

STRAWBERRY BANKE MUSEUM

Financial Statements

March 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



December 15, 2016
South Portland, Maine

STRAWBERRY BANKE MUSEUM
Statements of Financial Position
March 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 568,544	847,797
Accounts receivable	51,835	20,745
Pledges receivable, current portion	126,277	40,101
Prepaid expenses	25,856	7,217
Inventory	15,052	22,901
Total current assets	787,564	938,761
Other assets:		
Investments	4,547,495	4,801,279
Beneficial interest in assets held by others	606,957	662,241
Pledges receivable, non-current portion, net	61,326	63,309
Total other assets	5,215,778	5,526,829
Property and equipment:		
Land and buildings	7,134,783	5,087,526
Construction in process	86,767	336,833
Equipment	1,068,463	1,068,463
Total property and equipment	8,290,013	6,492,822
Less accumulated depreciation	(2,638,834)	(2,456,776)
Net property and equipment	5,651,179	4,036,046
Collections-see note page 5	-	-
Total assets	\$ 11,654,521	10,501,636
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	106,493	26,890
Accrued payroll	23,316	28,586
Other current liabilities	68,050	98,289
Deferred revenue	37,728	33,815
Line of credit	54,206	-
Loan payable, current portion	2,495	2,446
Total current liabilities	292,288	190,026
Long-term liabilities:		
Loan payable, net of current portion	13,435	15,746
Total long-term liabilities	13,435	15,746
Total liabilities	305,723	205,772
Net assets:		
Unrestricted:		
Designated as quasi-endowment	315,789	290,908
Net investment in property and equipment	5,635,249	4,017,854
Undesignated	607,055	963,112
Total unrestricted net assets	6,558,094	5,271,874
Temporarily restricted	498,141	707,130
Permanently restricted	4,292,563	4,316,860
Total net assets	11,348,798	10,295,864
Total liabilities and net assets	\$ 11,654,521	10,501,636

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

STRAWBERRY BANKE MUSEUM
Statements of Activities
Years Ended March 31, 2016 and 2015

	2016					2015				
	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	\$ 994,045	-	14,149	-	1,008,194	941,052	-	-	-	941,052
Development and fundraising	2,490,114	-	306,970	30,987	2,828,071	1,041,976	-	966,449	717,890	2,726,315
Investment income (loss)	-	(60,416)	66,415	-	5,999	-	6,229	82,105	-	88,334
Net investment gains (losses)	-	(132,255)	(22,619)	-	(154,874)	-	9,098	99,619	-	108,717
Change in value of assets held by others	-	-	-	(55,284)	(55,284)	-	-	-	14,042	14,042
Other income	602,929	-	-	-	602,929	606,357	-	-	-	606,357
Subtotal revenue and support	4,087,088	(192,671)	364,915	(24,297)	4,235,035	2,589,385	15,327	1,148,173	731,932	4,484,817
Net assets released from restrictions and reclassifications	573,904	-	(573,904)	-	-	1,073,391	-	(1,073,391)	-	-
Total revenue and support	4,660,992	(192,671)	(208,989)	(24,297)	4,235,035	3,662,776	15,327	74,782	731,932	4,484,817
Operating expenses:										
Program services:										
Collections	115,340	-	-	-	115,340	104,382	-	-	-	104,382
Marketing	112,545	-	-	-	112,545	112,161	-	-	-	112,161
Property	664,356	-	-	-	664,356	670,390	-	-	-	670,390
Museum store	16,032	-	-	-	16,032	18,990	-	-	-	18,990
Education	722,244	-	-	-	722,244	707,769	-	-	-	707,769
Special fund expense	124,541	-	-	-	124,541	200,486	-	-	-	200,486
Puddle Duck Pond	395,682	-	-	-	395,682	374,647	-	-	-	374,647
Heritage house program	67,505	-	-	-	67,505	37,711	-	-	-	37,711
Total program services	2,218,245	-	-	-	2,218,245	2,226,536	-	-	-	2,226,536
Supporting services:										
Management and general	498,607	5,620	-	-	504,227	460,993	5,997	-	-	466,990
Development	277,571	-	-	-	277,571	382,248	-	-	-	382,248
Depreciation	182,058	-	-	-	182,058	175,951	-	-	-	175,951
Total supporting services	958,236	5,620	-	-	963,856	1,019,192	5,997	-	-	1,025,189
Total operating expenses	3,176,481	5,620	-	-	3,182,101	3,245,728	5,997	-	-	3,251,725
Change in net assets	1,484,511	(198,291)	(208,989)	(24,297)	1,052,934	417,048	9,330	74,782	731,932	1,233,092
Net assets, beginning of year	2,478,029	2,793,845	707,130	4,316,860	10,295,864	2,060,981	2,784,515	632,348	3,584,928	9,062,772
Net assets, end of year	\$ 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

