

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
FINANCIAL STATEMENTS  
December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

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# GERMAN, VREELAND & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY M. GERMAN, MBA, CPA  
DAVID A. HULSIZER, CPA  
VICTOR MAISANO, CPA  
KEVIN O'CONNOR, MBA, CPA  
CURT L. PALATSKY, MBA, CPA\*  
RAJESH K. SETHI, CPA, MST

2 RIDGEDALE AVENUE - SUITE 300  
CEDAR KNOLLS, NJ 07927-1119  
(973) 605-2777  
FAX (973) 605-8064  
www.gvacpa.com

ROBERT ALPER, MBA, CPA\*, CITP  
MARIA BATTERSHALL, CPA  
ROBERT W. DODDS, CPA\*

RETIRED  
LOUIS T. GERMAN (1923 - 2013)  
GORDON A. VREELAND

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
The Stickley Museum at Craftsman Farms, Inc.  
Morris Plains, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of The Stickley Museum at Craftsman Farms, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Stickley Museum at Craftsman Farms, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year 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 2, 2017, on our consideration of The Stickley Museum at Craftsman Farms, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Stickley Museum at Craftsman Farms, Inc.'s internal control over financial reporting and compliance.

*Report on Summarized Comparative Information*

We have previously audited The Stickley Museum at Craftsman Farms, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated June 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



German, Vreeland & Associates, LLP

Cedar Knolls, New Jersey

June 2, 2017

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

	<u>ASSETS</u>	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 154,498	\$ 143,935
Unconditional promises to give	1,854	1,300
Grants receivable	38,562	5,725
Inventory	217,106	229,738
Total current assets	<u>412,020</u>	<u>380,698</u>
INVESTMENTS	199,776	143,411
FIXED ASSETS, net	297	965
OTHER ASSETS		
Security deposits	306	306
Total other assets	<u>306</u>	<u>306</u>
TOTAL ASSETS	<u>\$ 612,399</u>	<u>\$ 525,380</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable	\$ 57,115	\$ 15,846
Accrued expenses	17,688	19,571
Line of credit	18,000	18,000
Total current liabilities	<u>92,803</u>	<u>53,417</u>
NET ASSETS		
Unrestricted	465,184	422,563
Temporarily restricted	54,412	49,400
Total net assets	<u>519,596</u>	<u>471,963</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 612,399</u>	<u>\$ 525,380</u>

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL 2016	TOTAL 2015
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 247,760	\$ 7,300	\$ 255,060	\$ 173,264
Membership contributions	49,315	-	49,315	48,140
Donated services	1,300	-	1,300	2,200
Grants	124,552	-	124,552	114,445
Admissions	26,856	-	26,856	24,809
Museum shop sales	76,661	-	76,661	66,891
Special events revenue (net of costs of direct benefits to donors of \$36,657 for 2016 and \$36,159 for 2015)	62,509	-	62,509	78,548
Interest and dividends	3,741	643	4,384	3,723
Net unrealized and realized gains (losses) on investments	282	61	343	(7,452)
Program revenue	48,207	-	48,207	47,459
Other income	1,000	-	1,000	478
Net assets released from restrictions	2,992	(2,992)	-	-
Total revenue, gains and other support	645,175	5,012	650,187	552,505
EXPENSES				
Program services	454,868	-	454,868	448,408
Management and general	86,781	-	86,781	90,351
Fundraising	60,905	-	60,905	45,404
Total expenses	602,554	-	602,554	584,163
CHANGE IN NET ASSETS	42,621	5,012	47,633	(31,658)
NET ASSETS-Beginning of year	422,563	49,400	471,963	503,621
NET ASSETS-End of year	\$ 465,184	\$ 54,412	\$ 519,596	\$ 471,963

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

	2016			2015
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and wages	\$ 163,857	\$ 36,386	\$ 35,142	\$ 235,385
Payroll taxes	13,920	3,082	2,883	19,885
Benefits	11,518	2,550	2,386	16,454
Total salaries and related expenses	189,295	42,018	40,411	271,724
Restoration expenses	124,216	-	-	124,216
Supplies	10,128	12,651	-	22,779
Museum shop expenses	47,660	-	-	47,660
Special events expenses	-	-	7,730	7,730
Contracted services	38,483	9,651	8,477	56,611
Insurance	9,348	4,220	4,220	17,788
Professional services	4,591	9,300	-	13,891
Printing	14,253	173	-	14,426
Postage and shipping	644	4,883	-	5,527
Facilities maintenance	4,106	-	-	4,106
Telephone and communications	-	3,454	-	3,454
Professional development	3,343	231	-	3,574
Education, conferences and workshops	8,400	-	-	8,400
Total expenses before depreciation	454,467	86,581	60,838	601,886
Depreciation	401	200	67	668
Total expenses - 2016	\$ 454,868	\$ 86,781	\$ 60,905	\$ 602,554
Total expenses - 2015	\$ 448,408	\$ 90,351	\$ 45,404	\$ 584,163

