

STRAWBERRY BANKE MUSEUM

Financial Statements

March 31, 2017 and 2016

Independent Auditor's Report

To the Board of Trustees
Strawbery Banke Museum

We have audited the accompanying financial statements of Strawbery Banke Museum (a nonprofit organization), which comprise the statements of financial position as of March 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Strawbery Banke Museum as of March 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenue and support, operating expenses, and changes in temporarily restricted net assets (schedules 1 through 3) on pages 18 through 23 are presented for purposes of additional analysis and are not a required part of the basic 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.

The schedule of revenues and operating expenses – budget basis (schedule 4) on page 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, reading "Remya Weston Ouellette". The signature is written in a cursive, flowing style.

November 13, 2017
South Portland, Maine

STRAWBERRY BANKE MUSEUM
Statements of Financial Position
March 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 579,374	568,544
Accounts receivable	22,196	51,835
Pledges receivable, current portion	131,404	126,277
Prepaid expenses	20,874	25,856
Inventory	13,942	15,052
Total current assets	767,790	787,564
Other assets:		
Investments	4,827,584	4,547,495
Beneficial interest in assets held by others	645,568	606,957
Pledges receivable, non-current portion, net	38,144	61,326
Total other assets	5,511,296	5,215,778
Property and equipment:		
Land and buildings	7,136,193	7,134,783
Construction in process	186,427	86,767
Equipment	1,068,463	1,068,463
Total property and equipment	8,391,083	8,290,013
Less accumulated depreciation	(2,817,537)	(2,638,834)
Net property and equipment	5,573,546	5,651,179
Collections-see note page 5	-	-
Total assets	\$ 11,852,632	11,654,521
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	73,311	106,493
Accrued payroll	75,735	23,316
Other current liabilities	52,649	68,050
Deferred revenue	47,119	37,728
Line of credit	20,000	54,206
Loan payable, current portion	2,545	2,495
Total current liabilities	271,359	292,288
Long-term liabilities:		
Loan payable, net of current portion	10,724	13,435
Total long-term liabilities	10,724	13,435
Total liabilities	282,083	305,723
Net assets:		
Unrestricted:		
Designated as quasi-endowment	318,145	315,789
Net investment in property and equipment	5,560,277	5,635,249
Undesignated	959,669	747,245
Total unrestricted net assets	6,838,091	6,698,283
Temporarily restricted	541,474	498,141
Permanently restricted	4,190,984	4,152,374
Total net assets	11,570,549	11,348,798
Total liabilities and net assets	\$ 11,852,632	11,654,521

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

STRAWBERRY BANKE MUSEUM
Statements of Activities
Years Ended March 31, 2017 and 2016

	2017					2016				
	Operating unrestricted	Non-operating unrestricted	Temporarily restricted	Permanently restricted	Total	Operating unrestricted	Non-operating unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:										
Museum activities	\$ 1,043,193	-	79,675	-	1,122,868	1,031,295	-	14,149	-	1,045,444
Development and fundraising	1,032,395	-	358,789	-	1,391,184	2,452,864	-	306,970	30,987	2,790,821
Investment income (loss)	-	13,586	104,911	-	118,497	-	(60,416)	66,415	-	5,999
Net investment gains (losses)	-	155,427	161,692	-	317,119	-	(132,255)	(22,619)	-	(154,874)
Change in value of assets held by others	-	-	-	38,610	38,610	-	-	-	(55,284)	(55,284)
Other income	673,264	-	-	-	673,264	602,929	-	-	-	602,929
Subtotal revenue and support	2,748,852	169,013	705,067	38,610	3,661,542	4,087,088	(192,671)	364,915	(24,297)	4,235,035
Net assets released from restrictions and reclassifications	661,734	-	(661,734)	-	-	573,904	-	(573,904)	-	-
Total revenue and support	3,410,586	169,013	43,333	38,610	3,661,542	4,660,992	(192,671)	(208,989)	(24,297)	4,235,035
Operating expenses:										
Program services:										
Collections	116,642	-	-	-	116,642	115,340	-	-	-	115,340
Marketing	114,765	-	-	-	114,765	112,545	-	-	-	112,545
Property	725,105	-	-	-	725,105	664,356	-	-	-	664,356
Museum store	8,616	-	-	-	8,616	16,032	-	-	-	16,032
Education	754,497	-	-	-	754,497	722,244	-	-	-	722,244
Special fund expense	321,016	-	-	-	321,016	124,541	-	-	-	124,541
Puddle Duck Pond	322,620	-	-	-	322,620	395,682	-	-	-	395,682
Heritage house program	93,352	-	-	-	93,352	67,505	-	-	-	67,505
Depreciation	178,703	-	-	-	178,703	182,058	-	-	-	182,058
Total program services	2,635,316	-	-	-	2,635,316	2,400,303	-	-	-	2,400,303
Supporting services:										
Management and general	502,457	5,604	-	-	508,061	498,607	5,620	-	-	504,227
Development	296,414	-	-	-	296,414	277,571	-	-	-	277,571
Total supporting services	798,871	5,604	-	-	804,475	776,178	5,620	-	-	781,798
Total operating expenses	3,434,187	5,604	-	-	3,439,791	3,176,481	5,620	-	-	3,182,101
Change in net assets	(23,601)	163,409	43,333	38,610	221,751	1,484,511	(198,291)	(208,989)	(24,297)	1,052,934
Net assets, beginning of year as previously stated	3,962,540	2,595,554	498,141	4,292,563	11,348,798	2,478,029	2,793,845	707,130	4,316,860	10,295,864
Prior period adjustment	140,189	-	-	(140,189)	-	140,189	-	-	(140,189)	-
Net assets, beginning of year, restated	4,102,729	2,595,554	498,141	4,152,374	11,348,798	2,618,218	2,793,845	707,130	4,176,671	10,295,864
Net assets, end of year	\$ 4,079,128	2,758,963	541,474	4,190,984	11,570,549	4,102,729	2,595,554	498,141	4,152,374	11,348,798

