

428 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Avenue
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569



Certified Public Accountants, A.C.

**MASSILLON MUSEUM
STARK COUNTY
Regular Audit
For the Years Ended December 31, 2015 and 2014**

www.perrycpas.com

...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Directors
Massillon Museum
12 Lincoln Way E
Massillon, Ohio 44646

We have reviewed the *Independent Auditor's Report* of the Massillon Museum, Stark County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Massillon Museum is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 10, 2016

This page intentionally left blank.

MASSILLON MUSEUM
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Financial Statements:	
Statements of Financial Position	3
Statement of Activities for the Year Ended December 31, 2015	4
Statement of Activities for the Year Ended December 31, 2014	5
Statement of Functional Expenses for the Year Ended December 31, 2015.....	6
Statement of Functional Expenses for the Year Ended December 31, 2014.....	7
Statements of Cash Flows.....	8
Notes to the Financial Statements	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17

This page intentionally left blank.



428 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

INDEPENDENT AUDITOR'S REPORT

August 31, 2016

Massillon Museum
Stark County
121 Lincoln Way E.
Massillon, Ohio 44646

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of **Massillon Museum**, Stark County, Ohio (The Museum), (a not-for-profit corporation), which comprise the statements of financial position, the related statements of activities, functional expenses, and cash flows, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Museum's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Museum's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.



...“bringing more to the table”

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
• Association of Certified Anti - Money Laundering Specialists •



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massillon Museum, Stark County as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016, on our consideration of the Museum's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and not to opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MASSILLON MUSUEM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

ASSETS	2015	2014
Cash and cash equivalents	\$ 812,471	\$ 292,146
Investments at fair value - Note B	288,580	291,580
Beneficial interest in assets of Stark Community Foundation - Note C	304,818	57,108
Accounts receivable	6,308	3,581
Pledges receivable	974,983	-
Government appropriations tax receivable	480,000	480,000
Inventory - Museum shop	5,059	10,256
Collections	-	1,980
Property and equipment - Note D	2,008,100	2,004,170
Prepaid assets	3,249	4,430
Other assets	2,588	-
	\$ 4,886,156	\$ 3,145,251
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 24,639	\$ 15,108
Accrued payroll and related liabilities	10,718	15,192
	35,357	30,300
 Net assets:		
Unrestricted	2,905,419	2,879,943
Temporarily restricted - Note E	1,527,268	120,896
Permanently restricted - Note E	418,112	114,112
	4,850,799	3,114,951
	\$ 4,886,156	\$ 3,145,251

The accompanying notes are an integral part of these Financial Statements.

**MASSILLON MUSEUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>TOTAL 2015</u>
REVENUES, GAINS AND OTHER SUPPORT				Total
Contributions	\$ 131,223	\$ 1,487,042	\$ 304,000	\$ 1,922,265
Government appropriations tax	485,391	-	-	485,391
Grants	182,968	13,492	-	196,460
Exhibitions	5,877	-	-	5,877
Membership of Museum	45,933	-	-	45,933
Museum Shop sales				
Gross profit	12,282	-	-	12,282
Less cost of sales	(12,657)	-	-	(12,657)
Programs and other fees	46,421	-	-	46,421
Interest and dividends	16,261	310	-	16,571
Unrealized gain (loss) on investments and beneficial interest	(11,422)	-	-	(11,422)
Miscellaneous	2,937	-	-	2,937
Net assets released from restrictions				
Satisfaction of donor or program restrictions	94,472	(94,472)	-	-
	<u>999,686</u>	<u>1,406,372</u>	<u>304,000</u>	<u>2,710,058</u>
EXPENSES				
Program services	756,043	-	-	756,043
Fundraising	46,173	-	-	46,173
Management and general	171,994	-	-	171,994
	<u>974,210</u>	<u>-</u>	<u>-</u>	<u>974,210</u>
Increase (decrease) in net assets	25,476	1,406,372	304,000	1,735,848
Net assets, beginning of year	2,879,943	126,171	108,837	3,114,951
Reclassification of net assets - See Note J	-	(5,275)	5,275	-
Net assets, end of year	<u>\$ 2,905,419</u>	<u>\$ 1,527,268</u>	<u>\$ 418,112</u>	<u>\$ 4,850,799</u>

The accompanying notes are an integral part of these Financial Statements.

