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740.695.1569

1310 Market Street, Suite 300  
Wheeling, WV 26003  
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**MASSILLON MUSEUM  
STARK COUNTY  
Regular Audit  
For the Years Ended December 31, 2016 and 2015**

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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, 2016 through December 31, 2016. 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

September 21, 2017

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**MASSILLON MUSEUM  
STARK COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

June 23, 2017

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, 2016 and 2015, 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, 2016 and 2015, 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 23, 2017, 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, 2016 AND 2015**

| <b>ASSETS</b>   | <u><b>2016</b></u>         | <u><b>2015</b></u>         |
|---|----------------------------|----------------------------|
| Cash and cash equivalents                                   | \$ 235,206                 | \$ 812,471                 |
| Restricted Cash - Capital Campaign                          | 597,578                    | -                          |
| Investments at fair value                                   | 307,694                    | 288,580                    |
| Beneficial interest in assets of Stark Community Foundation | 416,861                    | 304,818                    |
| Accounts receivable   | 611                        | 6,308                      |
| Pledges receivable  | 703,240                    | 974,983                    |
| Government appropriations tax receivable                    | 480,000                    | 480,000                    |
| Inventory - Museum shop                                     | 7,282                      | 5,059                      |
| Property and equipment                                      | 2,276,566                  | 2,008,100                  |
| Prepaid expenses  | 12,655                     | 3,249                      |
| Other assets  | <u>3,799</u>               | <u>2,588</u>               |
| TOTAL ASSETS  | <u><u>\$ 5,041,492</u></u> | <u><u>\$ 4,886,156</u></u> |
| <br><b>LIABILITIES AND NET ASSETS</b>                       |                            |                            |
| Accounts payable  | \$ 41,196                  | \$ 24,639                  |
| Accrued payroll and related liabilities                     | 11,862                     | 10,718                     |
| Other accrued liabilities                                   | <u>10,133</u>              | <u>-</u>                   |
| TOTAL LIABILITIES   | <u>63,191</u>              | <u>35,357</u>              |
| <br>Net assets:   |                            |                            |
| Unrestricted  | 3,155,771                  | 2,905,419                  |
| Temporarily restricted                                      | 1,413,693                  | 1,527,268                  |
| Permanently restricted                                      | <u>408,837</u>             | <u>418,112</u>             |
| TOTAL NET ASSETS  | <u>4,978,301</u>           | <u>4,850,799</u>           |
| TOTAL LIABILITIES AND NET ASSETS                            | <u><u>\$ 5,041,492</u></u> | <u><u>\$ 4,886,156</u></u> |

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

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

**REVENUES, GAINS AND OTHER SUPPORT**

|   | <u>Unrestricted</u>        | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>               |
|---|----------------------------|-----------------------------------|-----------------------------------|----------------------------|
| Contributions   | \$ 26,031                  | \$ 232,926                        | \$ -                              | \$ 258,957                 |
| 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)                           | -                          |
|   | <u>1,301,897</u>           | <u>(113,575)</u>                  | <u>(9,275)</u>                    | <u>1,179,047</u>           |
| Total support and revenue                                     |                            |                                   |                                   |                            |
|   |                            |                                   |                                   |                            |
| <b>EXPENSES</b>   |                            |                                   |                                   |                            |
| Program services  | 739,680                    | -                                 | -                                 | 739,680                    |
| Fundraising   | 41,992                     | -                                 | -                                 | 41,992                     |
| Management and general  | 269,873                    | -                                 | -                                 | 269,873                    |
|   | <u>1,051,545</u>           | <u>-</u>                          | <u>-</u>                          | <u>1,051,545</u>           |
| Total expenses  |                            |                                   |                                   |                            |
|   |                            |                                   |                                   |                            |
| Increase (decrease) in net assets                             | 250,352                    | (113,575)                         | (9,275)                           | 127,502                    |
| Net assets, beginning of year                                 | 2,905,419                  | 1,527,268                         | 418,112                           | 4,850,799                  |
| <b>Net assets, end of year</b>                                | <u><b>\$ 3,155,771</b></u> | <u><b>\$ 1,413,693</b></u>        | <u><b>\$ 408,837</b></u>          | <u><b>\$ 4,978,301</b></u> |

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

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

**REVENUES, GAINS AND OTHER SUPPORT**

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|--------------|
| 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 sales   | 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)                          | -                                 | -            |
|   | <hr/>               | <hr/>                             | <hr/>                             | <hr/>        |
| Total support and revenue                                     | 999,686             | 1,406,372                         | 304,000                           | 2,710,058    |