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

STRAWBERRY BANKE MUSEUM
Statements of Cash Flows
Years Ended March 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 221,751	1,052,934
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Change in value of assets held by others	(38,610)	55,284
Net realized and unrealized (gains) losses on investments	(317,119)	154,874
Depreciation	178,703	182,058
Gift of property and equipment	-	(1,550,000)
Gifts with temporary restrictions	(438,464)	(321,119)
Gifts with permanent restrictions	-	(30,987)
(Increase) decrease in:		
Accounts receivable	29,639	(31,090)
Pledges receivable	18,055	(84,193)
Inventory	1,110	7,849
Prepaid expenses	4,982	(18,639)
Increase (decrease) in:		
Accounts payable	(33,182)	79,603
Accrued payroll	52,419	(5,270)
Other current liabilities	(15,401)	(30,239)
Deferred revenue	9,391	3,913
Net cash and cash equivalents used in operating activities	(326,726)	(535,022)
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(101,071)	(247,191)
Purchases of investments	(111,834)	(109,091)
Proceeds from the sale of investments	148,864	208,001
Net cash and cash equivalents used in investing activities	(64,041)	(148,281)
Cash flows from financing activities:		
Gifts with temporary restrictions	438,464	321,119
Gifts with permanent restrictions	-	30,987
Repayments of line of credit	(34,206)	-
Proceeds from line of credit	-	54,206
Repayments of loan payable	(2,661)	(2,262)
Net cash and cash equivalents provided by financing activities	401,597	404,050
Net change in cash and cash equivalents	10,830	(279,253)
Cash and cash equivalents, beginning of year	568,544	847,797
Cash and cash equivalents, end of year	\$ 579,374	568,544
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 1,918	1,444

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

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Purpose - Strawberry Banke Museum (the Museum) is a public, nonprofit, educational institution in Portsmouth, New Hampshire. Its mission is to promote understanding of the lives of individuals and the value of community through encounters with the history and ongoing preservation of a New England waterfront neighborhood. To accomplish this goal, the Museum:

- Acquires and conserves historic buildings, objects, and other material pertinent to its mission for today's visitors and for future generations;
- Conducts research aimed at placing local developments within the broader context of city, state, and national history;
- Disseminates the results of that research to the public through exhibitions, publications, demonstrations, tours, symposia, workshops, and other educational activities and programs.

Basis of Accounting - The financial statements of the Museum have been prepared on the accrual basis of accounting. Accordingly, revenues and gains are reported when earned and expenses and losses are recorded when incurred.

Basis of Presentation - The Museum follows the provisions of FASB ASC 958-605 *Revenue Recognition-Contributions* and FASB ASC 958-205 *Presentation of Financial Statements*. Under these provisions, 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. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Undesignated - Unrestricted net assets that have not been internally designated by the Board for specified use.

Designated as Quasi-endowment - Net assets consisting of accumulated unrestricted income which the Board has designated to function as an endowment fund. It consists of investments, the income from which is used to fund the Museum operations in accordance with spending policies adopted by the Board.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Museum and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Museum. Generally, the donors of these assets permit the Museum to use all or part of the income earned on related investments for general or specific purposes.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents - For purposes of the statements of cash flows, management considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of short-term investments, money market accounts, and certificates of deposit held by investment companies and banks.

Accounts Receivable - Accounts receivable consist primarily of rent receivables and other items. The Museum considers receivables uncollectible after all efforts for collection have been exhausted. At March 31, 2017 and 2016, the Museum did not consider an allowance for bad debts necessary as all amounts were considered fully collectible.

