

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

AUDITED FINANCIAL STATEMENTS

AUGUST 31, 2009

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DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

AUDITED FINANCIAL STATEMENTS

AUGUST 31, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Trustees

Danforth Museum Corporation

We have audited the accompanying statements of financial position of **Danforth Museum Corporation** (A Not-for-Profit Organization) as of August 31, 2009 and 2008, and the related statements of activities and changes in net assets, cash flows – indirect method, and functional expenses for the years then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Danforth Museum Corporation** as of August 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GRAY, GRAY & GRAY, LLP

Gray, Gray & Gray, LLP

April 1, 2010

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2009

ASSETS

	<u>Unrestricted Operating</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,891	\$ 102,311	\$ 105,202
Accounts receivable	31,160	15,463	46,623
Prepaid expenses	20,418	-	20,418
	<u>54,469</u>	<u>117,774</u>	<u>172,243</u>
PROPERTY AND EQUIPMENT , net of accumulated depreciation	268,030	-	268,030
	<u>\$ 322,499</u>	<u>\$ 117,774</u>	<u>\$ 440,273</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ 15,101	\$ -	\$ 15,101
Accrued expenses	33,078	-	33,078
Note payable	39,239	-	39,239
Deferred revenue	88,884	-	88,884
	<u>176,302</u>	<u>-</u>	<u>176,302</u>
NET ASSETS	<u>146,197</u>	<u>117,774</u>	<u>263,971</u>
	<u>\$ 322,499</u>	<u>\$ 117,774</u>	<u>\$ 440,273</u>

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

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2008

ASSETS

	<u>Unrestricted Operating</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 31,349	\$ 106,744	\$ 138,093
Accounts receivable	7,754	-	7,754
Prepaid expenses	20,338	-	20,338
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	59,441	106,744	166,185
PROPERTY AND EQUIPMENT , net of accumulated depreciation	296,084	-	296,084
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 355,525</u>	<u>\$ 106,744</u>	<u>\$ 462,269</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ 39,880	\$ -	\$ 39,880
Accrued expenses	50,355	-	50,355
Note payable	81,733	-	81,733
Deferred revenue	63,256	-	63,256
Other current liabilities	800	-	800
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	236,024	-	236,024
NET ASSETS	<hr/>	<hr/>	<hr/>
	119,501	106,744	226,245
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 355,525</u>	<u>\$ 106,744</u>	<u>\$ 462,269</u>

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

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED AUGUST 31, 2009

	<u>Unrestricted</u> <u>Operating</u>	<u>Temporarily</u> <u>Restricted</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT			
Grants and contributions	\$ 221,319	\$ 127,628	\$ 348,947
Special event revenue	72,808	-	72,808
Admissions	26,814	-	26,814
Museum school tuition	456,113	-	456,113
Gift shop sales	44,487	-	44,487
Program revenue	109,049	-	109,049
Membership income	65,404	-	65,404
In-kind contributions:			
Rent	340,000	-	340,000
Net assets released from restrictions	<u>116,598</u>	<u>(116,598)</u>	<u>-</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>1,452,592</u>	<u>11,030</u>	<u>1,463,622</u>
OPERATING EXPENSES			
Personnel	780,636	-	780,636
Occupancy	409,201	-	409,201
Supplies, materials and other expenses	198,166	-	198,166
Interest	2,541	-	2,541
Depreciation	<u>36,820</u>	<u>-</u>	<u>36,820</u>
TOTAL OPERATING EXPENSES	<u>1,427,364</u>	<u>-</u>	<u>1,427,364</u>
NON-OPERATING REVENUES			
Investment income	<u>1,468</u>	<u>-</u>	<u>1,468</u>
INCREASE IN NET ASSETS	26,696	11,030	37,726
NET ASSETS AT BEGINNING OF YEAR	<u>119,501</u>	<u>106,744</u>	<u>226,245</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 146,197</u></u>	<u><u>\$ 117,774</u></u>	<u><u>\$ 263,971</u></u>