**EXPENSES**

|  |                            |                            |                          |                            |
|--|----------------------------|----------------------------|--------------------------|----------------------------|
| Program services                             | 756,043                    | -                          | -                        | 756,043                    |
| Fundraising                                  | 46,173                     | -                          | -                        | 46,173                     |
| Management and general                       | 171,994                    | -                          | -                        | 171,994                    |
|  | <hr/>                      | <hr/>                      | <hr/>                    | <hr/>                      |
| Total expenses                               | 974,210                    | -                          | -                        | 974,210                    |
|  | <hr/>                      | <hr/>                      | <hr/>                    | <hr/>                      |
| 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 10 | -                          | (5,275)                    | 5,275                    | -                          |
|  | <hr/>                      | <hr/>                      | <hr/>                    | <hr/>                      |
| <b>Net assets, end of year</b>               | <b><u>\$ 2,905,419</u></b> | <b><u>\$ 1,527,268</u></b> | <b><u>\$ 418,112</u></b> | <b><u>\$ 4,850,799</u></b> |

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<br/>Services</u>  | <u>Fundraising</u>          | <u>Management<br/>and General</u> | <u>Total<br/>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                         |
| <br>Total Payroll and Related Benefits     | <br>280,633                  | <br>37,419                  | <br>56,128                        | <br>374,180                    |
| <br>Advertising                            | <br>3,733                    | <br>621                     | <br>4,781                         | <br>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                        |
| <br>Total expenses before depreciation     | <br>643,025                  | <br>41,992                  | <br>245,765                       | <br>930,782                    |
| <br>Depreciation                           | <br>96,655                   | <br>-                       | <br>24,108                        | <br>120,763                    |
| <br><b>Total expenses</b>                  | <br><b><u>\$ 739,680</u></b> | <br><b><u>\$ 41,992</u></b> | <br><b><u>\$ 269,873</u></b>      | <br><b><u>\$ 1,051,545</u></b> |

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<br/>Services</u> | <u>Fundraising</u>   | <u>Management<br/>and General</u> | <u>Total<br/>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                |
| <br>Total Payroll and Related Benefits | <br>213,512                 | <br>28,468           | <br>42,702                        | <br>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                |
| <br>Total expenses before depreciation | <br>661,649                 | <br>46,173           | <br>148,396                       | <br>856,218           |
| Depreciation                           | 94,394                      | -                    | 23,598                            | 117,992               |
| <br><b>Total expenses</b>              | <br><b>\$ 756,043</b>       | <br><b>\$ 46,173</b> | <br><b>\$ 171,994</b>             | <br><b>\$ 974,210</b> |

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

**MASSILLON MUSEUM  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

|   | <u>2016</u>              | <u>2015</u>              |
|---|--------------------------|--------------------------|
| Cash flows from operating activities:   |                          |                          |
| Change in net assets  | \$ 127,502               | \$ 1,735,848             |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                          |                          |
| Depreciation  | 120,763                  | 117,992                  |
| Interest and dividends reinvested   | (14,568)                 | (16,571)                 |
| Loss on disposal of equip and property  | 38,788                   |                          |
| Unrealized (gain) loss on investments and beneficial interest   | (31,539)                 | 11,422                   |
| Proceeds from contributions restricted for investment in capital projects                             | (80,412)                 | (128,713)                |
| (Increase) decrease in:   |                          |                          |
| Accounts receivable   | 5,697                    | (2,727)                  |
| Pledges receivable  | 271,743                  | (974,983)                |
| Inventory   | (2,223)                  | 5,197                    |
| Prepaid expenses  | (9,406)                  | 1,181                    |
| Other Assets  | (1,211)                  | (608)                    |
| Increase (decrease) in:   |                          |                          |
| Accounts payable  | 16,557                   | 9,531                    |
| Accrued liabilities   | 11,277                   | (4,474)                  |
|   | <u>452,968</u>           | <u>753,095</u>           |
| Net cash provided by (used in) operating activities   |                          |                          |
| Cash flows from investing activities:   |                          |                          |
| Purchase of property and equipment  | (428,017)                | (121,922)                |
| Purchase of investments   | (85,050)                 | (239,561)                |
|   | <u>(513,067)</u>         | <u>(361,483)</u>         |
| Net cash provided by (used in) investing activities   |                          |                          |
| Cash flows from financing activities:   |                          |                          |
| Proceeds from contributions restricted for investment in capital projects                             | 80,412                   | 128,713                  |
|   | <u>80,412</u>            | <u>128,713</u>           |
| Net cash provided by (used in) investing activities   |                          |                          |
| Increase (decrease) in cash and cash equivalents  | 20,313                   | 520,325                  |
| Cash and cash equivalents, beginning of year  | <u>812,471</u>           | <u>292,146</u>           |
| <b>Cash and cash equivalents, end of year</b>   | <b><u>\$ 832,784</u></b> | <b><u>\$ 812,471</u></b> |

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

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

**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.

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

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

**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.

**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 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**

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.



