



Certified Public Accountants, A.C.

**MASSILLON MUSEUM
STARK COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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104 South Sugar St.
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Cambridge, OH 43725
740.435.3417

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Dave Yost • Auditor of State

Board of Directors
Massillon Museum
121 Lincoln Way East
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, 2017 through December 31, 2017. 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

August 16, 2018

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MASSILLON MUSEUM
STARK COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 27, 2018

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, 2017 and 2016, 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.

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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, 2017 and 2016, 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 June 27, 2018, 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, 2017 AND 2016**

	2017	Restated 2016
ASSETS		
Cash and cash equivalents	\$ 142,274	\$ 235,206
Restricted Cash - Capital Campaign	644,085	597,578
Accounts receivable	1,314	611
Pledges receivable	399,072	633,240
Government appropriations tax receivable	523,000	480,000
Investments at fair value	348,362	307,694
Beneficial interest in assets of Stark Community Foundation	481,141	416,861
Inventory - Museum shop	9,059	7,282
Prepaid expenses	11,154	12,655
Property and equipment, Net	2,655,495	2,276,566
Other assets	4,595	3,799
	TOTAL ASSETS	TOTAL ASSETS
	\$ 5,219,551	\$ 4,971,492
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 68,237	\$ 41,196
Accrued payroll and related liabilities	9,711	11,862
Other accrued liabilities	10,240	10,133
	TOTAL LIABILITIES	TOTAL LIABILITIES
	88,188	63,191
Net assets:		
Unrestricted	3,613,896	3,155,771
Temporarily restricted	1,108,630	1,343,693
Permanently restricted	408,837	408,837
	TOTAL NET ASSETS	TOTAL NET ASSETS
	5,131,363	4,908,301
	\$ 5,219,551	\$ 4,971,492

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

**MASSILLON MUSEUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

REVENUES, GAINS AND OTHER SUPPORT	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions	\$ 23,134	\$ 121,951	\$ -	\$ 145,085
Government appropriations tax	557,920	-	-	557,920
In-kind contributions	500	-	-	500
Grants	159,343	195,524	-	354,867
Exhibitions	5,042	-	-	5,042
Membership of Museum	60,536	-	-	60,536
Museum Shop sales				
Gross sales	11,318	-	-	11,318
Less cost of sales	(2,912)	-	-	(2,912)
Programs and other fees	30,105	-	-	30,105
Interest and dividends	20,692	2,585	-	23,277
Realized and Unrealized gain (loss)				
on investments and beneficial interest	83,175	-	-	83,175
Miscellaneous	3,971	-	-	3,971
Net assets released from restrictions				
Satisfaction of donor or program restrictions	555,123	(555,123)	-	-
	<u>1,507,947</u>	<u>(235,063)</u>	<u>-</u>	<u>1,272,884</u>
Total revenues, gains and other support	1,507,947	(235,063)	-	1,272,884
 EXPENSES				
Program services	743,460	-	-	743,460
Fundraising	41,562	-	-	41,562
Management and general	264,800	-	-	264,800
	<u>1,049,822</u>	<u>-</u>	<u>-</u>	<u>1,049,822</u>
Total expenses	1,049,822	-	-	1,049,822
 Increase (decrease) in net assets	458,125	(235,063)	-	223,062
Net assets, beginning of year	3,155,771	1,343,693	408,837	4,908,301
 Net assets, end of year	<u>\$ 3,613,896</u>	<u>\$ 1,108,630</u>	<u>\$ 408,837</u>	<u>\$ 5,131,363</u>

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

**MASSILLON MUSEUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016, AS RESTATED**

REVENUES, GAINS AND OTHER SUPPORT

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions	\$ 26,031	\$ 237,926	\$ -	\$ 263,957
Government appropriations tax	505,279	-	-	505,279
In-kind contributions	1,235	-	-	1,235
Grants	165,695	59,979	-	225,674
Exhibitions	2,692	-	-	2,692
Museum memberships	50,582	-	-	50,582
Museum Shop sales				
Gross sales	5,809	-	-	5,809
Less cost of sales	(1,423)	-	-	(1,423)
Programs and other fees	69,926	-	-	69,926
Interest and dividends	16,002	2,467	-	18,469
Unrealized gain (loss) on investments and beneficial interest	31,539	-	-	31,539
Miscellaneous	10,308	-	-	10,308
Net assets released from restrictions				
Satisfaction of donor or program restrictions	418,222	(408,947)	(9,275)	-
Total revenues, gains, and other support	1,301,897	(108,575)	(9,275)	1,184,047