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

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED AUGUST 31, 2008

	<u>Unrestricted</u> <u>Operating</u>	<u>Temporarily</u> <u>Restricted</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT			
Grants and contributions	\$ 182,399	\$ 161,800	\$ 344,199
Special event revenue	89,267	-	89,267
Admissions	16,089	-	16,089
Museum school tuition	462,314	-	462,314
Gift shop sales	30,839	-	30,839
Program revenue	58,232	-	58,232
Membership income	61,130	-	61,130
Sale of deaccessioned work/artistic property	-	2,129	2,129
In-kind contributions:			
Rent	340,000	-	340,000
Other	31,229	-	31,229
Net assets released from restrictions	126,414	(126,414)	-
	<u>1,397,913</u>	<u>37,515</u>	<u>1,435,428</u>
OPERATING EXPENSES			
Personnel	699,540	-	699,540
Occupancy	433,820	-	433,820
Supplies, materials and other expenses	228,523	-	228,523
Interest	4,322	-	4,322
Depreciation	32,223	-	32,223
	<u>1,398,428</u>	<u>-</u>	<u>1,398,428</u>
NON-OPERATING REVENUES			
Investment income	1,636	-	1,636
	<u>1,121</u>	<u>37,515</u>	<u>38,636</u>
INCREASE IN NET ASSETS			
	<u>118,380</u>	<u>69,229</u>	<u>187,609</u>
NET ASSETS AT BEGINNING OF YEAR			
	<u>\$ 119,501</u>	<u>\$ 106,744</u>	<u>\$ 226,245</u>
NET ASSETS AT END OF YEAR			

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

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

STATEMENTS OF CASH FLOWS - INDIRECT METHOD

	Year Ended August 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 37,726	\$ 38,636
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	36,820	32,223
Changes in operating assets and liabilities:		
Accounts receivable	(38,869)	6,051
Prepaid expenses	(80)	6,749
Accounts payable and accrued expenses	(42,056)	17,794
Deferred revenue	25,628	(8,856)
Other current liabilities	(800)	800
	<u>18,369</u>	<u>93,397</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(8,766)	(26,987)
	<u>(8,766)</u>	<u>(26,987)</u>
NET CASH (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net activity on line of credit	(42,494)	22,180
	<u>(42,494)</u>	<u>22,180</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,891)	88,590
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>138,093</u>	<u>49,503</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 105,202</u>	<u>\$ 138,093</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 2,541</u>	<u>\$ 4,782</u>

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

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2009

	PROGRAM SERVICES						SUPPORTING SERVICES			TOTAL	
	OTHER EDUCATION	MUSEUM SCHOOL	EXHIBITIONS	MEMBERSHIP VISITOR SERVICES	RETAIL OPERATIONS	TOTAL PROGRAM FACILITIES SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL SUPPORTING SERVICES		
PERSONNEL											
Salaries	\$ 63,296	\$ 238,516	\$ 52,288	\$ 81,326	\$ -	\$ -	\$ 435,426	\$ 23,961	\$ 81,772	\$ 105,733	\$ 541,159
Consultants and contractors	40	7,345	8,367	27,155	-	84,393	127,300	1,000	13,612	14,612	141,912
Payroll taxes and fringe benefits	13,406	35,314	12,488	14,614	-	-	75,822	21	21,722	21,743	97,565
TOTAL PERSONNEL	76,742	281,175	73,143	123,095	-	84,393	638,548	24,982	117,106	142,088	780,636
OCCUPANCY											
In-kind rent	-	-	-	-	-	340,000	340,000	-	-	-	340,000
Building maintenance	-	251	36	-	-	2,102	2,389	-	-	-	2,389
Utilities	-	-	-	-	-	48,846	48,846	-	26	26	48,872
Equipment costs	-	332	-	-	-	1,277	1,609	-	3,893	3,893	5,502
Insurance	-	-	-	-	-	9,903	9,903	-	2,535	2,535	12,438
TOTAL OCCUPANCY	-	583	36	-	-	402,128	402,747	-	6,454	6,454	409,201
SUPPLIES, MATERIALS AND OTHER EXPENSES											
Accounting	-	-	-	-	-	-	-	-	7,500	7,500	7,500
Advertising	-	-	-	4,496	360	-	4,856	-	-	-	4,856
Artist commissions	-	-	-	-	20,568	-	20,568	3,150	-	3,150	23,718
Art purchases	-	-	1,453	-	-	-	1,453	-	-	-	1,453
Bad debt	-	-	-	-	-	-	-	2,550	-	2,550	2,550
Conferences, conventions and meetings	-	-	-	-	-	-	-	-	1,209	1,209	1,209
Dues and subscriptions	100	100	-	450	-	-	650	-	1,720	1,720	2,370
Hospitality	219	435	390	1,839	-	-	2,883	11,317	441	11,758	14,641
Miscellaneous	-	2,838	-	199	4	-	3,041	328	31,499	31,827	34,868
Program and student supplies	1,404	19,605	7,164	398	4,680	4,953	38,204	449	2,330	2,779	40,983
Postage and shipping	1,854	549	8,557	6,736	213	27	17,936	3,073	1,225	4,298	22,234
Printing	706	365	8,228	23,046	-	1,055	33,400	5,469	516	5,985	39,385
Travel	98	-	1,368	344	-	84	1,894	213	292	505	2,399
TOTAL SUPPLIES, MATERIALS AND OTHER EXPENSES	4,381	23,892	27,160	37,508	25,825	6,119	124,885	26,549	46,732	73,281	198,166
INTEREST	-	-	-	-	-	-	-	-	2,541	2,541	2,541
FACILITY ALLOCATION	47,836	180,231	66,167	94,702	15,228	(529,460)	(125,296)	16,381	108,915	125,296	-
DEPRECIATION	-	-	-	-	-	36,820	36,820	-	-	-	36,820
TOTAL FUNCTIONAL EXPENSES	\$ 128,959	\$ 485,881	\$ 166,506	\$ 255,305	\$ 41,053	\$ -	\$ 1,077,704	\$ 67,912	\$ 281,748	\$ 349,660	\$ 1,427,364