Inventory - Inventory is valued at the lower of cost (first-in, first-out basis) or market (net realizable). Inventory consists of museum shop merchandise, including books and other publications held for sale.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Interest, dividends, and realized and unrealized gains and losses on these investments are reported as unrestricted revenues in the statements of activities unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Property and Equipment - Property and equipment is carried at cost if purchased or fair value if received by donation. Major additions with expected useful lives of more than one year and initial cost or value exceeding \$1,000 are capitalized as property and equipment, while maintenance and repairs which do not improve or extend the life of the assets are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of 5 to 10 years for equipment and 15 to 40 years for buildings and improvements. Land with a carrying value of \$215,331 is included within land and buildings on the statements of financial position as of March 31, 2017 and 2016, respectively.

Collections - In conformity with the practice followed by many museums, the collections of books, manuscripts, furniture, and other objects, and historical buildings purchased or donated are not included in the statements of financial position. The Museum employs a curator to ensure that its historical buildings and collections are protected and preserved. Purchases of collection items are included in other charges in the statements of activities as a change in net assets. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The insured value of the collection objects and buildings at both March 31, 2017 and 2016, was \$11,161,071.

Collection Policy - Buildings related to the preservation and/or educational mission of the Museum are classified as part of the collection and, as described in the preceding paragraph, are not capitalized as assets in the statements of financial position. These buildings include those used for formal exhibition spaces, buildings maintained exclusively for preservation purposes, and furnished historical buildings. Where buildings have more than one use, the current use associated with a majority of the floor space shall determine the classification of the building.

Reclassifications - Certain prior year balances have been reclassified to correspond to the current year presentation. Such reclassifications had no effect on the results of operations as previously presented.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measure of Operations - In its statements of activities, the Museum includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting services. Investment income, including net realized and unrealized gains and losses, and contributions to temporarily and permanently restricted net assets, are recognized as non-operating support, revenues, gains, and losses.

Contributed Revenue and Support - Contributions and pledges received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donations of marketable securities or other non-cash assets are recorded at fair value as of the date the item is received. Contributions of cash that must be used to acquire property and equipment and collection items are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the acquired asset is placed in service as instructed by the donor. The Museum reclassifies restricted net assets to unrestricted net assets at that time.

Contributions with Restrictions Met in the Same Year - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Functional Expenses - The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to programs and supporting services. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Museum.

Advertising - Advertising costs are expensed as incurred. Advertising costs for the years ended March 31, 2017 and 2016 amounted to \$33,403 and \$36,776, respectively.

Income Taxes - The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1) of the Code.

The Museum follows the provisions of FASB ASC 740-10 *Accounting for Uncertainty in Income Taxes*, which clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There were no liabilities (or reduction in amounts refundable) for unrecognized tax benefits at March 31, 2017 and 2016, and no interest or penalties were accrued. The Museum is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended March 31, 2014 through 2017.

Use of Estimates - The presentation 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Museum maintains cash in bank deposit accounts which may exceed federal deposit insurance limits. The Museum has not experienced any such losses in these accounts. Management believes the Museum is not exposed to any significant credit risk with respect to these accounts. For the years ended March 31, 2017 and 2016, all cash accounts were insured up to \$250,000. As of March 31, 2017 and 2016, the Museum's uninsured cash balances totaled \$140,410 and \$125,436, respectively.

PLEDGES RECEIVABLE

Pledges receivable, net of unamortized discount, assuming a discount rate of 3.0%, are summarized as follows at March 31:

	<u>2017</u>	<u>2016</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 131,404	126,277
One year to five years	44,000	46,182
Thereafter	-	21,000
	175,404	193,459
Less: Current portion	(131,404)	(126,277)
Discount to present value	(5,856)	(5,856)
	\$ 38,144	61,326

No allowance for uncollectible pledges is deemed necessary as management considers all amounts to be fully collectible.

INVESTMENTS

In accordance with FASB ASC 820-10 *Fair Value Measurement*, the Museum reports its investments at fair value, which were comprised of the following at March 31:

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 3,601,279	3,391,906
Fixed income funds	1,173,915	1,152,851
Cash equivalents	52,390	2,738
	\$ 4,827,584	4,547,495

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

ENDOWMENT

At March 31, 2017 and 2016, the Museum held donor-restricted endowments amounting to \$3,628,613 and \$3,410,153, respectively. Additionally, the Museum held board-designated endowments amounting to \$318,145 and \$315,789, respectively, as of these same dates. The purpose of these endowment funds is to provide investment income and gains to further various activities of the Museum.

The Museum has adopted the provisions of FASB ASC 958-205-50-1A *Reporting Endowment Funds*. Under these provisions, the Museum is required to provide the following disclosures relating to its endowment activities.

Relevant Law - The Museum conducts its activities primarily in Portsmouth, New Hampshire, and accordingly considers itself bound by the version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the state of New Hampshire's legislature. In accordance with that statute, the Museum has interpreted state law to require all realized and unrealized gains and losses on permanently restricted investments to be classified as temporarily restricted until appropriated by the Board of Trustees. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of net appreciation (depreciation), net appreciation (depreciation) on permanently restricted endowment investments is available for appropriation and is reported as increases (decreases) in temporarily restricted net assets, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Endowment Spending Policy - The Board of Trustees has approved an annual distribution from the donor-restricted endowment, based on the value of the endowment fund, to support current operations, plus current investment income, to the extent that such distribution does not exceed a prudent level in the judgment of the Trustees. Distributions from the board-designated endowment are determined from time to time by the Board of Trustees based on the current needs of the Museum.