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

**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 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.

**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, 2016 AND 2015**

**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 \$9,135 and \$13,063 in 2016 and 2015, 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. These reclassifications had no effect on the previously reported net assets.

**Note 2. 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:

- 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 2. Fair Value of Financial Instruments (Continued)**

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

|   | 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           |
| <b>Total assets</b>                           | <b>\$ 724,555</b> | <b>\$ 307,694</b> | <b>\$ -</b> | <b>\$ 416,861</b> |

|   | December 31, 2015 |                   |             |                   |
|---|-------------------|-------------------|-------------|-------------------|
|   | Total             | Level 1           | Level 2     | Level 3           |
| Money Market                                  | \$ 10,592         | \$ 10,592         | \$ -        | \$ -              |
| Mutual Funds                                  |                   |                   |             |                   |
| Equity  | 119,008           | 119,008           | -           | -                 |
| Fixed income                                  | 76,731            | 76,731            | -           | -                 |
| Other   | 20,180            | 20,180            | -           | -                 |
| Common Stock                                  | 10,323            | 10,323            | -           | -                 |
| Closed end funds and exchange traded products |                   |                   |             |                   |
| Equity  | 40,091            | 40,091            | -           | -                 |
| Fixed income                                  | 11,655            | 11,655            | -           | -                 |
| Beneficial interest in perpetual trust        | 304,818           | -                 | -           | 304,818           |
| <b>Total assets</b>                           | <b>\$ 593,398</b> | <b>\$ 288,580</b> | <b>\$ -</b> | <b>\$ 304,818</b> |

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, 2016 and 2015, 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, 2016 AND 2015**

**Note 2. Fair Value of Financial Instruments (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, 2016 and 2015.

**Beneficial Interest in Stark Community Foundation**

|                                    | As of December<br>31, 2016 | As of December<br>31, 2015 |
|------------------------------------|----------------------------|----------------------------|
| Balance - beginning of year        | \$ 304,818                 | \$ 57,108                  |
| Contributions                      | 86,858                     | 242,527                    |
| Interest and dividends             | 3,627                      | 1,296                      |
| Realized/unrealized gains (losses) | 23,366                     | 4,483                      |
| Fees                               | (1,808)                    | (596)                      |
| Balance - end of year              | <u>\$ 416,861</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, 2016 for each asset class as stated below:

|                             |       |
|-----------------------------|-------|
| Equities                    | 58.7% |
| Fixed income and cash       | 17.8% |
| Hedge funds                 | 13.9% |
| Private equity              | 3.6%  |
| Real estate and commodities | 6.0%  |

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, 2016 and 2015.

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

**Note 2. Fair Value of Financial Instruments (Continued)**

Investments consist of the following at December 31:

|   | 2016       |              | 2015       |              |
|---|------------|--------------|------------|--------------|
|   | Cost       | Market Value | Cost       | Market Value |
| Money Market                                  | \$ 10,166  | \$ 10,166    | \$ 10,592  | \$ 10,592    |
| Equity Securities                             |            |              |            |              |
| Common Stock                                  | 9,140      | 12,759       | 9,140      | 10,323       |
| Closed end funds and exchange traded products | 28,803     | 40,220       | 28,803     | 40,091       |
| Mutual funds                                  | 115,694    | 129,996      | 108,643    | 119,008      |
| Total Equity Securities                       | 153,637    | 182,975      | 146,586    | 169,422      |
| Fixed Income                                  |            |              |            |              |
| Closed end funds and exchange traded products | 11,871     | 11,163       | 11,871     | 11,655       |
| Mutual funds                                  | 85,858     | 81,279       | 82,446     | 76,731       |
| Total Fixed Income                            | 97,729     | 92,442       | 94,317     | 88,386       |
| Other   |            |              |            |              |
| Mutual funds                                  | 24,478     | 22,111       | 23,572     | 20,180       |
| Total   | \$ 286,010 | \$ 307,694   | \$ 275,067 | \$ 288,580   |

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

|                                    | 2016      | 2015      |
|------------------------------------|-----------|-----------|
| Interest and Dividends             | \$ 18,469 | \$ 16,571 |
| Realized/Unrealized Gains (Losses) | 31,539    | (11,422)  |
|                                    | \$ 50,008 | \$ 5,149  |

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

**Note 3. 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 \$59,566 and \$55,357 at December 31, 2016 and 2015, respectively.