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

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2008

	PROGRAM SERVICES						SUPPORTING SERVICES			TOTAL	
	OTHER EDUCATION	MUSEUM SCHOOL	EXHIBITIONS	MEMBERSHIP VISITOR SERVICES	RETAIL OPERATIONS	FACILITIES	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL		TOTAL SUPPORTING SERVICES
PERSONNEL											
Salaries	\$ 53,104	\$ 246,736	\$ 64,698	\$ 54,745	\$ -	\$ -	\$ 419,283	\$ 19,453	\$ 99,452	\$ 118,905	\$ 538,188
Consultants and contractors	1,278	9,433	10,457	6,970	-	22,600	50,738	1,389	9,454	10,843	61,581
Payroll taxes and fringe benefits	14,341	32,937	11,690	11,258	-	-	70,226	3,470	26,075	29,545	99,771
TOTAL PERSONNEL	68,723	289,106	86,845	72,973	-	22,600	540,247	24,312	134,981	159,293	699,540
OCCUPANCY											
In-kind rent	-	-	-	-	-	340,000	340,000	-	-	-	340,000
Building maintenance	-	1,090	274	-	-	7,515	8,879	595	3,437	4,032	12,911
Utilities	-	1,701	-	-	-	56,771	58,472	-	1,701	1,701	60,173
Equipment costs	620	75	-	-	-	615	1,310	1,932	3,634	5,566	6,876
Insurance	-	-	-	-	-	11,570	11,570	-	2,290	2,290	13,860
TOTAL OCCUPANCY	620	2,866	274	-	-	416,471	420,231	2,527	11,062	13,589	433,820
SUPPLIES, MATERIALS AND OTHER EXPENSES											
Accounting	-	-	-	-	-	-	-	-	5,750	5,750	5,750
Advertising	-	-	-	7,358	339	-	7,697	-	-	-	7,697
Artist commissions	-	-	-	-	12,301	-	12,301	-	-	-	12,301
Art purchases	-	-	1,490	-	-	-	1,490	-	-	-	1,490
Conferences, conventions and meetings	-	-	29	-	-	-	29	40	710	750	779
Dues and subscriptions	-	-	-	407	-	-	407	-	1,630	1,630	2,037
Hospitality	505	221	984	2,984	25	-	4,719	14,900	1,209	16,109	20,828
Donated services/goods	100	418	426	5,633	24	-	6,601	6,685	17,943	24,628	31,229
Miscellaneous	-	-	-	-	4	-	4	-	15,727	15,727	15,731
Program and student supplies	1,302	22,386	11,710	37	3,725	3,650	42,810	338	3,179	3,517	46,327
Postage and shipping	1,960	841	20,059	8,125	(3)	-	30,982	3,824	3,261	7,085	38,067
Printing	488	550	8,089	24,490	1,033	-	34,650	8,328	1,500	9,828	44,478
Travel	-	-	680	165	-	-	845	16	948	964	1,809
TOTAL SUPPLIES, MATERIALS AND OTHER EXPENSES	4,355	24,416	43,467	49,199	17,448	3,650	142,535	34,131	51,857	85,988	228,523
INTEREST	-	-	-	-	-	-	-	-	4,322	4,322	4,322
FACILITY ALLOCATION	37,816	158,941	66,880	59,881	8,953	(474,944)	(142,473)	27,893	114,580	142,473	-
DEPRECIATION	-	-	-	-	-	-	-	-	32,223	32,223	32,223
TOTAL FUNCTIONAL EXPENSES	\$ 111,514	\$ 475,329	\$ 197,466	\$ 182,053	\$ 26,401	\$ (32,223)	\$ 960,540	\$ 88,863	\$ 349,025	\$ 437,888	\$ 1,398,428