Endowment Investment Policy - The Museum's endowment assets are held in a variety of readily marketable securities including money market instruments, equities, and fixed income obligations. This investment mix has been chosen to provide for an appropriate blend of current income as well as long-term growth in the value of the endowment.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

The Museum's endowment balances were comprised of the following as of March 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowments	\$ -	83,196	3,545,417	3,628,613
Board-designated endowments	318,145	-	-	318,145
Totals	\$ 318,145	83,196	3,545,417	3,946,758

The changes in the Museum's endowment balances for the year ended March 31, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 180,525	-	3,545,417	3,725,942
Investment return:				
Investment income, net of fees	5,825	104,911	-	110,736
Net appreciation	150,718	161,692	-	312,410
Total investment return	156,543	266,603	-	423,146
Contributions	-	-	-	-
Amounts appropriated for expenditure	(18,923)	(183,407)	-	(202,330)
Endowment net assets, end of year	\$ 318,145	83,196	3,545,417	3,946,758

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

The Museum's endowment balances were comprised of the following as of March 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowments (a)	\$ (135,264)	-	3,545,417	3,410,153
Board-designated endowments	315,789	-	-	315,789
Totals	\$ 180,525	-	3,545,417	3,725,942

(a) From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Strawberry Banke Museum to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$135,264 as of March 31, 2016. This deficiency is the result of unfavorable market fluctuations that have occurred since the permanently restricted gift was received and invested.

The changes in the Museum's endowment balances for the year ended March 31, 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 290,908	98,810	3,514,430	3,904,148
Investment return:				
Investment income, net of fees	5,322	66,415	-	71,737
Net depreciation (b)	(145,838)	(22,619)	-	(168,457)
Total investment return	(140,516)	43,796	-	(96,720)
Contributions	30,133	-	30,987	61,120
Amounts appropriated for expenditure	-	(142,606)	-	(142,606)
Endowment net assets, end of year	\$ 180,525	-	3,545,417	3,725,942

(b) According to the provisions of FASC 958-205-45-22 *Losses of an Endowment Fund*, the decline in the fair value of the assets of the donor-restricted endowment fund reduces unrestricted net assets by \$135,264.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with FASB ASC 820-10 *Fair Value Measurement and Disclosure*, the Museum is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements.

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date.

Level 2: Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies during either of the years ended March 31, 2017 and 2016.

- *Money market Funds:* Valued at the closing price as reported on the active market on which the underlying investments of the fund are traded.
- *Bond Funds:* Valued at the closing price as reported on the active market on which the individual securities are traded.
- *Mutual and Exchange Traded Funds:* Valued at the net asset value (NAV) of shares held by the Museum at year end.
- *Beneficial Interest in Perpetual Trust:* Valued at the closing price as reported on the active market on which the underlying individual securities of the Trust are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Museum management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

	Totals <u>03/31/17</u>	<u>Fair value measurements at 03/31/17 using:</u>		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Cash equivalents	\$ 52,390	52,390	-	-
Mutual funds:				
International exchange traded	2,856,783	2,856,783	-	-
Real estate funds	461,344	461,344	-	-
Absolute return	200,304	200,304	-	-
Index funds	82,848	82,848	-	-
Total mutual funds	3,601,279	3,601,279	-	-
Fixed income:				
Short-term bond funds	727,192	727,192	-	-
Corporate exchange traded	237,148	237,148	-	-
Other bond funds	209,575	209,575	-	-
Total fixed income	1,173,915	1,173,915	-	-
Beneficial interest in assets held by others	645,568	-	-	645,568
Totals	\$ 5,473,152	4,827,584	-	645,568

Fair value measurements at 03/31/17 using
significant unobservable inputs (Level 3):

	<u>Beneficial interest in assets held by others</u>
Beginning balance	\$ 606,957
Total realized and unrealized gains (losses) included in change in net assets	64,208
Purchases	-
Issuances	-
Distributions	(25,597)
Ending balance	\$ 645,568

Transfers between asset levels are recognized on the actual date of the event, or change in circumstances, that caused the transfer. There were no such transfers between levels during the years ended March 31, 2017 and 2016.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

	Totals <u>03/31/16</u>	Fair value measurements at 03/31/16 using:		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Cash equivalents	\$ 2,738	2,738	-	-
Mutual funds:				
International exchange traded	2,650,836	2,650,836	-	-
Real estate funds	481,261	481,261	-	-
Absolute return	197,444	197,444	-	-
Index funds	62,365	62,365	-	-
Total mutual funds	3,391,906	3,391,906	-	-
Fixed income:				
Short-term bond funds	734,140	734,140	-	-
Corporate exchange traded	210,023	210,023	-	-
Other bond funds	208,688	208,688	-	-
Total fixed income	1,152,851	1,152,851	-	-
Beneficial interest in assets held by others	606,957	-	-	606,957
Totals	\$ 5,154,452	4,547,495	-	606,957

BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Museum is the sole beneficiary of three designated investment funds held by the New Hampshire Charitable Foundation (the Foundation). Pursuant to the terms of the resolution establishing these funds, property contributed to the Foundation is held as a separate fund designated for the benefit of the Museum. In accordance with its spending policy the Foundation makes distributions from the funds to the Museum. The distributions are approximately 4.25% of the market value of the funds per year. The estimated value of the future distributions from the fund is included in these financial statements as required under FASB ASC 958-605 *Revenue Recognition-Contributions*, however all property in the funds was contributed to the Foundation to be held and administered for the benefit of the Museum.

The amounts received from the funds for the years ended March 31, 2017 and 2016, totaled \$25,597 and \$25,116, respectively. Total market value of the assets held in these funds amounted to \$645,568 and \$606,957 at March 31, 2017 and 2016, respectively.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

TRUST FUNDS

The Museum is the sole beneficiary of three designated funds held by the New Hampshire Charitable Foundation (the Foundation). Pursuant to the terms of the resolution establishing these funds, property contributed to the Foundation is held as a separate fund designated for the benefit of the Museum. In accordance with its spending policy the Foundation makes distributions from the fund to the Museum. The distributions are approximately 4.03% of the market value of the funds per year. The funds are not included in these financial statements, since all property in the funds was contributed to the Foundation by third party donors to be held and administered for the benefit of the Museum. During the years ended March 31, 2017 and 2016, the Museum received \$8,125 and \$7,588, respectively, from these trusts. Total market value of the assets held in these trusts amounted to \$194,508 and \$182,472 at March 31, 2017 and 2016, respectively.

The Museum is also the sole income beneficiary of several trust funds held by third parties. At March 31, 2017 and 2016, these trust funds had fair values of \$4,555,593 and \$4,458,317, respectively. During the years ended March 31, 2017 and 2016, the Museum received \$171,632 and \$175,166, respectively, from the trust funds. In accordance with accounting principles generally accepted in the United States of America, the trust funds assets are not presented in the Museum's financial statements.

LOAN PAYABLE

In March, 2013 the Museum entered into an uncollateralized loan agreement with the City of Portsmouth, NH for an amount totaling \$25,240. Ten payments of principal and interest, at 2% per annum, are due annually on April 1. Required future minimum principal payments are as follows at March 31:

2018	\$ 2,545
2019	2,596
2020	2,648
2021	2,701
<u>2022</u>	<u>2,779</u>
Total	<u>\$ 13,269</u>

LINE OF CREDIT

The Museum has an unsecured line of credit with a local bank with a maximum borrowing limit of \$250,000. Interest is payable monthly at the Wall Street Prime rate, set annually. The interest rate was 3.50% at March 31, 2017 and 2016, respectively. At March 31, 2017 and 2016, the Museum had \$20,000 and \$54,206 outstanding on this line of credit, respectively and paid interest on the line in the amount of \$1,603 and \$1,080, respectively. This line of credit is required to be paid down to at least fifty percent (50%) of its high balance for thirty (30) consecutive days within a 12-month cycle.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

LEASES

The Museum has a number of spaces in buildings located on its property which are leased to individuals and companies. All lessees sign a lease upon initial renting of their space. When leases are not formally renewed or extended, and the lessees continue to occupy their spaces, the lessees are then considered tenants-at-will. Rental income from these properties totaled \$496,950 and \$440,843, respectively, for the years ended March 31, 2017 and 2016. Cost basis and accumulated depreciation information on the buildings with rental space was as follows at March 31:

	<u>2017</u>	<u>2016</u>
Buildings - cost	\$ 3,119,835	3,100,746
Less accumulated depreciation	(590,200)	(524,140)
Net	\$ 2,529,635	2,576,606

As of March 31, 2017 and 2016, the Museum had several leases with various individuals and companies, all of which are either cancelable month-to-month leases or have a lease term that does not exceed one year.

OPERATING LEASE OBLIGATIONS

At March 31, 2017, the Museum held certain equipment subject to an operating lease. The lease is non-cancelable and calls for monthly payments of \$435 per month. During the years ended March 31, 2017 and 2016, the Museum incurred rental costs in relation to all operating leases amounting to \$5,220 each year. Estimated future minimum payments under these leases are as follows:

<u>Year ending</u>	<u>Amount</u>
2018	\$ 5,220
2019	5,220
<u>2020</u>	<u>652</u>
Total	\$ 11,092

IN-KIND CONTRIBUTIONS

Donated services are recognized as contributions in accordance with FASB ASC 958-605 *Revenue Recognition-Contributions*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Museum. The value of contributed professional services and other in-kind contributed property and materials for the years ended March 31, 2017 and 2016, was \$22,993 and \$5,580, respectively.

