

MARTHA'S VINEYARD MUSEUM, INC.
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016
AND
INDEPENDENT AUDITOR'S REPORT

MARTHA'S VINEYARD MUSEUM, INC.
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Martha's Vineyard Museum, Inc. which comprise the statement of financial position as of December 31, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ballus Lynch, LLP

Worcester, Massachusetts

June 12, 2017

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(With Summarized Financial Information for 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,201,440	\$ 1,252,946
Accounts receivable	6,607	5,784
Pledges receivable	972,725	817,486
Inventories	35,496	35,710
Prepaid expenses and other assets	<u>15,642</u>	<u>15,015</u>
Total current assets	3,231,910	2,126,941
Pledges receivable	1,195,997	1,416,018
Endowment investments	1,203,926	287,540
Property and equipment, net	4,831,567	4,193,675
Collection	<u>-</u>	<u>-</u>
	<u>\$ 10,463,400</u>	<u>\$ 8,024,174</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	<u>\$ 264,641</u>	<u>\$ 37,141</u>
Net assets		
Unrestricted		
Operating	463,332	479,642
Designated for collection accessions	3,252	3,578
Plant	4,831,567	4,193,675
Temporarily restricted	3,314,401	2,882,598
Permanently restricted	<u>1,586,207</u>	<u>427,540</u>
Total net assets	<u>10,198,759</u>	<u>7,987,033</u>
	<u>\$ 10,463,400</u>	<u>\$ 8,024,174</u>

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

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

(With Summarized Financial Information for 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
Operating activities:					
Revenue, gains, and other support					
Admissions and fees	\$ 83,642	\$ -	\$ -	\$ 83,642	\$ 76,966
Contributions	211,402	11,735	-	223,137	381,634
Grant income	-	22,363	-	22,363	180,781
Sales	20,153	-	-	20,153	25,399
Special fund raising events, net of direct benefit to donors of \$83,499 in 2016 and \$88,915 in 2015	121,441	-	-	121,441	99,410
Lighthouse admissions and fees	124,565	-	-	124,565	103,049
Interest and other income	966	3,938	-	4,904	1,171
Net assets released from restriction					
Satisfaction of time restrictions	22,500	(22,500)	-	-	-
Satisfaction of purpose restrictions	82,510	(82,510)	-	-	-
Appropriation from Capital Campaign	665,000	-	-	665,000	520,000
Total	1,332,179	(66,974)	-	1,265,205	1,388,410
Operating expenses					
Program services	642,770	-	-	642,770	842,298
Supporting services					
General and administrative	293,710	-	-	293,710	328,288
Membership and fundraising	436,672	-	-	436,672	232,765
Total	1,373,152	-	-	1,373,152	1,403,351
Change in net assets from operating activities	(40,973)	(66,974)	-	(107,947)	(14,941)
Comprehensive capital campaign activities					
Capital campaign contributions	-	2,339,014	1,053,667	3,392,681	2,445,854
Capital campaign interest and investment income	-	10,663	-	10,663	2,675
Capital campaign expenses	(415,839)	-	-	(415,839)	(301,029)
Satisfaction of capital campaign restrictions					
Imposition of donor restrictions	-	(105,000)	105,000	-	-
Capital campaign expenses	415,839	(415,839)	-	-	-
Appropriation for operations	-	(665,000)	-	(665,000)	(520,000)
Acquisition of assets	665,061	(665,061)	-	-	-
Change in net assets from non-operating activities	665,061	498,777	1,158,667	2,322,505	1,627,500
Change in net assets before changes related to collection items	624,088	431,803	1,158,667	2,214,558	1,612,559
Purchase of collection items	(2,832)	-	-	(2,832)	(1,823)
Change in net assets	621,256	431,803	1,158,667	2,211,726	1,610,736
Net assets, beginning of year	4,676,895	2,882,598	427,540	7,987,033	6,376,297
Net assets, end of year	\$ 5,298,151	\$ 3,314,401	\$ 1,586,207	\$ 10,198,759	\$ 7,987,033