**MASSILLON MUSEUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

					<u>TOTAL 2014</u>
REVENUES, GAINS AND OTHER SUPPORT	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Contributions	\$ 20,271	\$ -	\$ -	\$ 20,271	\$ 20,271
Government appropriations tax	484,744	-	-	484,744	484,744
In-kind contributions	73,942	-	-	73,942	73,942
Grants	72,628	83,240	-	155,868	155,868
Exhibitions	2,300	-	-	2,300	2,300
Membership of Museum	51,714	-	-	51,714	51,714
Museum Shop sales					
Gross profit	15,008	-	-	15,008	15,008
Less cost of sales	(7,921)	-	-	(7,921)	(7,921)
Programs and other fees	65,480	-	-	65,480	65,480
Interest and dividends	14,477	543	222	15,242	15,242
Unrealized gain (loss) on investments and beneficial interest	5,918	-	-	5,918	5,918
Miscellaneous	7,456	-	-	7,456	7,456
Lease income	1,280	-	-	1,280	1,280
Net assets released from restrictions					
Satisfaction of donor or program restrictions	67,775	(67,775)	-	-	-
Total support and revenue	875,072	16,008	222	891,302	891,302
 EXPENSES					
Program services	781,450	-	-	781,450	781,450
Fundraising	44,914	-	-	44,914	44,914
Management and general	177,099	-	-	177,099	177,099
Total expenses	1,003,463	-	-	1,003,463	1,003,463
Increase (decrease) in net assets	(128,391)	16,008	222	(112,161)	(112,161)
Net assets, beginning of year	3,008,334	110,163	108,615	3,227,112	3,227,112
Net assets, end of year	<u>\$ 2,879,943</u>	<u>\$ 126,171</u>	<u>\$ 108,837</u>	<u>\$ 3,114,951</u>	<u>\$ 3,114,951</u>

The accompanying notes are an integral part of these Financial Statements.

MASSILLON MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2015</u>
Salaries	\$ 180,137	\$ 24,018	\$ 36,027	\$ 240,182
Employee benefits	18,801	2,507	3,760	25,068
Payroll taxes	14,574	1,943	2,915	19,432
 Total Payroll and Related Benefits	 213,512	 28,468	 42,702	 284,682
Advertising	12,410	-	653	13,063
Banking fees	-	-	6,173	6,173
Collection care	2,847	-	-	2,847
Conferences and meetings expense	-	-	2,689	2,689
Dues and subscriptions	-	-	5,633	5,633
Educational expenses	7,546	-	-	7,546
Employee welfare	-	-	75	75
Equipment rental	5,217	2,608	2,608	10,433
Exhibitions	34,359	-	-	34,359
Grant expenditures	127,285	-	-	127,285
Insurance	10,643	-	2,661	13,304
Investment fees	-	-	308	308
Licenses and permits	315	-	105	420
Membership expenses	2,867	-	-	2,867
Miscellaneous expenses	-	1,732	7,892	9,624
Office supplies	2,131	1,065	1,065	4,261
Postage	9,515	4,758	4,758	19,031
Printing and publishing	16,893	1,907	8,446	27,246
Professional fees	59,569	5,635	15,295	80,499
Repairs and maintenance	19,377	-	19,377	38,754
Special events	59,866	-	-	59,866
Taxes	-	-	2,812	2,812
Telephone	1,204	-	1,204	2,408
Travel and entertainment	1,552	-	6,208	7,760
Utilities	74,541	-	17,732	92,273
 Total expenses before depreciation	 661,649	 46,173	 148,396	 856,218
Depreciation	94,394	-	23,598	117,992
 Total expenses	 \$ 756,043	 \$ 46,173	 \$ 171,994	 \$ 974,210

The accompanying notes are an integral part of these Financial Statements.