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

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Danforth Museum Corporation (the "Museum"), a not-for-profit organization, was incorporated in the Commonwealth of Massachusetts in 1973 to provide various artistic, cultural, and educational programs and activities to the residents of Framingham, Massachusetts and surrounding communities.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents – The Museum considers cash on deposit and money market funds with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents includes money market funds of \$32,515 and \$39,702 at August 31, 2009 and 2008, respectively. During the course of the normal business cycle, the Museum may, at times, maintain a cash balance in excess of the FDIC insured limit.

Included in cash are amounts received from the Marks Fund, which are required to be kept in a separate bank account, reserved to purchase and preserve the Museum's collections. Restricted cash at August 31, 2009 and 2008 is \$11,848 and \$14,148, respectively. The restricted cash is included in Note 6 – Temporarily Restricted Net Assets.

Accounts Receivable – When considered necessary by management, accounts receivable are stated net of an allowance for doubtful accounts, which would be reported on the face of the Museum's statement of financial position. The allowance is established by a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectability of individual accounts, the Museum's history of prior loss experience and current economic conditions. Accounts are charged against the allowance when management believes that the collectability of the specific account is unlikely. At August 31, 2009 and 2008, management determined that no allowance for doubtful accounts was required.

Revenue Recognition – Contributions and grants received and receipts of unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions of donated non-cash assets are recorded at their fair values in the period received. 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 restricted or permanently restricted net assets depending on the nature of the restriction. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restriction.

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition fees are recorded as deferred revenue when received and recognized when services are performed, when the corresponding classes commence.

Memberships are recognized as revenue ratably over the period during which the member is entitled to receive services beginning with the month the dues are received.

Income Tax Status – The Museum is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Museum are deductible by donors within the requirements of the Internal Revenue Code.

Net Assets – The Museum's net assets applicable are described as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. These net assets include unrestricted and expendable restricted resources available for the support of the Museum's operations.

Temporarily Restricted Net Assets – These net assets include restricted financial resources, limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Museum pursuant to those stipulations.

Expense Allocation – Expenses related directly to a program are distributed to that program. Other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Advertising Costs – Advertising costs are expensed as incurred and amounted to \$4,856 and \$7,697 for the years ended August 31, 2009 and 2008, respectively.

Property and Equipment – Property and equipment are recorded at cost if purchased, or at fair market value if donated. Improvements in excess of \$1,000 are capitalized while expenditures for maintenance and repairs are charged to expenses as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

Permanent Collection Additions – The Museum's permanent collections, acquired through purchase and donation, are not recognized as assets in the accompanying financial statements. Purchases of collection items are recorded in the year in which the items were acquired as decreases in unrestricted net assets. Contributed collection items are not reflected in the financial statements.

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risks – Financial instruments which potentially subject the Museum to concentrations of credit risk consist primarily of cash and accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Museum’s customer base.

Recent Accounting Pronouncements – In June 2006, the FASB issued an interpretation, “*Accounting for Uncertainty in Income Taxes*”. This interpretation provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an enterprise’s financial statement. This interpretation requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. On December 30, 2008, the FASB deferred the effective implementation date of this interpretation to the Museum’s annual financial statements ending on August 31, 2010 and the Museum has elected to defer application. The Museum does not expect that the adoption of this interpretation will have a material effect on its financial position, results of operations or cash flows.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of August 31:

	<u>2009</u>	<u>2008</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 55,489	\$ 55,489	5 - 7 Years
Leasehold improvements	368,527	368,527	5 - 40 Years
Computer equipment and software	101,296	92,527	3 - 5 Years
Museum school equipment	12,442	12,442	5 - 7 Years
Museum equipment	<u>39,614</u>	<u>40,167</u>	5 - 7 Years
	577,368	569,152	
Less accumulated depreciation	<u>309,338</u>	<u>273,068</u>	
	<u>\$ 268,030</u>	<u>\$ 296,084</u>	

NOTE 4 – NOTE PAYABLE

In September 2005, the Museum established a \$100,000 revolving line of credit. Bank advances on the credit line are payable on demand with minimum monthly repayments of 2% of outstanding principal balance and carry an interest rate of 1.5% over prime. The interest rate was 5.75% at August 31, 2009. The credit line is secured by substantially all Museum assets and \$39,239 and \$81,733 was outstanding on the line of credit at August 31, 2009 and 2008, respectively. The line of credit is renewable annually.