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

	2016	2015
CHANGE IN NET ASSETS	\$ 47,633	\$ (31,658)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	668	743
Net unrealized and realized (gains) losses on investments	(343)	7,452
Change in operating assets and liabilities		
Unconditional promises to give	(554)	341
Grants receivable	(32,837)	15,608
Inventory	12,632	15,124
Accounts payable	41,269	(16,436)
Accrued expenses	(1,883)	(277)
Net cash provided by (used in) operating activities	<u>66,585</u>	<u>(9,103)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(77,130)	(66,148)
Proceeds from sale of investments	21,108	62,507
Net cash (used in) investing activities	<u>(56,022)</u>	<u>(3,641)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	8,000
Payments on line of credit	-	(10,000)
Net cash (used in) financing activities	<u>-</u>	<u>(2,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,563	(14,744)
CASH AND CASH EQUIVALENTS-Beginning of year	<u>143,935</u>	<u>158,679</u>
CASH AND CASH EQUIVALENTS-End of year	<u>\$ 154,498</u>	<u>\$ 143,935</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 822</u>	<u>\$ 547</u>

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - The financial statements of The Stickley Museum at Craftsman Farms, Inc. (the “Organization”) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization – The Organization was incorporated on January 4, 1989 to preserve, interpret and make relevant the legacy and ideals of Gustav Stickley and the American Arts and Crafts movement by providing creative programming and authentic experiences that educate, engage and inspire diverse audiences. The Organization is located in the Township of Parsippany-Troy Hills, New Jersey. The Organization is supported primarily through donor contributions and grants. During 2015, the Organization changed its legal name from The Craftsman Farms Foundation, Inc. to The Stickley Museum at Craftsman Farms, Inc.

Tax Status and Incorporation – The Organization was incorporated under Title 15 of the revised statutes of the State of New Jersey as a nonprofit corporation. The corporation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for federal income taxes. The Organization has no uncertain tax positions at December 31, 2016 and 2015. Generally, in accordance with the statutes of limitations, the Organization is no longer subject to examinations by the Internal Revenue Service for returns filed prior to 2013. In addition, there was no interest or penalties related to income taxes included in the financial statements.

Financial Statement Presentation – The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Recognition of Donor Restrictions – Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue and Support Recognition – Contributions are recognized as support when they are received or unconditionally pledged. Unconditional promises to give due in the next year are recorded at their net realizable value. The Organization accounts for grant revenue in the statement of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as a guideline.

Unconditional Promises to Give – Unconditional promises to give are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises to give.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures included in the financial statements. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

Fixed Assets and Depreciation – Fixed assets are recorded at cost when purchased or at fair value at date of gift. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Major renewals and betterments are charged to fixed assets; maintenance, minor repairs and replacements which do not improve or extend the lives of the respective assets are expensed currently. The Organization continually evaluates whether current events or circumstances require adjustments to the carrying value or estimated useful lives of fixed assets.

Valuation of Long-Lived Assets – In accordance with the accounting pronouncements related to accounting for the impairment or disposal of long-lived assets, the Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

Inventory – Inventory consists primarily of books and other shop items which are valued at cost on a first-in, first-out basis.

Advertising – The Organization expenses advertising costs as incurred.

Functional Expenses – Expenses are charged to each program based on direct expenditures that are incurred. Any program expenditures not directly chargeable are allocated to programs based on time spent.

Donated Services – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The statement of activities reflects donated legal services and corresponding expenses of \$1,300 and \$2,200 for the years ended December 31, 2016 and 2015, respectively.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

NOTE 2 – INVESTMENTS - At December 31, 2016 and 2015 investments were comprised of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$ 74,608	\$ 74,580	\$ 74,448	\$ 72,240
Debt securities	<u>128,280</u>	<u>125,196</u>	<u>73,353</u>	<u>71,171</u>
Total	<u>\$ 202,888</u>	<u>\$ 199,776</u>	<u>\$ 147,801</u>	<u>\$ 143,411</u>

The following schedule summarizes the investment return in the statement of activities for the years ended December 31, 2016 and 2015:

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Investment income	\$ 3,741	\$ 643	\$ 4,384
Realized (losses)	(739)	(129)	(868)
Unrealized gains	<u>1,021</u>	<u>190</u>	<u>1,211</u>
Total	<u>\$ 4,023</u>	<u>\$ 704</u>	<u>\$ 4,727</u>