MASSILLON MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2014</u>
Salaries	\$ 164,053	\$ 21,874	\$ 32,811	\$ 218,738
Employee benefits	20,208	2,694	4,041	26,943
Payroll taxes	13,736	1,831	2,747	18,314
 Total Payroll and Related Benefits	 197,997	 26,399	 39,599	 263,995
Advertising	76,143	-	4,008	80,151
Auto expense	1,978	-	349	2,327
Banking fees	-	-	3,441	3,441
Collection care	6,625	-	-	6,625
Conferences and meetings expense	-	-	2,708	2,708
Dues and subscriptions	-	-	3,757	3,757
Educational expenses	16,273	-	-	16,273
Employee welfare	-	-	146	146
Equipment rental	4,987	2,494	2,494	9,975
Exhibitions	38,213	-	-	38,213
Grant expenditures	61,905	-	-	61,905
Insurance	9,670	-	2,418	12,088
Investment fees	-	-	2,438	2,438
Licenses and permits	540	-	180	720
Membership expenses	10,497	-	-	10,497
Miscellaneous expenses	-	3,117	9,716	12,833
Office supplies	2,569	1,284	1,284	5,137
Outside services	5,390	-	-	5,390
Postage	7,308	3,654	3,654	14,616
Printing and publishing	16,616	1,876	8,308	26,800
Professional fees	107,308	6,090	15,189	128,587
Repairs and maintenance	25,482	-	34,438	59,920
Special events	32,876	-	-	32,876
Supplies	-	-	391	391
Taxes	-	-	24	24
Telephone	1,205	-	1,205	2,410
Travel and entertainment	1,556	-	3,178	4,734
Utilities	62,344	-	14,682	77,026
 Total expenses before depreciation	 687,482	 44,914	 153,607	 886,003
Depreciation	93,968	-	23,492	117,460
 Total expenses	 <u>\$ 781,450</u>	 <u>\$ 44,914</u>	 <u>\$ 177,099</u>	 <u>\$ 1,003,463</u>

The accompanying notes are an integral part of these Financial Statements.

**MASSILLON MUSEUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,735,848	\$ (112,161)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	117,992	117,460
Interest and dividends reinvested	(16,571)	(15,242)
Unrealized (gain) loss on investments and beneficial interest	11,422	(5,918)
Proceeds from contributions restricted for investment in capital projects	(128,713)	-
(Increase) decrease in:		
Accounts receivable	(2,727)	(706)
Pledges receivable	(974,983)	-
Collections	-	(55)
Inventory	5,197	(2,419)
Prepaid expenses	1,181	-
Other Assets	(608)	97
Increase (decrease) in:		
Accounts payable	9,531	8,915
Accrued payroll and related liabilities	(4,474)	(3,743)
	<u>753,095</u>	<u>(13,772)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(121,922)	-
Purchase of investments	(239,561)	(5,870)
	<u>(361,483)</u>	<u>(5,870)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in capital projects	128,713	-
	<u>128,713</u>	<u>-</u>
Net cash provided by (used in) investing activities		
Increase (decrease) in cash and cash equivalents	520,325	(19,642)
Cash and cash equivalents, beginning of year	<u>292,146</u>	<u>311,788</u>
Cash and cash equivalents, end of year	<u>\$ 812,471</u>	<u>\$ 292,146</u>

The accompanying notes are an integral part of these Financial Statements.

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Massillon Museum (the Museum), an Ohio not-for-profit corporation, engages in the traditional museum functions of collecting, exhibiting, conserving, and educating. The Museum collects and exhibits local and regional art, including local historical artifacts.

BASIS OF ACCOUNTING

The financial statements of the Museum have been prepared on the accrual basis.

BASIS OF PRESENTATION

The Museum applies the Financial Statements of Not-for-Profit Organizations topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this topic, the Museum is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – Net assets which are not subject to donor-imposed restrictions. Use of unrestricted net assets may be Board designated for specific purposes.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Museum or passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that require them to be maintained permanently by the Museum. Generally, donors of these assets permit the Museum to use all or part of the income derived from these assets for general or specific purposes.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 estimated.