DANFORTH MUSEUM CORPORATION
(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

NOTE 5 – DEFERRED REVENUE

Deferred revenue related to the following as of August 31:

	<u>2009</u>	<u>2008</u>
Membership	\$ 31,337	\$ 30,803
Museum school tuition	<u>57,547</u>	<u>32,453</u>
	<u>\$ 88,884</u>	<u>\$ 63,256</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of August 31:

	<u>2009</u>	<u>2008</u>
Gallery and school renovations	\$ 79,177	\$ 64,381
Administration/Technology	-	16,920
Acquisitions	11,847	14,177
Marketing/Membership/Visitor services	14,500	7,666
Education and outreach programs	12,250	2,000
Exhibitions	<u>-</u>	<u>1,600</u>
	<u>\$ 117,774</u>	<u>\$ 106,744</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by the donors as follows as of August 31:

	<u>2009</u>	<u>2008</u>
Gallery and school renovations	\$ 78,678	\$ 11,612
Administration/Technology	21,322	40,000
Acquisitions	2,331	2,265
Marketing/Membership/Visitor services	10,667	15,833
Education and outreach programs	2,000	40,604
Exhibitions	<u>1,600</u>	<u>16,100</u>
	<u>\$ 116,598</u>	<u>\$ 126,414</u>

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NOTE 7 – IN-KIND CONTRIBUTIONS

The Museum occupies its operating facility at a nominal cost as an in-kind contribution from the Town of Framingham. Other in-kind contributions are reflected in the accompanying financial statements based upon estimated fair market values assigned to them by the donating individuals and organizations. In-kind contributions are included in contributions and expenses in the statements of activities.

The values of these contributions are the following for the years ended August 31:

	<u>2009</u>	<u>2008</u>
Rent	\$ 340,000	\$ 340,000
Administration/Technology	-	17,943
Fundraising	-	6,685
Marketing/Membership/Visitor services	-	5,633
Exhibits	-	426
Museum school	-	418
Other education	-	100
Retail operations	-	24
	<u>\$ 340,000</u>	<u>\$ 371,229</u>

Additionally, during the years ended August 31, 2009 and 2008 the Museum accepted donations of art with an estimated value of \$105,500 and \$200,495, respectively. No value is reflected in the accompanying financial statements for the in-kind contributions of art.

NOTE 8 – CROSSROADS COMMUNITY FOUNDATION, INC.

The Museum has an agreement with the Crossroads Community Foundation, Inc. (the "Foundation") for the Danforth Museum of Art Fund (the "Fund"). The Foundation holds, manages, invests, and reinvests for the Fund. It collects income and pays and disperses distributable income, at the discretion of the Board of Trustees. The principal of the Fund is only for designated, restricted purposes. The value of the Fund was approximately \$21,000 and \$23,500 at August 31, 2009 and 2008, respectively. The Museum received income from the Fund of \$1,105 and \$1,064 during the years ended August 31, 2009 and 2008, respectively.

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NOTE 9 – RELATED PARTY TRANSACTIONS

The Museum received cash contributions from board members and affiliates of board members in the amount of \$37,500 and \$42,500 in 2009 and 2008, respectively.

NOTE 10 – CONDITIONAL GRANT

In June 2009, the Museum was awarded a grant totaling \$20,000 to support the development of an integrated visual art and social studies curriculum based on its collection of the work of African American sculptor Meta Fuller, in collaboration with the Framingham Public Schools. The award contains donor conditions (one-for-one matching fund requirements). Since this grant represents a conditional promise to give, it is not recorded as contribution revenue until donor conditions are met.

NOTE 11 – CHANGE IN ACCOUNTING POLICY

In 2009, the Museum changed its method of recording of collection items contributed to not reflecting them in the financial statements. In prior years the collection items contributed were reflected in the financial statements, as in-kind revenue and permanent collection additions, based upon fair market values assigned to them by the donating individuals and organizations or by the Museum's executive director based on her expertise in evaluating works of art. The new method of accounting for collection items was adopted because management believes that it is difficult to accurately determine the fair market values of the contributed collection items due to the highly variable art market. Comparative financial statements of prior years have been adjusted to apply the new method retrospectively. The accounting change had no effect on the 2008 assets, liabilities, or changes in net assets.

NOTE 12 – SUBSEQUENT EVENTS

The Museum has evaluated subsequent events through April 1, 2010, the date which the financial statements were available to be issued.