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

MARTHA'S VINEYARD MUSEUM, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

(With Summarized Financial Information for 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,211,726	\$ 1,610,736
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Adjustments related to operating activities:		
Depreciation and amortization	54,807	47,784
Unrealized loss on investments	4,558	-
Changes in operating assets and liabilities:		
Accounts receivable	(823)	(4,557)
Pledges receivable	89,044	(94,408)
Inventories	214	5,393
Prepaid expenses and other assets	(627)	(12,677)
Accounts payable and accrued liabilities	25,493	8,873
Adjustments related to capital campaign activities:		
Revenue restricted for capital campaign activities	(1,674,014)	(1,607,221)
Revenue restricted for long-term investment	(1,053,667)	(318,633)
Expenditures related to the capital campaign	415,839	301,029
Total adjustments	<u>(2,139,176)</u>	<u>(1,674,417)</u>
Net cash used in operating activities	<u>72,550</u>	<u>(63,681)</u>
Cash flows from investing activities:		
Expenditures for property, plant, and equipment	(490,692)	(19,388)
Purchases of investments	(920,944)	(287,540)
Capital campaign expenditures	(415,839)	(301,029)
Net cash used in investing activities	<u>(1,827,475)</u>	<u>(607,957)</u>
Cash flows from financing activities:		
Contributions collected for long-term investment	808,436	178,633
Contributions collected for capital activities	1,894,983	764,681
Net cash provided by financing activities	<u>2,703,419</u>	<u>943,314</u>
Net increase in cash and cash equivalents	948,494	271,676
Cash and cash equivalents, beginning of year	<u>1,252,946</u>	<u>981,270</u>
Cash and cash equivalents, end of year	<u>\$ 2,201,440</u>	<u>\$ 1,252,946</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.

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.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial statement presentation (continued)

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, 2015, from which the summarized information was derived.

Subsequent events

The Museum has evaluated the financial statement impact of subsequent events occurring through June 12, 2017, the date that the financial statements were available to be issued.

Cash

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

Pledges receivable

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

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

Inventories

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

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.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

In the Comprehensive Capital Campaign, the Museum raised \$3,392,681 and \$2,445,854 in cash and pledges in 2016 and 2015, respectively, which are included in the financial statements. In addition, beyond this amount the Museum received intentions to give of \$249,093 and \$743,000 through letters of intent or pledges with certain specified conditions in 2016 and 2015, respectively.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$260,736 and \$72,304 in 2016 and 2015, respectively, including \$215,694 and \$14,617 related to the capital campaign.

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - PLEDGES RECEIVABLE

Pledges receivable consist of:

	<u>2016</u>	<u>2015</u>
Unrestricted		
Operating	\$ 30,849	\$ 61,848
Restricted		
Operating – for lighthouse access	60,000	80,000
Operating – for Morgan Learning Center	45,000	90,000
Operating – for Catboat Vanity	20,000	20,000
Capital campaign – for endowment	385,231	140,000
Capital campaign	<u>1,835,225</u>	<u>2,023,626</u>
	2,376,305	2,415,474
Less: Unamortized discount	<u>207,583</u>	<u>181,970</u>
	<u>\$ 2,168,722</u>	<u>\$ 2,233,504</u>

Pledges receivable include \$366,680 and \$622,878 of amounts due from Board members in 2016 and 2015 respectively. Further, as of December 31, 2016, the Museum had additional outstanding intentions to give of \$1,868,016 through letters of intent or pledges with certain specified conditions, which are not included above.

As of December 31, 2016, pledges are expected to be received according to the following schedule:

	<u>Operating</u>	<u>Capital</u>
Within one year	\$ 86,849	\$ 885,876
One to five years	59,000	1,334,580
Longer than five years	<u>10,000</u>	<u>-</u>
	<u>\$ 155,849</u>	<u>\$ 2,220,456</u>

3 - ENDOWMENT INVESTMENTS

Endowment investments are presented in the financial statements at fair value and are comprised of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Money market account	\$ 600,976	\$ 287,540
Mutual funds	<u>602,950</u>	<u>-</u>
	<u>\$ 1,203,926</u>	<u>\$ 287,540</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 7,508	\$ 331
Investment gains (losses) unrealized	<u>(4,558)</u>	<u>-</u>
	<u>\$ 2,950</u>	<u>\$ 331</u>

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - ENDOWMENT INVESTMENTS (Continued)

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

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, December 31, 2014	\$ -	\$ 108,576	\$ 108,576
Investment return:			
Interest and dividend income	-	331	331
Additions	<u>-</u>	<u>178,633</u>	<u>178,633</u>
Endowment investments, December 31, 2015	<u>-</u>	<u>287,540</u>	<u>287,540</u>
Investment return:			
Interest and dividend income	7,508	-	7,508
Investment gains (losses) (realized and unrealized)	<u>(4,558)</u>	<u>-</u>	<u>(4,558)</u>
Total investment return	2,950	-	2,950
Additions	<u>-</u>	<u>913,436</u>	<u>913,436</u>
Endowment investments, December 31, 2016	<u>\$ 2,950</u>	<u>\$ 1,200,976</u>	<u>\$ 1,203,926</u>

In addition to the endowment investments, the Museum has pledges receivable restricted for endowment of \$385,231 and \$140,000 as of December 31, 2016 and 2015, respectively.