The fair value of investments held in trust by the Foundation for the benefit of the Museum building maintenance was \$357,295 and \$249,461 at December 31, 2016 and 2015, respectively.

**Note 4. Property and Equipment**

Property and equipment are summarized by major classifications as follows:

|                               | 2016         | 2015         |
|-------------------------------|--------------|--------------|
| Land                          | \$ 273,773   | \$ 18,433    |
| Buildings                     | 2,366,412    | 2,244,634    |
| Building Improvements         | 1,005,337    | 1,047,078    |
| Furniture and Equipment       | 59,379       | 193,913      |
| Construction In Progress      | 33,501       | -            |
| Total                         | 3,738,402    | 3,504,058    |
| Less Accumulated Depreciation | 1,461,836    | 1,495,958    |
| Total                         | \$ 2,276,566 | \$ 2,008,100 |

The depreciation expense for 2016 and 2015 was \$120,763 and \$117,992, 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, 2016 AND 2015**

**Note 5. Restrictions On Assets**

Temporarily restricted net assets are available for the following purposes:

|   | 2016         | 2015         |
|---|--------------|--------------|
| Adopt a Drawer                                  | \$ 1,100     | \$ -         |
| Art is Alive                                    | 2,796        | -            |
| Big Read  | 1,918        | -            |
| Education Assistant                             | 1,000        | -            |
| Feminism in Football                            | 2,500        | -            |
| Flowers Foundation - Busing of Students         | 4,107        | 5,953        |
| Health Foundation Grant                         | 388          | 2,500        |
| IMLS - Nelly Toll Exhibit                       | 36,254       | 625          |
| J.W. Mahoney Foundation - Archives/Storage Fund | 8,539        | -            |
| Moniker   | 1,213        | -            |
| Pottery Wheel Fund                              | 4,000        | -            |
| Massillon Rotary - Accessibility project        | 9,901        | 12,201       |
| Target Educational Outreach                     | 585          | 940          |
| Velma Irwin - Research room and archives        | 1,845        | 1,845        |
| Busing Transportation                           | 1,826        | -            |
| smART   | 7,893        | -            |
| ALP   | 3,047        | -            |
| MCS   | 10,446       | -            |
| SCIP  | 9,950        | -            |
| PNC - S   | 4,010        | -            |
| PNC - F   | 1,268        | -            |
| Jennings Foundation - Artful Living             | -            | 11,530       |
| Stark Community Foundation Income Account       | 7,099        | 4,632        |
| Capital Campaign                                | 1,292,008    | 1,487,042    |
|   | \$ 1,413,693 | \$ 1,527,268 |

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

|   | 2016       | 2015       |
|---|------------|------------|
| Stark Community Foundation - principal account  | \$ 52,786  | \$ 52,786  |
| Stark Community Foundation - building account   | 340,861    | 254,003    |
| Pledges receivable - building account           | 3,142      | 90,000     |
| J.W. Mahoney Foundation - Archives/Storage Fund | -          | 9,275      |
| Other   | 12,048     | 12,048     |
| Total   | \$ 408,837 | \$ 418,112 |

The J.W. Mahoney Foundation – Archives/Storage Fund was reclassified in 2016 from permanently restricted to temporarily restricted due the Museum’s ability to spend out of the Fund.

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

**Note 6. 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 7. 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 2016 and 2015 amounted to \$7,082 and \$4,957, respectively.

**Note 8. Commitments and Contingencies**

**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, 2016). The Museum had not drawn on the line of credit at December 31, 2016 or 2015.

**Operating Lease**

The Museum leases 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, 2016:

|      |           |              |
|------|-----------|--------------|
| 2017 | <u>\$</u> | <u>1,617</u> |
|------|-----------|--------------|

Total rent expense for the copier was \$6,469 for both years ended 2016 and 2015.

**Note 9. Subsequent Events**

Subsequent events have been evaluated through June 23, 2017, which is the date the financial statements were available to be issued.

**Note 10. 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<br>Restricted | Permanently<br>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         | \$ 2,879,943 | \$ 120,896                | \$ 114,112                | \$ 3,114,951 |





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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 23, 2017

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, 2016 and 2015, 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 23, 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.

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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*.

We also noted a certain matter not requiring inclusion in this report that we reported to the Museum's management in a separate letter dated June 23, 2017.

***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  
OCTOBER 3, 2017**