CONCENTRATION OF CREDIT RISK

The museum maintains cash in bank deposit accounts, which at times may exceed federally insured limits. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments, including cash, accounts receivable, accounts payable, and accrued liabilities, approximates fair value due to the short maturity of these instruments.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUTBFUL ACCOUNTS

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management has determined that no allowance for doubtful accounts is currently required.

Pledges receivable are temporarily restricted net assets to be used for property acquisition and expansion for new and improved spaces. Management has determined that no allowance for uncollectible pledges is currently required.

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

The Museum's investments in debt and equity securities are recorded at fair market value based on published quotations, except estimates are used when such quotations are not available. Realized and unrealized gains and losses on investments are reflected in the statement of activities. Realized gains and losses on the sale of investments are calculated based on specific identification. See Note B for discussion of fair value measurements.

BENEFICIAL INTEREST IN ASSETS HELD BY STARK COMMUNITY FOUNDATION

The Museum carries the beneficial interest in assets held by Stark Community Foundation at fair market value. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

INVENTORY

Inventory is stated at the lower of cost or market using the average cost method, which approximates the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred, while expenditures for additions and improvements are generally capitalized at cost. Depreciation is computed using the straight-line method and accelerated methods over the estimated useful lives of the assets.

COLLECTION ITEMS

The Museum does not capitalize donated or purchased collections. Such donations and acquisitions need not be recognized since they are added to collections that are held for public exhibition, education, and research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of deaccessioned collection items to be used to acquire other items for collections.

INCOME TAXES

The Museum is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes pursuant to Section 509(a) of the Code.

The Museum follows Accounting for Uncertainty in Income Taxes topic of the FASB Accounting Standards Codification, which addresses the information of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Museum may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. In addition, the guidance on Accounting for Uncertainty in Income Taxes addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management has determined that the effects of this pronouncement to be insignificant; therefore, no adjustments have been recorded and no further disclosures required.

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS

Donor contributions are recognized when a donor promises to make a contribution to the Museum that is, in substance, unconditional. Contributions that are restricted by donors are reported as increases in unrestricted net assets, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

REVENUE RECOGNITION

The Museum recognizes income from memberships and exhibitions at the time the services are provided or the event occurs. Revenues from the Museum Store and other sales are recognized at the time the retail goods are sold or shipped.

DONATED SERVICES

Contributions of services are recognized as revenues in the financial statements if the services received (a) create or enhance nonfinancial assets (primarily property or other tangible or intangible assets) or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria and promises to give such services are not recognized.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs. The value of the contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

FUNCTIONAL EXPENSES

Expenses are charged directly to program, fundraising or management in general categories based on specific identification. Indirect expenses have been allocated based on management judgment.

ADVERTISING

Advertising costs are expensed as incurred. Advertising costs charged to operations were \$13,063 and \$80,151 in 2015 and 2014, respectively.

RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Museum accounts for assets and liabilities in accordance with the provisions of the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. This topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The Fair Value Measurements and Disclosures topic requires disclosure that establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Museum performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurements and Disclosures topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Equity funds	\$ 169,422	\$ 169,422	\$ -	\$ -
Mutual Funds	119,158	119,158	-	-
Beneficial interest in perpetual trust	304,818	-	-	304,818
Total assets	\$ 593,398	\$ 288,580	\$ -	\$ 304,818

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Equity funds	\$ 171,632	\$ 171,632	\$ -	\$ -
Mutual Funds	119,948	119,948	-	-
Beneficial interest in perpetual trust	57,108	-	-	57,108
Total assets	\$ 348,688	\$ 291,580	\$ -	\$ 57,108

The Museum holds investments in debt and equity securities which are classified as available for sale securities. The fair value of these investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers and are considered a Level 1 item. For the years ended December 31, 2015 and 2014, the application of valuation techniques applied to similar assets and liabilities have been consistent.

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended December 31, 2015 and 2014.