4 - PROPERTY AND EQUIPMENT

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

	<u>Estimated Useful Lives</u>	<u>2016</u>	<u>2015</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	237,850	210,212
Construction in progress	-	<u>2,594,209</u>	<u>1,929,148</u>
		5,858,940	5,166,241
Less: Accumulated depreciation and amortization		<u>1,027,373</u>	<u>972,566</u>
		<u>\$ 4,831,567</u>	<u>\$ 4,193,675</u>

Depreciation and amortization for property, plant, and equipment was \$54,807 and \$47,784 in 2016 and 2015, 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 follows:

	<u>Unrestricted</u>	
	<u>2016</u>	<u>2015</u>
Total expenses		
Program services	\$ 645,453	\$ 894,020
Supporting services		
General and administrative	383,950	359,483
Membership and fundraising	<u>759,588</u>	<u>450,877</u>
Total	<u>\$ 1,788,991</u>	<u>\$ 1,704,380</u>

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

	<u>2016</u>	<u>2015</u>
Operating expenses	\$ 1,373,152	\$ 1,403,351
Capital campaign expenses	<u>415,839</u>	<u>301,029</u>
	<u>\$ 1,788,991</u>	<u>\$ 1,704,380</u>

6 - RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Capital Campaign	\$ 3,051,363	\$ 2,549,636
Educational programs	141,449	177,090
Collection acquisitions	10,000	10,000
Lighthouse access	37,216	47,216
Lighthouses	18,379	19,379
Film and book publishing	35,684	35,684
Future operations	<u>20,310</u>	<u>43,593</u>
	<u>\$ 3,314,401</u>	<u>\$ 2,882,598</u>

During 2016, 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	\$ 22,500
Educational Programs	68,247
Other Programs	<u>14,263</u>
	105,010
Capital Campaign Activities	<u>1,850,900</u>
	<u>\$ 1,955,910</u>

MARTHA'S VINEYARD MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

6 - RESTRICTED NET ASSETS (Continued)

Permanently restricted net assets are restricted to:

	<u>2016</u>	<u>2015</u>
Endowment investments in perpetuity, the income and appreciation from which is expendable to support the operations of the Museum.	<u>\$ 1,586,207</u>	<u>\$ 427,540</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 2013.

8 - LEASES

The Museum leases property under a lease agreement classified as operating leases for financial statement purposes.

Future minimum lease payments as of December 31, 2016 are as follows:

2017	<u>\$ 6,000</u>
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9 - STATEMENT OF CASH FLOWS

During 2016, the Museum purchased property, plant and equipment totaling \$692,699. Of this amount, \$27,638 was part of the operating capital budget and \$665,061 was related to the capital campaign. At December 31, 2016 accounts payable included \$202,007 related to these purchases resulting in cash expended for property, plant and equipment of \$490,692.

10 - RECLASSIFICATION

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 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, 2016
(With Summarized Financial Information for 2015)

	Program	General and Administrative	Membership and Fund Raising	Totals	
				2016	2015
Salaries and wages	\$ 292,245	\$ 158,626	\$ 276,420	\$ 727,291	\$ 684,740
Employee benefits	33,296	18,072	31,492	82,860	61,524
Payroll taxes	24,466	13,279	23,141	60,886	53,044
Total personnel expenses	350,007	189,977	331,053	871,037	799,308
Accounting and legal	-	12,653	-	12,653	12,035
Advertising	200	50	44,792	45,042	57,687
Collection and exhibits	35,679	-	-	35,679	30,307
Contract services and professional fees	75	8,012	5,012	13,099	13,507
Cost of sales	9,585	-	-	9,585	12,830
Dues and subscriptions	1,139	-	-	1,139	1,165
Insurance	14,907	4,930	-	19,837	20,186
Lighthouses	38,404	-	-	38,404	37,624
Occupancy					
Utilities	16,783	3,325	-	20,108	19,672
Repairs and maintenance	34,253	7,303	-	41,556	25,777
Printing, postage and mailing	930	1,581	11,110	13,621	17,066
Publications for membership	-	-	34,003	34,003	31,167
Programs and events	87,486	-	(310)	87,176	210,708
Staff development	4,272	2,074	3,025	9,371	7,045
Supplies	7,860	32,952	2,964	43,776	35,302
Telephone	1,243	7,334	-	8,577	8,351
Travel	117	-	65	182	1,299
Other	1,330	7,212	4,958	13,500	14,531
Total expenses before depreciation and amortization	604,270	277,403	436,672	1,318,345	1,355,567
Depreciation and amortization	38,500	16,307	-	54,807	47,784
	<u>\$ 642,770</u>	<u>\$ 293,710</u>	<u>\$ 436,672</u>	<u>\$ 1,373,152</u>	<u>\$ 1,403,351</u>

See accompanying independent auditor's report.