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

STRAWBERRY BANKE MUSEUM
Statements of Cash Flows
Years Ended March 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 1,052,934	1,233,092
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	55,284	(14,042)
Net realized and unrealized (gains) losses on investments	154,874	(108,717)
Depreciation	182,058	175,951
Gift of property and equipment	(1,550,000)	-
Gifts with temporary restrictions	(321,119)	(966,449)
Gifts with permanent restrictions	(30,987)	(717,890)
(Increase) decrease in:		
Accounts receivable	(31,090)	(9,908)
Pledges receivable	(84,193)	149,569
Inventory	7,849	2,301
Prepaid expenses	(18,639)	1,147
Increase (decrease) in:		
Accounts payable	79,603	(5,698)
Accrued payroll	(5,270)	1,324
Other current liabilities	(30,239)	72,619
Deferred revenue	3,913	7,647
Net cash and cash equivalents used in operating activities	(535,022)	(179,054)
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(247,191)	(747,152)
Purchases of investments	(109,091)	(838,426)
Proceeds from the sale of investments	208,001	272,361
Net cash and cash equivalents used in investing activities	(148,281)	(1,313,217)
Cash flows from financing activities:		
Gifts with temporary restrictions	321,119	966,449
Gifts with permanent restrictions	30,987	717,890
Proceeds from line of credit	54,206	-
Repayments of loan payable	(2,262)	(2,391)
Net cash and cash equivalents provided by financing activities	404,050	1,681,948
Net change in cash and cash equivalents	(279,253)	189,677
Cash and cash equivalents, beginning of year	847,797	658,120
Cash and cash equivalents, end of year	\$ 568,544	847,797
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 1,444	2,293

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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.

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, 2016 and 2015 amounted to \$36,776 and \$33,849, 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, 2016 and 2015, 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, 2013 through 2016.

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, 2016 and 2015, all cash accounts were insured up to \$250,000. As of March 31, 2016 and 2015, the Museum's uninsured cash balances totaled \$125,436 and \$364,275, respectively.

PLEDGES RECEIVABLE

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

	<u>2016</u>	<u>2015</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 126,277	40,101
One year to five years	46,182	48,000
Thereafter	21,000	21,000
	<hr/> 193,459	<hr/> 109,101
Less: Current portion	(126,277)	(40,101)
Discount to present value	(5,856)	(5,691)
	<hr/>	<hr/>
Total non-current portion	\$ 61,326	63,309

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 composed of the following at March 31:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 3,526,381	3,934,269
Fixed income funds	1,021,114	867,010
	<hr/>	<hr/>
Total investments	\$ 4,547,495	4,801,279

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

ENDOWMENT

At March 31, 2016 and 2015, the Museum held donor-restricted endowments amounting to \$3,410,153 and \$3,613,240, respectively. Additionally, the Museum held board-designated endowments amounting to \$315,789 and \$290,908, 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, 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

ENDOWMENT, CONTINUED

The Museum's endowment balances were comprised of the following as of March 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowments	\$ -	98,810	3,514,430	3,613,240
Board-designated endowments	290,908	-	-	290,908
Totals	\$ 290,908	98,810	3,514,430	3,904,148

The changes in the Museum's endowment balances for the year ended March 31, 2015 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 286,200	100,106	2,796,540	3,182,846
Investment return:				
Investment income, net of fees	6,051	82,105	-	88,156
Net appreciation (depreciation)	6,559	99,619	-	106,178
Total investment return	12,610	181,724	-	194,334
Contributions	-	-	717,890	717,890
Amounts appropriated for expenditure	(7,902)	(183,020)	-	(190,922)
Endowment net assets, end of year	\$ 290,908	98,810	3,514,430	3,904,148

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 used at March 31, 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.
- *TIFF Multi-Asset Fund:* As of March 31, 2015 was measured using a pro-rata allocation of the components of that fund.