Over 300 unpaid volunteers have made significant contributions of their time to further the Museum's activities. The value of this contributed time is not reflected in these statements since the criteria of FASB ASC 958-605, *Revenue Recognition-Contributions*, for those services, is not met.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

TEMPORARILY RESTRICTED NET ASSETS

Balances of, and changes in, temporarily restricted net assets as of and for the years ended March 31, 2017 and 2016, are presented within supplemental Schedule 3 following the notes on pages 22 and 23.

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at March 31:

	<u>2017</u>	<u>2016</u>
Marion H. Elder	\$ 809,727	809,727
Edward V. French	123,291	123,291
Emily Fisher Cartwright	130,484	130,484
Clark, Thompson, Brown, & Gartner	100,261	100,261
Rice Endowment	3,165	3,165
Lawrence Grady	22,328	22,328
Taylor Memorial Fund - MT Brown	50,000	50,000
Cecil C. Humphreys Memorial Fund	5,000	5,000
R.M. Gerrity	45,534	45,534
Shapiro House	47,543	47,543
Gift Annuity	21,598	21,598
Storer Goodwin Decatur	4,744	4,744
Memorial Fund	2,840	2,840
Marden House	15,000	15,000
NHCF – Thomas Bailey Aldrich Fund	158,699	149,211
NHCF – Guild of Strawberry Museum Fund	31,822	29,904
NHCF – Lawrence K. Grady Fund	455,046	427,842
The John Butler Smith & Gladys L. Smith Trusts	634,168	634,168
Shapiro Family Foundation Endowment	91,775	91,775
Campaign for Sustainability	1,437,959	1,437,959
Total permanently restricted net assets	\$ 4,190,984	4,152,374

BOARD-DESIGNATED NET ASSETS

The Museum has designated certain investment assets to be held at the Board's discretion for purposes of generating investment return to support the Museum's operations. The balances of such board-designated investment assets are captioned as quasi-endowment net assets within the statements of financial position, and amounted to \$318,145 and \$315,789 at March 31, 2017 and 2016, respectively.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

PENSION BENEFIT PLAN

The Museum has established a defined contribution plan for all employees meeting certain eligibility requirements. The Museum matches employee contributions up to a maximum of 3% of eligible employee wages. For the years ended March 31, 2017 and 2016, contributions to the plan were \$23,880 and \$12,556, respectively.

PRIOR PERIOD ADJUSTMENT

During the year ended March 31, 2017, it was discovered that prior capital campaign pledges written off as uncollectible in previous years, had been incorrectly applied against unrestricted net assets, when in fact they should have been applied against permanently restricted net assets. Accordingly, a net asset reclassification in the amount of \$140,189 has been reflected as a prior period adjustment on the statements of activities.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through November 13, 2017, which is the date these financial statements were available to be issued.

STRAWBERRY BANKE MUSEUM
Schedules of Revenue and Support
Years Ended March 31, 2017 and 2016

	2017	2016
Museum activities:		
Admissions	\$ 533,513	488,187
Grants	79,675	51,399
Programs	210,011	216,455
Events	299,669	289,403
Total museum activities	1,122,868	1,045,444
Development and fundraising:		
Memberships	152,797	123,003
Contributed income	1,161,690	2,590,193
Corporate sponsorship	76,697	77,625
Total development and fundraising	1,391,184	2,790,821
Investment income:		
Net investment gains (losses)	355,729	(210,158)
Investment income (loss)	118,497	5,999
Total investment income (loss)	474,226	(204,159)
Other income:		
Rent	547,350	487,980
Skate rental	48,473	48,473
Museum store	16,768	18,782
Miscellaneous	60,673	47,694
Total other income	673,264	602,929
Total revenue and support	\$ 3,661,542	4,235,035

See independent auditor's report.

STRAWBERRY BANKE MUSEUM
Schedules of Operating Expenses
Years Ended March 31, 2017 and 2016

	2017	2016
Collections:		
Salaries	\$ 97,336	94,615
Payroll taxes and benefits	15,511	15,256
Curator's department	2,695	4,135
Archaeology department	1,100	1,334
Total collections	116,642	115,340
Marketing:		
Marketing expense	114,765	112,545
Total marketing	114,765	112,545
Property:		
Salaries	195,692	174,764
Payroll taxes and benefits	36,800	33,740
Maintenance and operations	420,477	379,275
Real estate taxes	53,318	64,152
Security	18,818	12,425
Total property	725,105	664,356
Museum store:		
Cost of sales	8,777	14,842
Operating expenses	(161)	1,190
Total museum store	8,616	16,032