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Beneficial Interest in Stark Community Foundation

	As of December 31, 2015	As of December 31, 2014
Balance - beginning of year	\$ 57,108	\$ 52,864
Contributions	242,527	4,143
Interest and dividends	1,296	251
Realized/unrealized gains (losses)	4,483	(79)
Fees	(596)	(71)
Balance - end of year	<u>\$ 304,818</u>	<u>\$ 57,108</u>

The unobservable inputs are the underlying assets at Stark Community Foundation and follow their asset allocation policy. The asset allocation policy was developed using the appropriate best practice tools such as mean/variance optimizer tools as appropriate. Per the policy, the Stark Community Foundation assets are invested according to the following target asset allocations as of December 31, 2015 for each asset class as stated below:

Equities	58.0%
Fixed income and cash	20.2%
Hedge funds	12.6%
Private equity	3.7%
Real estate and commodities	5.5%

Unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) are included in the statements of activities for the years ended December 31, 2015 and 2014.

Investments consist of the following at December 31:

	2015		2014	
	Cost	Market Value	Cost	Market Value
Money Market	\$ 10,592	\$ 10,592	\$ 10,396	\$ 10,396
Equity Securities				
Common Stock	9,140	10,323	9,140	10,077
Closed end funds and exchange traded products	28,803	40,091	28,803	39,990
Mutual funds	108,643	119,008	99,445	121,565
Total Equity Securities	<u>146,586</u>	<u>169,422</u>	<u>137,388</u>	<u>171,632</u>
Fixed Income				
Closed end funds and exchange traded products	11,871	11,655	11,871	11,832
Mutual funds	82,446	76,731	79,199	76,842
Total Fixed Income	<u>94,317</u>	<u>88,386</u>	<u>91,070</u>	<u>88,674</u>
Other				
Mutual funds	23,572	20,180	22,236	20,878
Total	<u>\$ 275,067</u>	<u>\$ 288,580</u>	<u>\$ 261,090</u>	<u>\$ 291,580</u>

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investment income (loss) is summarized as follows for the years ended December 31:

	2015	2014
Interest and Dividends	\$ 16,571	\$ 15,242
Realized/Unrealized Gains (losses)	(11,422)	5,918
	<u>\$ 5,149</u>	<u>\$ 21,160</u>

NOTE C - BENEFICIAL INTEREST IN ASSET OF STARK COMMUNITY FOUNDATION

The Museum placed certain funds with the Stark Community Foundation (Foundation), a community trust established to administer gifts or bequests for public charitable uses. The Museum has two separate funds and has specified that the Foundation is to distribute the income from these funds, after payment of expenses, to the Museum. The first fund is to be used in Museum operations and the second fund is to be used for the Museum's building maintenance. The principal may be obtained for use by the Museum upon approval of the Foundation's board.

The fair value of investments held in trust by the Foundation for the benefit of the Museum was \$55,357 and \$57,108 at December 31, 2015 and 2014, respectively.

The fair value of investments held in trust by the Foundation for the benefit of the Museum building maintenance was \$249,461 at December 31, 2015. There were no amounts held at December 31, 2014 designated for building maintenance.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 18,433	\$ 7,093
Building	2,244,634	2,136,030
Building Improvements	1,047,078	1,047,078
Furniture and equipment	193,913	191,935
Total Cost	<u>3,504,058</u>	<u>3,382,136</u>
Less accumulated depreciation	<u>1,495,958</u>	<u>1,377,966</u>
Net Total	<u>\$ 2,008,100</u>	<u>\$ 2,004,170</u>

The depreciation expense for 2015 and 2014 was \$117,992 and \$117,460, respectively, with useful lives as shown below:

Land Improvements	5 to 20 years
Buildings and Improvements	10 to 40 years
Furniture and Equipment	5 to 20 years

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE E - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Jean Baptiste Massillon project	\$ -	\$ 60,127
Stark Community Foundation income account	4,632	4,322
Jennings Foundation - Artful Living	11,530	6,590
Flowers Foundation - Busing of students	5,953	4,816
Eagles #190 Educational Programs	-	850
Target Educational Outreach	940	940
Velma Irwin - Research room and archives	1,845	1,845
Stark Community Foundation - Summer Time Kids	-	955
Muskingum - Fragile Waters	-	509
IMLS - Nelly Toll exhibit	625	22,550
Massillon Rotary - Accessibility project	12,201	16,215
Stark Community Foundation - Educational programs	-	1,177
Health Foundation Grant	2,500	-
Capital Campaign	1,487,042	-
	\$ 1,527,268	\$ 120,896