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

	<u>Fair value measurements at 03/31/16 using:</u>			
	Totals <u>03/31/16</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	\$ 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	-	-
TIFF multi-asset fund	-	-	-	-
Beneficial interest in assets held by others	606,957	-	-	606,957
Totals	\$ 5,154,452	4,547,495	-	606,957

Fair value measurements at 03/31/16 using
significant unobservable inputs (Level 3):

	Beneficial interest in assets held by others
Beginning balance	\$ 662,241
Total realized and unrealized gains (losses) included in change in net assets	(30,168)
Purchases	-
Issuances	-
Settlements	(25,116)
Ending balance	\$ 606,957

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, 2016 and 2015.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

	Totals 03/31/15	Fair value measurements at 03/31/15 using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	\$ 37,030	37,030	-	-
Mutual funds:				
International exchange traded	2,266,469	2,266,469	-	-
Real estate funds	363,648	363,648	-	-
Absolute return	155,540	155,540	-	-
Index funds	39,270	39,270	-	-
Total mutual funds	2,824,927	2,824,927	-	-
Fixed income:				
Short-term bond funds	541,159	541,159	-	-
Corporate exchange traded	169,051	169,051	-	-
Other bond funds	156,800	156,800	-	-
Total fixed income	867,010	867,010	-	-
TIFF multi-asset fund	1,072,312	-	1,072,312	-
Beneficial interest in assets held by others	662,241	-	-	662,241
Totals	\$ 5,463,520	3,728,967	1,072,312	662,241

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, 2016 and 2015, totaled \$25,116 and \$23,471, respectively. Total market value of the assets held in these funds amounted to \$606,957 and \$662,241 at March 31, 2016 and 2015, respectively. Cumulative transfers to the Foundation at both March 31, 2016 and 2015, totaled \$322,486.

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, 2016 and 2015, the Museum received \$7,588 and \$7,125, respectively, from these trusts. Total market value of the assets held in these trusts amounted to \$182,472 and \$199,158 at March 31, 2016 and 2015, respectively.

The Museum is also the sole income beneficiary of several trust funds held by third parties. At March 31, 2016 and 2015, these trust funds had fair values of \$4,458,317 and \$4,506,839, respectively. During the years March 31, 2016 and 2015, the Museum received \$175,166 and \$185,368, 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 were as follows at March 31, 2016:

2017	\$ 2,495
2018	2,545
2019	2,596
2020	2,648
2021	2,701
Thereafter	2,945
Total	<u>\$ 15,930</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, 2016 and 2015, respectively. At March 31, 2016 and 2015, the Museum had \$54,206 and \$0 outstanding on this line of credit, respectively and paid interest on the line in the amount of \$1,080 and \$2,293, 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 \$440,843 and \$411,754, respectively, for the years ended March 31, 2016 and 2015. Cost basis and accumulated depreciation information on the buildings with rental space was as follows at March 31:

	<u>2016</u>	<u>2015</u>
Buildings - cost	\$ 3,100,746	1,306,249
Less accumulated depreciation	(524,140)	(481,603)
Net	\$ 2,576,606	824,646

As of March 31, 2016 and 2015, 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, 2016 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, 2016 and 2015, the Museum incurred rental costs in relation to all operating leases amounting to \$5,220 and \$8,976, respectively. Estimated future minimum payments under these leases are as follows:

<u>Year ending</u>	<u>Amount</u>
2017	\$ 5,220
2018	5,220
2019	5,220
2020	652
	-
Total	\$ 16,212

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, 2016 and 2015, was \$5,580 and \$116,536, 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, 2016 and 2015, are presented within supplemental Schedule 3 following the notes on pages 21 and 22.

PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</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	149,210	162,793
NHCF – Guild of Strawberry Museum Fund	29,904	32,662
NHCF – Lawrence K. Grady Fund	427,842	466,786
The John Butler Smith & Gladys L. Smith Trusts	634,168	634,168
Shapiro Family Foundation Endowment	91,776	64,775
Campaign for Sustainability	1,578,148	1,574,161
Total permanently restricted net assets	\$ 4,292,563	4,316,860

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 \$315,789 and \$290,908 at March 31, 2016 and 2015, respectively.