EXPENSES

Program services	739,680	-	-	739,680
Fundraising	41,992	-	-	41,992
Management and general	269,873	-	-	269,873
Total expenses	1,051,545	-	-	1,051,545
Increase (decrease) in net assets	250,352	(108,575)	(9,275)	132,502
Net assets, beginning of year - As Originally Reported	2,905,419	1,527,268	418,112	4,850,799
Prior Period Adjustment (Note 2) - Pledged Receivable Balance Adjustment	-	(75,000)	-	(75,000)
Net assets, beginning of year - As Restated	2,905,419	1,452,268	418,112	4,775,799
Net assets, end of year	\$ 3,155,771	\$ 1,343,693	\$ 408,837	\$ 4,908,301

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

MASSILLON MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2017</u>
Salaries	\$ 201,243	\$ 26,832	\$ 40,248	\$ 268,323
Employee benefits	48,156	6,421	9,631	64,208
Payroll taxes	16,956	2,261	3,391	22,608
Total Payroll and Related Benefits	266,355	35,514	53,270	355,139
Advertising	3,455	384	3,838	7,677
Banking fees	-	-	1,303	1,303
Collection care	3,625	-	-	3,625
Conferences and meetings expense	-	-	1,830	1,830
Dues and subscriptions	-	-	5,147	5,147
Educational expenses	5,158	-	-	5,158
Employee welfare	-	-	337	337
Equipment rental	2,037	-	8,150	10,187
Exhibitions	26,017	-	-	26,017
Grant expenditures	91,096	-	-	91,096
Insurance	13,422	-	3,356	16,778
Investment fees	-	-	5,198	5,198
Licenses and permits	1,237	247	990	2,474
Membership expenses	933	-	-	933
Miscellaneous expenses	-	-	17,054	17,054
Office supplies	-	-	4,376	4,376
Postage	8,122	-	5,414	13,536
Printing and publishing	14,324	826	12,395	27,545
Professional fees	51,803	1,151	62,164	115,118
Repairs and maintenance	19,806	-	19,806	39,612
Special events	65,351	3,440	-	68,791
Taxes	-	-	4,903	4,903
Telephone	1,542	-	1,543	3,085
Travel and entertainment	5,679	-	6,941	12,620
Utilities	76,784	-	19,195	95,979
Bad Debt Expense	-	-	5,911	5,911
Total expenses before depreciation	656,746	41,562	243,121	941,429
Depreciation	86,714	-	21,679	108,393
Total expenses	<u>\$ 743,460</u>	<u>\$ 41,562</u>	<u>\$ 264,800</u>	<u>\$ 1,049,822</u>

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

MASSILLON MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2016</u>
Salaries	\$ 220,362	\$ 29,382	\$ 44,073	\$ 293,817
Employee benefits	43,023	5,737	8,605	57,365
Payroll taxes	17,248	2,300	3,450	22,998
 Total Payroll and Related Benefits	 280,633	 37,419	 56,128	 374,180
Advertising	3,733	621	4,781	9,135
Loss on disposal of property and equipment	38,788	-	-	38,788
Banking fees	-	-	3,495	3,495
Collection care	6,651	-	-	6,651
Conferences and meetings expense	-	-	1,946	1,946
Dues and subscriptions	-	-	6,857	6,857
Educational expenses	4,753	-	-	4,753
Employee welfare	-	-	61	61
Equipment rental	2,726	-	8,092	10,818
Exhibitions	20,747	-	-	20,747
Grant expenditures	54,520	-	-	54,520
Insurance	8,395	-	2,099	10,494
Investment fees	-	-	3,303	3,303
Licenses and permits	823	200	743	1,766
Membership expense	1,488	-	-	1,488
Miscellaneous expenses	-	-	25,857	25,857
Office supplies	1,320	-	4,842	6,162
Postage	6,802	-	5,028	11,830
Printing and publishing	12,208	791	12,033	25,032
Professional fees	53,546	990	58,933	113,469
Repairs and maintenance	20,365	-	20,365	40,730
Special events	39,264	1,971	-	41,235
Taxes	-	-	2,568	2,568
Telephone	1,439	-	1,439	2,878
Travel and entertainment	3,792	-	6,937	10,729
Utilities	81,032	-	20,258	101,290
 Total expenses before depreciation	 643,025	 41,992	 245,765	 930,782
Depreciation	96,655	-	24,108	120,763
 Total expenses	 <u>\$ 739,680</u>	 <u>\$ 41,992</u>	 <u>\$ 269,873</u>	 <u>\$ 1,051,545</u>