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Investment income	\$ 3,140	\$ 583	\$ 3,723
Realized gains	2,834	432	3,266
Unrealized (losses)	<u>(8,948)</u>	<u>(1,770)</u>	<u>(10,718)</u>
Total	<u>\$ (2,974)</u>	<u>\$ (755)</u>	<u>\$ (3,729)</u>

Investment expenses relating to investment revenues for the years ended December 31, 2016 and 2015 were \$2,911 and \$2,277, respectively.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

**NOTE 3 – FAIR VALUE MEASUREMENTS** – The Organization has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2016 and 2015, along with the basis for the determination of fair value:

2016				
	Total	Quoted Prices In Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Equity securities	\$ 74,580	\$ 74,580	\$ -	\$ -
Debt securities	125,196	125,196	-	-
Total	<u>\$ 199,776</u>	<u>\$ 199,776</u>	<u>\$ -</u>	<u>\$ -</u>

2015				
	Total	Quoted Prices In Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Equity securities	\$ 72,240	\$ 72,240	\$ -	\$ -
Debt securities	71,171	71,171	-	-
Total	<u>\$ 143,411</u>	<u>\$ 143,411</u>	<u>\$ -</u>	<u>\$ -</u>

The Organization values such assets using quoted market prices in active markets (Level 1) for identical assets to the extent possible. To the extent possible that such markets are not available, the Organization values such assets using observable measurement criteria, including quoted market prices of similar assets in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Organization develops measurement criteria based on the best information available (Level 3).

**NOTE 4 – FIXED ASSETS AND DEPRECIATION** - Fixed assets and accumulated depreciation at December 31, 2016 and 2015 were comprised of:

	Life Years	2016	2015
Office equipment	5	\$ 11,651	\$ 11,651
Less: accumulated depreciation		<u>(11,354)</u>	<u>(10,686)</u>
Net fixed assets		<u>\$ 297</u>	<u>\$ 965</u>

Depreciation expenses for the years ended December 31, 2016 and 2015 were \$668 and \$743, respectively.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

NOTE 5 – COLLECTION ITEMS – Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statement of activities. Proceeds from deaccessions or insurance recoveries are reflected in the statement of activities based on the absence or existence and nature of donor-imposed restrictions.

The Organization's collection is comprised of items purchased and donated. The collection includes furniture, textiles, pottery, metalwork, historic household objects, works on paper, photographs, archival materials, and other items relating to the preservation and interpretation at this historic house museum. The Organization's staff ensures that the collection is protected and preserved.

NOTE 6 – COMMITMENTS – The Organization has had an operating agreement with the Township of Parsippany-Troy Hills since June 20, 1991, which was replaced by a successor agreement dated September 4, 2002. In addition, since July 2002 the Organization has had a lease with the Township which initially covered only the Main House but which now covers other buildings, including additional buildings sold by the Organization to the Township in 2007. The terms of the operating agreement and lease currently run until October 30, 2031 and the Organization has an option to extend the operating agreement and lease terms for an additional 25 years. The Township provides certain maintenance and security services pursuant to the operating agreement. The Organization is required to provide periodic reports on its activities, strategic plans and financials pursuant to the operating agreement.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS – Temporarily restricted net assets of \$54,412 as of December 31, 2016 consist of \$29,828 for the Amy Stahl Memorial Fund restricted for educational programs and \$24,584 restricted for the resource center. Temporarily restricted net assets of \$49,400 as of December 31, 2015 consist of \$28,837 for the Amy Stahl Memorial Fund restricted for educational programs and \$20,563 restricted for the resource center.

NOTE 8 – LINE OF CREDIT – The Organization has a total available line of credit of \$75,000 with Provident Bank at December 31, 2016. The line of credit had an outstanding balance of \$18,000 at December 31, 2016. Interest on outstanding balances is at 1% in excess of the Wall Street Journal Prime Rate (the "Index"). The line of credit is secured by the Organization's investment account.

NOTE 9 – FACILITIES MAINTENANCE – A substantial amount of the expenses for facilities maintenance are paid by the Township of Parsippany-Troy Hills in accordance with the lease and operating agreement.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016  
(With Summarized Comparative Totals for December 31, 2015)

NOTE 10 – GRANTS - The Organization receives support from foundation and government grants. Support from these grants is not necessarily comparable on a year-to-year basis, and there is no assurance that such grants will always be received.

The Organization is economically dependent on government grants to carry on certain specific projects. Entitlement to the resources is conditional upon compliance with the terms and conditions of the grant agreements and any applicable regulations. During 2016 and 2015 the terms and conditions of the grants were met by the Organization, and all costs included in the final reports to the respective grantor agencies included only eligible costs. Government grant awards for specific projects included:

- Township of Parsippany-Troy Hills Grant Award - open space use, restoration, repairs and historic preservation.
- New Jersey Historic Commission – historic preservation.
- Morris County Historic Preservation Trust Fund-historic preservation.