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, 2016 and 2015, contributions to the plan were \$12,556 and \$13,985, respectively.

STRAWBERRY BANKE MUSEUM
Notes to Financial Statements, Continued

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through December 15, 2016, which is the date these financial statements were available to be issued.

STRAWBERRY BANKE MUSEUM
Schedules of Revenue and Support
Years Ended March 31, 2016 and 2015

	2016	2015
Museum activities:		
Admissions	\$ 488,187	471,190
Grants	51,399	33,691
Programs	216,455	193,380
Events	289,403	276,482
Total museum activities	1,045,444	974,743
Development and fundraising:		
Memberships	123,003	120,119
Contributed income	2,590,193	2,507,065
Corporate sponsorship	77,625	65,440
Total development and fundraising	2,790,821	2,692,624
Investment income:		
Net investment gains (losses)	(210,158)	122,759
Investment income (loss)	5,999	88,334
Total investment income (loss)	(204,159)	211,093
Other income:		
Rent	487,980	461,816
Skate rental	48,473	59,268
Museum store	18,782	21,803
Miscellaneous	47,694	63,470
Total other income	602,929	606,357
Total revenue and support	\$ 4,235,035	4,484,817

See independent auditor's report.

STRAWBERRY BANKE MUSEUM
Schedules of Operating Expenses
Years Ended March 31, 2016 and 2015

	2016	2015
Collections:		
Salaries	\$ 94,615	86,225
Payroll taxes and benefits	15,256	12,645
Curator's department	4,135	3,515
Archaeology department	1,334	1,997
Total collections	115,340	104,382
Marketing:		
Marketing expense	112,545	112,161
Total marketing	112,545	112,161
Property:		
Salaries	174,764	165,155
Payroll taxes and benefits	33,740	35,570
Maintenance and operations	379,275	398,660
Real estate taxes	64,152	54,162
Security	12,425	16,843
Total property	664,356	670,390
Museum store:		
Salaries	-	6,914
Payroll taxes and benefits	-	598
Cost of sales	14,842	10,910
Operating expenses	1,190	568
Total museum store	16,032	18,990

STRAWBERRY BANKE MUSEUM
Schedules of Operating Expenses, Continued

	2016	2015
Education:		
Salaries	\$ 452,823	425,392
Payroll taxes and benefits	65,514	64,750
Events	124,681	139,304
Historical gardens	24,709	26,330
Programs	54,517	51,993
Total education	722,244	707,769
Special fund expense	124,541	200,486
Management and general:		
Salaries	261,352	239,496
Payroll taxes and benefits	45,763	57,516
Insurance	88,890	66,685
Professional services	25,661	25,447
Office supplies	5,725	4,832
Directors contingencies	4,391	5,954
Interest expense	364	2,293
Postage	5,021	5,984
Equipment maintenance	13,000	9,284
Trustee and overseer annual meeting	712	2,357
Meetings and staff development	9,648	9,589
Travel	55	-
Miscellaneous	38,025	31,556
Total administrative	498,607	460,993
Development:		
Salaries	223,734	207,918
Payroll taxes and benefits	30,726	29,390
Membership and development	17,373	21,983
Publicity and promotion	5,603	3,938
In-kind services	135	21,698
Bad debt	-	97,321
Total development	277,571	382,248

STRAWBERRY BANKE MUSEUM
Schedules of Operating Expenses, Continued

	2016	2015
Heritage House Program:		
Salaries	\$ 21,502	6,320
Payroll taxes and benefits	14,296	1,389
Materials	20,653	8,366
Professional services	4,299	8,793
In-kind services	-	6,729
Miscellaneous	6,755	6,114
Total Heritage House Program	67,505	37,711
Puddle Duck Pond:		
Salaries	4,775	11,139
Payroll taxes and benefits	448	1,221
Marketing	6,321	16,040
Materials	-	2,406
In-kind services	100	88,109
Program costs	147,032	127,044
Office supplies	2,443	5,052
Repairs and maintenance	217,087	107,532
Professional services	292	1,840
Insurance	10,875	6,320
Miscellaneous	1,914	4,287
Interest expense	1,080	-
Bank fees	3,315	3,657
Total Puddle Duck Pond	395,682	374,647
Depreciation	182,058	175,951
Total operating expenses	\$ 3,176,481	3,245,728

See independent auditor's report.