STRAWBERRY BANKE MUSEUM
Schedules of Operating Expenses, Continued

	2017	2016
Education:		
Salaries	\$ 464,486	452,823
Payroll taxes and benefits	71,081	65,514
Events	140,064	124,681
Historical gardens	15,451	24,709
Programs	63,415	54,517
Total education	754,497	722,244
Special fund expense	321,016	124,541
Heritage House Program:		
Salaries	\$ 34,042	21,502
Payroll taxes and benefits	12,068	14,296
Materials	10,193	20,653
Professional services	5,041	4,299
In-kind services	-	-
Miscellaneous	32,008	6,755
Total Heritage House Program	93,352	67,505
Puddle Duck Pond:		
Salaries	4,295	4,775
Payroll taxes and benefits	331	448
Marketing	3,142	6,321
Materials	618	-
In-kind services	-	100
Program costs	132,147	147,032
Office supplies	339	2,443
Repairs and maintenance	170,092	217,087
Professional services	1,278	292
Insurance	-	10,875
Miscellaneous	5,572	1,914
Interest expense	1,603	1,080
Bank fees	3,203	3,315
Total Puddle Duck Pond	322,620	395,682
Depreciation	178,703	182,058

STRAWBERRY BANKE MUSEUM
Schedules of Operating Expenses, Continued

	2017	2016
Management and general:		
Salaries	267,215	261,352
Payroll taxes and benefits	54,259	45,763
Insurance	75,050	88,890
Professional services	25,825	25,661
Office supplies	5,423	5,725
Directors contingencies	3,996	4,391
Interest expense	315	364
Postage	7,013	5,021
Equipment maintenance	11,683	13,000
Trustee and overseer annual meeting	652	712
Meetings and staff development	6,091	9,648
Travel	374	55
Miscellaneous	44,561	38,025
Total administrative	502,457	498,607
Development:		
Salaries	219,654	223,734
Payroll taxes and benefits	27,223	30,726
Membership and development	19,999	17,373
Publicity and promotion	5,545	5,603
In-kind services	23,993	135
Bad debt	-	-
Total development	296,414	277,571
Total operating expenses	\$ 3,434,187	3,176,481
	<i>See independent auditor's report.</i>	

STRAWBERRY BANKE MUSEUM
Schedule of Changes in Temporarily Restricted Net Assets
Years Ended March 31, 2017 and 2016

	2017					2016				
	Net asset	Inter-fund	Income	Net assets	Net asset	Net asset	Inter-fund	Income	Net assets	Net asset
	balances			released from	balances	balances			released from	balances
March 31, 2016	transfers	restrictions	March 31, 2017	March 31, 2015	transfers	restrictions	March 31, 2016			
Education:										
New Education Programs	\$ -	-	-	-	-	2,248	-	-	(2,248)	-
Elizabeth P. Nowers Fund	2,227	-	-	-	2,227	2,727	-	-	(500)	2,227
Theater Project	6,793	-	-	-	6,793	13,228	-	-	(6,435)	6,793
On-line curriculum pilot	3,156	-	-	-	3,156	3,156	-	-	-	3,156
Treaty of Portsmouth Lecture Series	673	-	-	(230)	443	709	-	-	(36)	673
Time Travel Workshops	-	-	-	-	-	(430)	430	-	-	-
Time Travel Workshops-Immigration	-	-	-	-	-	2,497	(2,461)	-	(36)	-
Time Travel Workshops 9/1/14-8/31/15	-	-	-	-	-	20,481	(5,326)	-	(15,155)	-
IMLS Grant	-	-	57,659	(57,659)	-	-	-	-	-	-
NH State Council on the Arts	-	-	9,500	(9,500)	-	-	-	-	-	-
Time Travel Workshops 9/1/15-8/31/16	11,084	-	29,600	(40,684)	-	10,785	7,357	18,000	(25,058)	11,084
Boat Shop Project	7,507	-	21,562	(20,696)	8,373	(2,552)	-	14,238	(4,179)	7,507
Total education	31,440	-	118,321	(128,769)	20,992	52,849	-	32,238	(53,647)	31,440
Restoration and maintenance:										
Archaeology	427	-	1,000	-	1,427	427	-	-	-	427
Maintenance - Jones	7,667	-	19,250	(15,029)	11,888	1,867	-	5,800	-	7,667
Cotton Tenant House	523	-	-	-	523	323	-	200	-	523
Heritage House project	286,369	-	156,255	(193,010)	249,614	395,548	-	210,444	(319,623)	286,369
Community Development Block Grant	4,630	-	6,675	(10,976)	329	1,748	-	15,125	(12,243)	4,630
Tyco Center Renovation	-	-	-	-	-	-	-	-	-	-
Puddle Dock Pond	11,000	-	52,070	(51,570)	11,500	19,000	-	-	(8,000)	11,000
Pitt Tavern Painting	1,366	-	-	(1,366)	-	1,366	-	-	-	1,366
Chicken Coop	550	-	-	-	550	-	-	600	(50)	550
House Painting	5,894	-	7,750	(1,953)	11,691	8,040	-	14,750	(16,896)	5,894
Picnic Tables	(655)	-	-	-	(655)	(655)	-	-	-	(655)
Lowd House-Lchip	20,694	-	14,308	(35,002)	-	23,275	-	-	(2,581)	20,694
Total restoration and maintenance	338,465	-	257,308	(308,906)	286,867	450,939	-	246,919	(359,393)	338,465

