	
	Maritime		Home			Capital Fund	2014		2013
	Museum	Apprentice Program	Waters Program	General					
UNRESTRICTED NET ASSETS									
Support									
Foundation and corporate donors	\$ 7,566	\$ 260,133	\$ 49,300	\$ 4,354	\$ 56,000	\$ 377,353	\$ 359,111	\$ 18,242	
Government funding	11,420	219,567	42,970	-	-	273,958	173,366	100,592	
Events	-	-	-	41,892	-	41,892	77,033	(35,141)	
Donated facilities	13,500	46,800	66,000	13,500	-	139,800	139,800	-	
Contributions	-	-	-	79,900	35,932	115,832	71,490	44,342	
Earned revenue	9,872	1,213	53,231	-	-	64,315	35,875	28,440	
Membership dues	5,480	-	-	-	-	5,480	5,403	77	
Gift shop income, net	2,877	-	-	-	-	2,877	3,092	(215)	
Other income	2,703	-	-	-	-	2,703	303	2,400	
Admission fees	1,910	-	-	-	-	1,910	1,169	741	
Interest income	-	-	-	3	-	3	1	2	
	<u>55,327</u>	<u>527,714</u>	<u>211,501</u>	<u>139,649</u>	<u>91,932</u>	<u>1,026,122</u>	<u>866,643</u>	<u>159,479</u>	
Expenses									
Programs	101,311	527,731	216,154	-	-	845,196	808,118	37,077.58	
Management and general	-	-	-	29,822	-	29,822	50,446	(20,623.74)	
Fundraising	-	-	-	67,114	-	67,114	15,312	51,802.11	
	<u>101,311</u>	<u>527,731</u>	<u>216,154</u>	<u>96,936</u>	<u>-</u>	<u>942,132</u>	<u>873,876</u>	<u>68,256</u>	
Excess (deficit) of support and revenue over expenses	(45,984)	(17)	(4,652)	42,713	91,932	83,991	(7,234)	\$ 91,223	
Transfers	45,984	\$ 17	\$ 4,652	\$ (33,543)	(17,110)	-	-	-	
Net assets, beginning	-	-	-	68,442	-	68,442	75,676	-	
Net assets, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>77,611</u>	<u>\$ 74,822</u>	<u>\$ 152,433</u>	<u>\$ 68,442</u>	<u>\$ 68,442</u>	

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

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 83,991	\$ (7,234)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	10,342	12,792
Temporarily restricted donations	(91,932)	-
Temporarily restricted funds transferred for capital expenditures	17,110	-
(Increase) decrease in operating assets:		
Promises to give (unrestricted) and other receivables	(18,850)	17,079
Prepaid expenses	3,252	(2,233)
Inventory	(1,415)	(1,699)
Increase (decrease) in operating liabilities:		
Accounts payable	23,211	(9,440)
Deferred revenue	14,005	(10,000)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	39,714	(735)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(17,514)	(18,994)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Addition (repayments) of short-term debt	(6,000)	20,000
 NET INCREASE/(DECREASE) IN CASH	 16,200	 271
BEGINNING UNRESTRICTED CASH AND CASH EQUIVALENTS	29,566	29,295
ENDING UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 45,766	\$ 29,566

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

**HULL LIFESAVING MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013**

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 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 exhibits and museum-based programs inspired by the region's coastal heritage and the Windmill Point Boathouse houses South Shore Youth and Adult Rowing Programs. In Boston, the Seaport Boat Shop houses the Maritime Apprentice Program, the Department of Labor-funded job-training program for Boston's at risk, DYS-committed young adults. The downtown Boston Rowing Center, in Fort Point Channel, is the base for Home Waters, an 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, 2014 AND 2013**

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 is \$74,822 of temporarily restricted net assets in the Capital Fund.

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 are no permanently restricted assets.

(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.