STRAWBERRY BANKE MUSEUM
Schedule of Changes in Temporarily Restricted Net Assets
Years Ended March 31, 2016 and 2015

	2016					2015				
	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, 2015	transfers		restrictions	March 31, 2016	March 31, 2014	transfers		restrictions	March 31, 2015	
Education:										
New Education Programs	\$ 2,248	-	-	(2,248)	-	4,048	-	200	(2,000)	2,248
Elizabeth P. Nowers Fund	2,727	-	-	(500)	2,227	2,727	-	-	-	2,727
Theater Project	13,228	-	-	(6,435)	6,793	-	-	35,124	(21,896)	13,228
On-line curriculum pilot	3,156	-	-	-	3,156	5,188	-	-	(2,032)	3,156
Treaty of Portsmouth Lecture Series	709	-	-	(36)	673	2,828	-	-	(2,119)	709
Time Travel Workshops	(430)	430	-	-	-	15,166	(5,660)	-	(9,936)	(430)
Time Travel Workshops-Immigration	2,497	(2,461)	-	(36)	-	2,788	-	-	(291)	2,497
Time Travel Workshops 9/1/14-8/31/15	20,481	(5,326)	-	(15,155)	-	30,784	5,660	15,000	(30,963)	20,481
Time Travel Workshops 9/1/15-8/31/16	10,785	7,357	18,000	(25,058)	11,084	-	-	10,785	-	10,785
Boat Shop Project	(2,552)	-	14,238	(4,179)	7,507	-	-	-	(2,552)	(2,552)
Total education	52,849	-	32,238	(53,647)	31,440	63,529	-	61,109	(71,789)	52,849
Restoration and maintenance:										
Rider Wood	-	-	-	-	-	1,773	-	-	(1,773)	-
Archaeology	427	-	-	-	427	849	-	500	(922)	427
Maintenance - Jones	1,867	-	5,800	-	7,667	1,867	-	-	-	1,867
Drisco House maintenance	-	-	-	-	-	4,384	-	-	(4,384)	-
Lowd Drisco - French foundation	-	-	-	-	-	4,750	(4,750)	-	-	-
Cotton Tenant House	323	-	200	-	523	323	-	-	-	323
Hough House	-	-	-	-	-	-	-	-	-	-
Heritage House project	395,548	-	210,444	(319,623)	286,369	194,185	-	442,967	(241,604)	395,548
House painting	-	-	-	-	-	-	-	-	-	-
Community Development Block Grant	1,748	-	15,125	(12,243)	4,630	1,748	-	-	-	1,748
Puddle Dock Pond	19,000	-	-	(8,000)	11,000	85,134	-	426,543	(492,677)	19,000
Sherbourne Restoration	-	-	-	-	-	1,327	-	-	(1,327)	-
Pitt Tavern Painting	1,366	-	-	-	1,366	3,633	-	-	(2,267)	1,366
Flagpole Fund	-	-	-	-	-	2,500	-	-	(2,500)	-
Chicken Coop	-	-	600	(50)	550	2,000	-	-	(2,000)	-
House Painting	8,040	-	14,750	(16,896)	5,894	18,500	-	-	(10,460)	8,040
Picnic Tables	(655)	-	-	-	(655)	-	-	1,000	(1,655)	(655)
Lowd House-Lchip	23,275	-	-	(2,581)	20,694	-	12,632	12,941	(2,298)	23,275
Total restoration and maintenance	450,939	-	246,919	(359,393)	338,465	322,973	7,882	883,951	(763,867)	450,939