STRAWBERRY BANKE MUSEUM
Schedule of Changes in Temporarily Restricted Net Assets, Continued

	2017					2016				
	Net asset balances March 31, 2016	Inter-fund transfers	Income	Net assets released from restrictions	Net asset balances March 31, 2017	Net asset balances March 31, 2015	Inter-fund transfers	Income	Net assets released from restrictions	Net asset balances March 31, 2016
Collections:										
Collections	\$ 557	-	-	-	557	57	-	500	-	557
Deaccession Fund	-	-	4,500	-	4,500	-	-	-	-	-
Acquisitions	2,770	-	-	-	2,770	7,188	-	3,750	(8,168)	2,770
Allen Breed furniture	100	-	-	(100)	-	100	-	-	-	100
Interpretation of Cotton Tenant House	242	-	-	-	242	2,342	-	-	(2,100)	242
Library (Fales)	3,149	-	-	-	3,149	4,101	-	-	(952)	3,149
Game On	600	-	-	-	600	-	-	600	-	600
FEMA Grant	-	-	7,576	(7,516)	60	-	-	-	-	-
Exhibits	25,755	-	-	(24,289)	1,466	4,242	-	25,242	(3,729)	25,755
Total collections	33,173	-	12,076	(31,905)	13,344	18,030	-	30,092	(14,949)	33,173
Horticulture:										
Horticulture	1,889	-	3,292	(1,720)	3,461	500	-	1,965	(576)	1,889
Children's garden	1,622	-	-	(239)	1,383	1,650	-	-	(28)	1,622
Victory garden	299	-	-	(273)	26	519	-	-	(220)	299
NHCF TBA Garden	4,398	-	-	-	4,398	4,398	-	-	-	4,398
Center for Heirloom Gardens	6,410	-	36,550	(200)	42,760	1,616	-	8,200	(3,406)	6,410
Herb garden arbor	997	-	-	-	997	997	-	-	-	997
Shapiro garden	310	-	-	-	310	310	-	-	-	310
Total horticulture	15,925	-	39,842	(2,432)	53,335	9,990	-	10,165	(4,230)	15,925
Master plan:										
Masterplan	738	-	-	(738)	-	738	-	-	-	738
Total master plan	738	-	-	(738)	-	738	-	-	-	738
Discretionary funds:										
Disability survey	234	-	-	-	234	234	-	-	-	234
Aerial images	15,789	-	-	-	15,789	15,789	-	-	-	15,789
Giving Tree	185	-	-	-	185	185	-	-	-	185
Children's book	4,945	-	10,917	(5,355)	10,507	3,240	-	1,705	-	4,945
Green Museum	642	-	-	-	642	642	-	-	-	642
Board development	29	-	-	-	29	29	-	-	-	29
Total discretionary funds	21,824	-	10,917	(5,355)	27,386	20,119	-	1,705	-	21,824
Salary support:										
Archaeology	175	-	-	-	175	175	-	-	-	175
Total salary support	175	-	-	-	175	175	-	-	-	175
Pledges receivable:										
Unrestricted contributions	56,401	-	-	(222)	56,179	55,480	-	-	921	56,401
Total pledges receivable	56,401	-	-	(222)	56,179	55,480	-	-	921	56,401
Accumulated Endowment Earnings	-	-	266,603	(183,407)	83,196	98,810	-	43,796	(142,606)	-
Total temporarily restricted net assets	\$ 498,141	-	705,067	(661,734)	541,474	707,130	-	364,915	(573,904)	498,141

See independent auditor's report.

STRAWBERRY BANKE MUSEUM
Schedules of Revenues and Operating Expenses - Budget Basis
Years Ended March 31, 2017 and 2016

	2017 (Unaudited)	2016 (Unaudited)
REVENUES		
Admission fees	\$ 438,409	378,182
School groups	95,104	110,005
Retail sales	18,266	20,906
Event revenue	254,112	282,911
Program revenue	104,567	65,273
Misc income	3,669	4,877
Annual fund	486,413	442,144
Individual memberships	137,922	117,332
Corporate support	82,933	83,521
Investment income	187,804	194,114
Trust income	80,354	82,869
Rental income	527,323	475,966
Management fees	40,498	39,268
Restricted funds	131,028	132,133
Total Revenues	2,588,402	2,429,501
OPERATING EXPENSES		
Salaries	1,320,691	1,262,932
Payroll taxes	93,231	91,883
Benefits	115,505	102,638
Insurance	73,050	81,338
Administrative office	45,974	45,721
Business & operations	582,701	511,267
Utilities	185,980	187,881
Rental expense	159,790	137,421
Line of credit interest	315	364
Total operating expenses	2,577,237	2,421,445
Excess deficiency of revenues under operating expenses - budget basis	\$ 11,165	8,056

See independent auditor's report.