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

**MASSILLON MUSEUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>Restated 2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 223,062	\$ 132,502
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	108,393	120,763
Interest and dividends reinvested	(17,588)	(14,568)
Loss on disposal of equip and property	-	38,788
Realized and Unrealized (gain) loss on investments and beneficial interest	(83,175)	(31,539)
Proceeds from contributions restricted for investment in capital projects	(4,678)	(80,412)
(Increase) decrease in:		
Accounts receivable	(703)	5,697
Pledges receivable	234,168	266,743
Government Appropriations Tax Receivable	(43,000)	-
Inventory	(1,777)	(2,223)
Prepaid expenses	1,501	(9,406)
Other Assets	(796)	(1,211)
Increase (decrease) in:		
Accounts payable	27,041	16,557
Accrued liabilities	(2,044)	11,277
	<u>440,404</u>	<u>452,968</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(487,322)	(428,017)
Purchase of investments	(4,185)	(85,050)
	<u>(491,507)</u>	<u>(513,067)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in capital projects	4,678	80,412
	<u>4,678</u>	<u>80,412</u>
Net cash provided by (used in) investing activities		
Increase (decrease) in cash and cash equivalents	(46,425)	20,313
Cash and cash equivalents, beginning of year	<u>832,784</u>	<u>812,471</u>
Cash and cash equivalents, end of year	<u><u>\$ 786,359</u></u>	<u><u>\$ 832,784</u></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, 2017 AND 2016**

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Massillon Museum (the Museum), an Ohio nonprofit 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 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.

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.

Receivables and Allowance for Doubtful 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, 2017 AND 2016

Note 1. Nature of Activities and 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 on investments are reflected in the statement of activities. Realized gains on the sale of investments are calculated based on specific identification. See Note 2 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

Prior to 2017, the Museum reported inventories, at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

As of the beginning of 2017, inventories are now required to be presented at the lower of FIFO cost or net realizable value. This change was due to a recent Financial Accounting Standards Board (FASB) standard issued as part of the Board's simplification initiative.

Under the prior method, "market" was replacement cost, subject to possible adjustments. Net realizable value is based on the selling price. The change is intended to reduce complexity in financial statement preparation.

This change had no effect on the consolidated financial statements in 2017.

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. Buildings are depreciated using the straight-line method, while the remaining property and equipment are depreciated using either the straight-line method or accelerated methods.

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.

MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income Taxes

The Museum is a nonprofit 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 the provisions of the income tax accounting standards regarding the recognition and measurement of uncertain tax positions. The application of these provisions has no impact on the Museum's financial statements.

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.

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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 \$7,677 and \$9,135 in 2017 and 2016, respectively.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. This standard was issued to improve the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The new standard is effective for fiscal years beginning after December 15, 2017. The Museum is currently evaluating the impact of this election on the financial statements.

Subsequent Events

Subsequent events have been evaluated through June 27, 2018, which is the date the financial statements were available to be issued.

Note 2. Prior Period Adjustments

It was determined by management that the pledge receivable balance was understated by \$5,000 as of December 31, 2016 and overstated by \$75,000 as of December 31, 2015. As a result, the 2016 financial statements have been restated to increase pledges receivable, temporarily restricted net assets and contributions by \$5,000. In addition, a prior period adjustment was made to correct pledges receivable and temporarily restricted net assets by \$75,000 as of December 31, 2015.

Note 3. Pledges Receivable

Pledges receivable at December 31, 2017 are expected to be receivable in installments through 2026 as follows:

	2017	2016
Less than One Year	\$ 229,411	\$ 235,813
One to Five Years	154,661	377,427
Over Five Years	15,000	20,000
Total Pledges Receivable	<u>\$ 399,072</u>	<u>\$ 633,240</u>

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 4. Investments

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:

- 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.

MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 4. Investments (Continued)

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

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Money Market	\$ 12,014	\$ 12,014	\$ -	\$ -
Mutual Funds				
Equity	159,640	159,640	-	-
Fixed income	83,659	83,659	-	-
Other	24,187	24,187	-	-
Common Stock	11,664	11,664	-	-
Closed end funds and exchange traded products				
Equity	45,777	45,777	-	-
Fixed income	11,421	11,421	-	-
Beneficial interest in perpetual trust	481,141	-	-	481,141
Total assets	\$ 829,503	\$ 348,362	\$ -	\$ 481,141

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Money Market	\$ 10,166	\$ 10,166	\$ -	\$ -
Mutual Funds				
Equity	129,996	129,996	-	-
Fixed income	81,279	81,279	-	-
Other	22,111	22,111	-	-
Common Stock	12,759	12,759	-	-
Closed end funds and exchange traded products				
Equity	40,220	40,220	-	-
Fixed income	11,163	11,163	-	-
Beneficial interest in perpetual trust	416,861	-	-	416,861
Total assets	\$ 724,555	\$ 307,694	\$ -	\$ 416,861

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. Funds at the Stark Community Foundation are classified within Level 3 of the valuation hierarchy since the underlying investments in the Foundation's funds are not observable. For the years ended December 31, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities have been consistent.

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 4. Investments (Continued)

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, 2017 and 2016.