NOTE 11 – RESTORATION EXPENSES – The Organization undertakes from time to time substantial historic preservation and renovation efforts and financial results will accordingly vary substantially between years.

NOTE 12 – PENSION PLAN – During 2013 the Organization established a 401(k) Profit-Sharing Plan. The Plan covers employees who meet certain eligibility requirements. Employees who satisfy the eligibility requirements may make salary reduction contributions to the Plan equal to at least 1% but no more than 100% of his or her compensation. The Organization does not make matching contributions to the Plan.

NOTE 13 – COMPARATIVE FINANCIAL INFORMATION - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

NOTE 14 – SUBSEQUENT EVENTS – Management has evaluated subsequent events through the date on which the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

# GERMAN, VREELAND & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY M. GERMAN, MBA, CPA  
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2 RIDGEDALE AVENUE - SUITE 300  
CEDAR KNOLLS, NJ 07927-1119  
(973) 605-2777  
FAX (973) 605-8064  
www.gvacpa.com

ROBERT ALPER, MBA, CPA\*, CITP  
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RETIRED  
LOUIS T. GERMAN (1923 - 2013)  
GORDON A. VREELAND

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of  
The Stickley Museum at Craftsman Farms, Inc.  
Morris Plains, New Jersey

We have audited the financial statements of The Stickley Museum at Craftsman Farms, Inc. as of and for the year ended December 31, 2016, and have issued our report thereon dated June 2, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The schedule of expenditures of state and local financial assistance is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
German, Vreeland & Associates, LLP  
Cedar Knolls, New Jersey  
June 2, 2017

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL FINANCIAL ASSISTANCE  
Year Ended December 31, 2016

GRANTOR/ PROGRAM TITLE	GRANT NUMBER	GRANT PERIOD	CURRENT YEAR'S EXPENDITURES
New Jersey Historical Commission Department of State (General Operating)	HC-GOS-2016	7/1/15-6/30/16	\$ 13,334
New Jersey Historical Commission Department of State (General Operating)	HC-GOS-2017	7/1/16-6/30/17	14,000
Township of Parsippany-Troy Hills (Open Space Use, Restoration, Repairs and Historic Preservation)	N/A	NA	56,190
Morris County Historic Preservation Trust Fund (Historic Preservation)	N/A	NA	53,870
Total			<u>\$ 137,394</u>

See accompanying notes.

THE STICKLEY MUSEUM AT CRAFTSMAN FARMS, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AND LOCAL FINANCIAL ASSISTANCE  
Year ended December 31, 2016

NOTE 1 – BASIS OF PRESENTATION - The accompanying schedule of expenditures of state and local financial assistance presents the activities in all the state and local financial assistance programs of The Stickley Museum at Craftsman Farms, Inc. and is presented using the accrual basis of accounting. All financial assistance received directly from state agencies as well as financial assistance passed through other governmental agencies or non-profit organizations are included on this schedule.

NOTE 2 – BASIS OF ACCOUNTING - The accompanying schedule of expenditures of state and local financial assistance is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to state and local funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - Expenditures of state and local financial assistance are reported on the statement of functional expenses as program services or management and general expenses. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of state and local financial assistance due to program expenditures exceeding grant or contract budget limitations, matching or in-kind contributions or capitalization policies required under accounting principles generally accepted in the United States of America.

# GERMAN, VREELAND & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

JEFFREY M. GERMAN, MBA, CPA  
DAVID A. HULSIZER, CPA  
VICTOR MAISANO, CPA  
KEVIN O'CONNOR, MBA, CPA  
CURT L. PALATSKY, MBA, CPA\*  
RAJESH K. SETHI, CPA, MST

2 RIDGEDALE AVENUE - SUITE 300  
CEDAR KNOLLS, NJ 07927-1119  
(973) 605-2777  
FAX (973) 605-8064  
www.gvacpa.com

ROBERT ALPER, MBA, CPA\*, CITP  
MARIA BATTERSHALL, CPA  
ROBERT W. DODDS, CPA\*

RETIRED  
LOUIS T. GERMAN (1923 - 2013)  
GORDON A. VREELAND

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of  
The Stickley Museum at Craftsman Farms, Inc.  
Morris Plains, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Stickley Museum at Craftsman Farms, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Stickley Museum at Craftsman Farms, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Stickley Museum at Craftsman Farms, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the The Stickley Museum at Craftsman Farms, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Stickley Museum at Craftsman Farms, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
German, Vreeland & Associates, LLP  
Cedar Knolls, New Jersey  
June 2, 2017