	June 30, 2014	June 30, 2013
Checking and Savings	\$ 45,766	\$ 19,007
Money Market	74,822	10,288
	\$ 120,587	\$ 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, 2014 AND 2013**

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.

(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 2014 and 2013.

(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, 2014.

**HULL LIFESAVING MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013**

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,	
	2014	2013
Boats	135,048	119,048
Equipment	44,596	44,592
Furnishings	11,671	11,271
Leasehold Improvements	73,426	72,316
	264,740	247,226
Less: Accumulated Depreciation	(148,199)	(137,857)
Total	\$ 116,541	\$ 109,369

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 at June 30, 2014 and 2013 to the Joseph Capouch Revocable Trust. The Trust has agreed to extend the due date of all three notes to June 30, 2015 and waive any applicable accrued interest or penalties through the reset due date of June 30, 2015.

NOTE 6 – DEFERRED REVENUE

Deferred revenue at June 30, 2014 stems primarily from a children’s summer program which will be earned in July and August of 2014. Accordingly, management has recognized that this payment will not be earned revenue until the following fiscal period.

**HULL LIFESAVING MUSEUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013**

NOTE 7 – 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 8 – 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 13 for the Statement of Functional Expenses.

NOTE 9- 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, 2014 or 2013. HLM's policy is to classify income tax related interest and penalties in operating expenses, if applicable.

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, 2014 AND 2013**

NOTE 10 – ADVERTISING

HLM expenses advertising costs as incurred.

NOTE 11 – 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, 2014 and 2013 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 12 - FACILITIES

The Town of Hull owns HLM's two Hull facilities, the Point Allerton Station and the Windmill Point Boathouse. HLM executed a 30 years lease for the Station for \$1 per year with the Town of Hull in 2014.

The Boston Redevelopment Authority (BRA) controls HLM's Maritime Apprentice Program facility at 22 Drydock Avenue, Boston where HLM has established the 2,500 square-foot Seaport Boat shop. 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 13 - 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, 2014 AND 2013**

NOTE 13 - 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 14 - 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 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2014, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30,**

	Programs	Management and General	Fund Raising	2014 Totals	2013 Totals	Change
Salaries and benefits	\$ 540,737	\$ 14,756	\$ 50,826	\$ 606,318	\$ 546,188	\$ 60,130
Donated Facilities	126,300	6,500	7,000	139,800	139,800	-
Events	-	-	2,959	2,959	3,980	(1,022)
Insurance	48,242	2,334	1,297	51,873	41,509	10,364
Professional fees	6,171	726	363	7,260	7,000	260
Telephone	8,379	373	186	8,938	7,011	1,927
Program material and supplies	57,588	91	45	57,724	54,125	3,599
Program travel, meals and entertainment	4,881	148	74	5,103	-	5,103
Printing	775	91	1,028	1,894	3,263	(1,369)
Depreciation	8,791	1,034	517	10,342	12,792	(2,450)
Utilities	7,262	854	427	8,543	7,331	1,212
Office	12,895	1,517	759	15,171	6,766	8,405
Facility operating costs & maintenance	6,768	796	398	7,962	14,610	(6,648)
Postage	1,662	195	1,033	2,890	1,478	1,412
Miscellaneous	255	30	15	300	8,820	(8,520)
Interest	182	21	11	214	-	214
Station	-	-	-	-	8,840	(8,840)
Bank and credit card fees	1,539	181	91	1,811	1,698	113
Professional development	5,892	75	37	6,004	3,348	2,656
Internet	248	29	15	292	2,103	(1,811)
Curatorial	6,036	-	-	6,036	3,637	2,399
Website	593	70	35	698	995	(297)
Penalties	-	-	-	-	(1,418)	1,418
Total	<u>\$ 845,196</u>	<u>\$ 29,822</u>	<u>\$ 67,114</u>	<u>\$ 942,132</u>	<u>\$ 873,876</u>	<u>\$ 68,256</u>