Beneficial Interest in Stark Community Foundation

	As of December 31, 2017	As of December 31, 2016
Balance - beginning of year	\$ 416,861	\$ 304,818
Contributions	2,000	86,858
Interest and dividends	4,537	3,627
Realized/unrealized gains (losses)	60,029	23,366
Fees	(2,286)	(1,808)
Balance - end of year	<u>\$ 481,141</u>	<u>\$ 304,818</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, 2017 and 2016 for each asset class as stated below:

Equities	51.0%
Fixed income and cash	20.0%
Hedge funds	14.0%
Private equity	50.0%
Real estate and commodities	10.0%

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, 2017 and 2016.

MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 4. Investments (Continued)

Investments consist of the following at December 31:

	2017		2016	
	Cost	Market Value	Cost	Market Value
Money Market	\$ 12,014	\$ 12,014	\$ 10,166	\$ 10,166
Equity Securities				
Common Stock	9,140	11,664	9,140	12,759
Closed end funds and exchange traded products	28,803	45,777	28,803	40,220
Mutual funds	127,085	159,640	115,694	129,996
Total Equity Securities	<u>165,028</u>	<u>217,081</u>	<u>153,637</u>	<u>182,975</u>
Fixed Income				
Closed end funds and exchange traded products	11,871	11,421	11,871	11,163
Mutual funds	89,215	83,659	85,858	81,279
Total Fixed Income	<u>101,086</u>	<u>95,080</u>	<u>97,729</u>	<u>92,442</u>
Other				
Mutual funds	25,403	24,187	24,478	22,111
Total	<u>\$ 303,531</u>	<u>\$ 348,362</u>	<u>\$ 286,010</u>	<u>\$ 307,694</u>

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

	2017	2016
Interest and Dividends	\$ 23,277	\$ 18,469
Realized/Unrealized Gains (Losses)	83,175	31,539
	<u>\$ 106,452</u>	<u>\$ 50,008</u>

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 5. Beneficial Interest in Assets 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 operations was \$68,466 and \$59,566 at December 31, 2017 and 2016, respectively.

The fair value of investments held in trust by the Foundation for the benefit of the Museum building maintenance was \$412,675 and \$357,295 at December 31, 2017 and 2016, respectively.

Note 6. Property and Equipment

Property and equipment are summarized by major classifications as follows:

	2017	2016
Land	\$ 273,773	\$ 273,773
Buildings	2,366,412	2,366,412
Building Improvements	1,005,337	1,005,337
Furniture and Equipment	59,379	59,379
Construction In Progress	520,822	33,501
Total	4,225,723	3,738,402
Less Accumulated Depreciation	1,570,228	1,461,836
Total	\$ 2,655,495	\$ 2,276,566

The depreciation expense for 2017 and 2016 was \$108,393 and \$120,763, 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, 2017 AND 2016

Note 7. Restrictions On Assets

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Adopt a Drawer	\$ 1,709	\$ 1,100
Art is Alive	3,086	2,796
Big Read	731	1,918
Education Assistant	1,027	1,000
Feminism in Football	-	2,500
Flowers Foundation - Busing of Students	6,303	4,107
Health Foundation Grant	-	388
IMLS - Nelly Toll Exhibit	5,793	36,254
J.B. Research Fund	533	-
J.W. Mahoney Foundation - Archives/Storage Fund	7,547	8,539
Moniker	-	1,213
Pottery Wheel Fund	4,000	4,000
Massillon Rotary - Accessibility project	-	9,901
Target Educational Outreach	714	585
Velma Irwin - Research room and archives	1,845	1,845
Busing Transportation	2,657	1,826
smART	7,142	7,893
SCF - Blindspot	1,130	-
ALP	-	3,047
MCS	-	10,446
SCIP	-	9,950
PNC - S	-	4,010
PNC - F	-	1,268
Jennings Foundation - Artful Living	9,684	-
Stark Community Foundation Income Account	2,406	7,099
Capital Campaign	1,052,323	1,222,008
	\$ 1,108,630	\$ 1,343,693

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

	2017	2016
Stark Community Foundation - principal account	\$ 52,786	\$ 52,786
Stark Community Foundation - building account	340,861	340,861
Pledges receivable - building account	3,142	3,142
Other	12,048	12,048
Total	\$ 408,837	\$ 408,837

**MASSILLON MUSEUM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 8. 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, nonprofit 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.

Note 9. 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 2017 and 2016 amounted to \$6,135 and \$8,072, respectively.

Note 10. Commitments and Contingencies

With the consent of the board of directors, management executed a contract to perform significant renovations to the Museum. The cost of the contract was approximately \$4,013,000. The remaining commitments for the renovations at December 31, 2017 are approximately \$3,684,000.

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

June 27, 2018

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, 2017 and 2016, 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 June 27, 2018.

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.

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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
AUGUST 28, 2018**