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

	2016					2015				
	Net asset balances	Inter-fund transfers	Income	Net assets released from restrictions	Net asset balances	Net asset balances	Inter-fund transfers	Income	Net assets released from restrictions	Net asset balances
	March 31, 2015				March 31, 2016	March 31, 2014				March 31, 2015
Collections:										
Collections	\$ 57	-	500	-	557	2,904	-	-	(2,847)	57
Deaccession Fund	-	-	-	-	-	11,496	-	-	(11,496)	-
Acquisitions	7,188	-	3,750	(8,168)	2,770	11,027	-	505	(4,344)	7,188
Allen Breed furniture	100	-	-	-	100	100	-	-	-	100
Wheelwright Interactive Program	-	-	-	-	-	-	1,339	-	(1,339)	-
Interpretation of Cotton Tenant House	2,342	-	-	(2,100)	242	2,142	-	200	-	2,342
Library (Fales)	4,101	-	-	(952)	3,149	4,101	-	-	-	4,101
Tapping Portsmouth	-	-	-	-	-	-	4	-	(4)	-
Exhibits	4,242	-	25,242	(3,729)	25,755	21,749	-	-	(17,507)	4,242
Total collections	18,030	-	30,092	(14,949)	33,173	53,519	1,343	705	(37,537)	18,030
Horticulture:										
Horticulture	500	-	1,965	(576)	1,889	-	-	500	-	500
Children's garden	1,650	-	-	(28)	1,622	4,438	-	-	(2,788)	1,650
Victory garden	519	-	-	(220)	299	519	-	-	-	519
NHCF TBA Garden	4,398	-	-	-	4,398	613	-	3,785	-	4,398
Greenhouse Furnace	-	-	-	-	-	30	(30)	-	-	-
Center for Heirloom Gardens	1,616	-	8,200	(3,406)	6,410	100	-	1,516	-	1,616
Herb garden arbor	997	-	-	-	997	997	-	-	-	997
Shapiro garden	310	-	-	-	310	310	-	-	-	310
Total horticulture	9,990	-	10,165	(4,230)	15,925	7,007	(30)	5,801	(2,788)	9,990
Master plan:										
Masterplan	738	-	-	-	738	738	-	-	-	738
Total master plan	738	-	-	-	738	738	-	-	-	738
Discretionary funds:										
Visitor services	-	-	-	-	-	17	-	-	(17)	-
Disability survey	234	-	-	-	234	306	-	-	(72)	234
Cynthia Raymond	-	-	-	-	-	-	-	-	-	-
Aerial images	15,789	-	-	-	15,789	20,789	(5,000)	-	-	15,789
Giving Tree	185	-	-	-	185	185	-	-	-	185
Children's book	3,240	-	1,705	-	4,945	2,881	-	10,688	(10,329)	3,240
Green Museum	642	-	-	-	642	950	-	-	(308)	642
Board development	29	-	-	-	29	29	-	-	-	29
Total discretionary funds	20,119	-	1,705	-	21,824	25,157	(5,000)	10,688	(10,726)	20,119
Salary support:										
Archaeology	175	-	-	-	175	175	-	-	-	175
Total salary support	175	-	-	-	175	175	-	-	-	175
Pledges receivable:										
Unrestricted contributions	55,480	-	-	921	56,401	57,144	-	-	(1,664)	55,480
Total pledges receivable	55,480	-	-	921	56,401	57,144	-	-	(1,664)	55,480
Accumulated Endowment Earnings	98,810	-	43,796	(142,606)	-	102,106	-	181,724	(185,020)	98,810
Total temporarily restricted net assets	\$ 707,130	-	364,915	(573,904)	498,141	632,348	4,195	1,143,978	(1,073,391)	707,130

See independent auditor's report.

STRAWBERRY BANKE MUSEUM
Schedules of Revenues and Operating Expenses - Budget Basis
Years Ended March 31, 2016 and 2015

	2016 (Unaudited)	2015 (Unaudited)
REVENUES		
Admission fees	\$ 378,182	362,450
School groups	110,005	106,870
Retail sales	20,906	23,254
Event revenue	282,911	272,358
Program revenue	65,273	53,347
Misc income	4,877	5,337
Annual fund	442,144	448,356
Individual memberships	117,332	112,740
Corporate support	83,521	71,897
Investment income	194,114	219,206
Trust income	82,869	90,323
Rental income	475,966	451,047
Management fees	39,268	46,556
Restricted funds	132,133	133,772
Total Revenues	2,429,501	2,397,513
OPERATING EXPENSES		
Salaries	1,262,932	1,202,451
Payroll taxes	91,883	89,434
Benefits	102,638	114,726
Insurance	81,338	63,391
Administrative office	45,721	40,230
Business & operations	511,267	505,261
Utilities	187,881	200,908
Rental expense	137,421	137,190
Line of credit interest	364	2,293
Total operating expenses	2,421,445	2,355,884
Excess deficiency of revenues under operating expenses - budget basis	\$ 8,056	41,629

See independent auditor's report.