Permanently restricted net assets consist of investments to be held indefinitely, the income from which is expendable to support program services. These consist of:

	2015	2014
Stark Community Foundation - principal account	\$ 52,786	\$ 52,786
Stark Community Foundation - building account	254,003	44,003
Pledges receivable - building account	90,000	-
J.W. Mahoney Foundation - Archives/Storage Fund	9,275	5,275
Other	12,048	12,048
Total	\$ 418,112	\$ 114,112

NOTE F - GOVERNMENT APPROPRIATIONS TAX

The taxing authority of the Council of the City of Massillon, Stark County, Ohio certifies a copy of Council's resolution requesting the Stark County Auditor to certify to the City of Massillon the total current tax valuation of the subdivision and the amount of revenue that would be provided by one mill, to levy a tax outside the ten mill limitation for the purpose of providing a free Museum of Art and History that is maintained and operated by a private, not-for-profit Museum as authorized by the Ohio Revised Code Section 5705.19(AA). If the tax levy collection drops, it would have a significant effect on the Museum's activities.

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE G - EMPLOYEE BENEFIT PLAN

The Museum has a simple IRA retirement plan covering all eligible employees. Employees may contribute a percentage of compensation, but not in excess of the maximum allowed under the Internal Revenue Code. The plan provides for a matching contribution by the Museum up to 3%, at the discretion of the board of directors. The Museum's contributions to the plan for 2015 and 2014 amounted to \$4,957 and \$5,342, respectively.

NOTE H - COMMITMENTS AND CONTINGENT LIABILITIES

LINE OF CREDIT

The Museum maintains a \$100,000 line of credit arrangement with a bank secured by property and equipment. The line of credit requires monthly interest payments at the bank's prime rate (3.50% at December 31, 2015). The Museum had not drawn on the line of credit at December 31, 2015 or 2014.

OPERATING LEASE

The Museum leased a copier under a 63-month noncancelable agreement which expires in April 2017. The following is a schedule of future minimum lease payments required under the above operating lease as of December 31, 2015:

2016	\$	6,632
2017		1,617
 Total	 \$	 <u>8,249</u>

Total rent expense for the copier was \$6,469 for both years ended 2015 and 2014.

NOTE I - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 31, 2016, which is the date the financial statements were available to be issued.

In February 2016, the Museum purchased real estate adjacent to the Museum in the amount of \$150,000 paid for out of temporarily restricted capital campaign funds. In addition, in January of 2016, the Museum entered into a purchase agreement for real estate adjacent to the Museum in the amount of \$225,000. The Museum made a \$10,000 down payment on the purchase which was paid for out of temporarily restricted capital campaign funds. The balance of \$215,000 is to be paid upon the transfer of the executed warranty deed to the Museum which is anticipated to be in September of 2016.

NOTE J - RECLASSIFICATION OF NET ASSETS

The following reclassification was performed to net position at the end of the fiscal year 2014 due to the J.W. Mahoney Foundation – Archives/Storage Fund being reclassified from temporarily restricted to permanently restricted.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, previously stated	\$ 2,879,943	\$ 126,171	\$ 108,837	\$ 3,114,951
Reclassified Restrictions	-	(5,275)	5,275	-
Balance - end of year	<u>\$ 2,879,943</u>	<u>\$ 120,896</u>	<u>\$ 114,112</u>	<u>\$ 3,114,951</u>



428 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

August 31, 2016

Massillon Museum
Stark County
121 Lincoln Way E.
Massillon, Ohio 44646

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Massillon Museum** (the Museum), (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Museum's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Museum's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Museum's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



...“bringing more to the table”

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •

• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

As part of reasonably assuring whether the Museum's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Museum's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Museum's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



Dave Yost • Auditor of State

MASSILLON MUSEUM

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 22, 2016**