

**CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM**

*FINANCIAL STATEMENTS*

*YEARS ENDED SEPTEMBER 30, 2009 AND 2008*

*AND*

*INDEPENDENT AUDITOR'S REPORT*

CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Governors  
Concord Antiquarian Society  
DBA Concord Museum

We have audited the accompanying statements of financial position of the Concord Antiquarian Society DBA Concord Museum (the "Museum") as of September 30, 2009 and 2008, and the related statements of activities and cash flows 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the Concord Antiquarian Society DBA Concord Museum as of September 30, 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.

*Bollus Lynch, LLP*

Worcester, Massachusetts  
April 16, 2010

CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2009 AND 2008

	<u>Operating</u>	<u>Endowment</u>	<u>Investment in Plant</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 403,624	\$ 442,549	\$ 88,058	\$ 934,231	\$ 1,172,530
Pledges receivable, net	48,750	244,628	56,250	349,628	715,128
Accounts receivable	6,175	-	-	6,175	1,740
Inventories	25,823	-	-	25,823	29,368
Prepaid expenses	5,696	-	-	5,696	15,316
	<u>490,068</u>	<u>687,177</u>	<u>144,308</u>	<u>1,321,553</u>	<u>1,934,082</u>
Total current assets					
Long-term pledges receivable, net	-	90,252	-	90,252	299,743
Property, plant and equipment, net	-	-	2,055,442	2,055,442	1,781,854
Investments	-	4,953,445	-	4,953,445	4,470,974
	<u>\$ 490,068</u>	<u>\$ 5,730,874</u>	<u>\$ 2,199,750</u>	<u>\$ 8,420,692</u>	<u>\$ 8,486,653</u>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities</b>					
Accounts payable, trade and accrued expenses	\$ 85,910	\$ -	\$ 2,023	\$ 87,933	\$ 81,046
Deferred revenue	710	-	-	710	16,433
	<u>86,620</u>	<u>-</u>	<u>2,023</u>	<u>88,643</u>	<u>97,479</u>
Total current liabilities					
Long-term debt, less current maturities	-	-	420,000	420,000	420,000
<b>Net assets</b>					
Unrestricted	122,001	4,073,759	1,635,442	5,831,202	5,025,132
Unrestricted, designated for future projects, capital and maintenance	-	21,432	27,000	48,432	23,432
Temporarily restricted	281,447	375,897	115,285	772,629	1,660,824
Permanently restricted	-	1,259,786	-	1,259,786	1,259,786
	<u>403,448</u>	<u>5,730,874</u>	<u>1,777,727</u>	<u>7,912,049</u>	<u>7,969,174</u>
Total net assets					
	<u>\$ 490,068</u>	<u>\$ 5,730,874</u>	<u>\$ 2,199,750</u>	<u>\$ 8,420,692</u>	<u>\$ 8,486,653</u>

See accompanying notes to financial statements.

CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2009

	Unrestricted				Temporarily Restricted	Permanently Restricted	2009 Totals
	Operating	Endowment	Investment in Plant	Total			
Support, revenue and other activities							
Gifts	\$ 318,643	\$ 137,899	\$ 10,000	\$ 466,542	\$ 147,107	\$ -	\$ 613,649
Foundation grants	-	-	50,000	50,000	10,000	-	60,000
Government grants	-	-	-	-	18,500	-	18,500
Special events	229,465	-	-	229,465	-	-	229,465
Donated goods and services	33,181	-	8,309	41,490	-	-	41,490
Admissions	146,779	-	-	146,779	-	-	146,779
Membership	44,440	-	-	44,440	800	-	45,240
School programs	52,495	-	-	52,495	-	-	52,495
Other museum programs	16,380	-	16,800	33,180	268	-	33,448
Merchandising	95,360	-	-	95,360	-	-	95,360
Interest income	-	2,642	11,528	14,170	2,872	-	17,042
Net investment return	(550)	76,533	-	75,983	1,100	-	77,083
Investment return designated for operations	260,000	(260,000)	-	-	-	-	-
Net assets released from restrictions							
Satisfaction of time restrictions	39,500	603,022	-	642,522	(642,522)	-	-
Satisfaction of program restrictions	85,358	-	340,962	426,320	(426,320)	-	-
Total	<u>1,321,051</u>	<u>560,096</u>	<u>437,599</u>	<u>2,318,746</u>	<u>(888,195)</u>	<u>-</u>	<u>1,430,551</u>
Expenditures							
Program							
Exhibits, collections and programs	596,836	-	88,609	685,445	-	-	685,445
School programs	58,459	-	11,161	69,620	-	-	69,620
Membership	12,647	-	159	12,806	-	-	12,806
Collection items purchased but not capitalized	2,671	-	-	2,671	-	-	2,671
Supporting services							
Administrative and general	208,513	-	56,735	265,248	-	-	265,248
Merchandising	116,512	-	6,012	122,524	-	-	122,524
Public relations	84,778	-	328	85,106	-	-	85,106
Development	190,636	52,613	1,007	244,256	-	-	244,256
Total	<u>1,271,052</u>	<u>52,613</u>	<u>164,011</u>	<u>1,487,676</u>	<u>-</u>	<u>-</u>	<u>1,487,676</u>
Change in net assets before transfers	49,999	507,483	273,588	831,070	(888,195)	-	(57,125)
Transfers							
Amounts transferred to plant reserve	(25,000)	-	25,000	-	-	-	-
Change in net assets	24,999	507,483	298,588	831,070	(888,195)	-	(57,125)
Net assets, beginning of year	97,002	3,587,708	1,363,854	5,048,564	1,660,824	1,259,786	7,969,174
Net assets, end of year	<u>\$ 122,001</u>	<u>\$ 4,095,191</u>	<u>\$ 1,662,442</u>	<u>\$ 5,879,634</u>	<u>\$ 772,629</u>	<u>\$ 1,259,786</u>	<u>\$ 7,912,049</u>

See accompanying notes to financial statements.

CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2008

	Unrestricted			Temporarily Restricted	Permanently Restricted	2008 Totals	
	Operating	Endowment	Investment in Plant				Total
Support, revenue and other activities							
Gifts	\$ 357,035	\$ 122,509	\$ -	\$ 479,544	\$ 237,982	\$ -	\$ 717,526
Foundation grants	-	-	-	-	50,000	-	50,000
Government grants	-	-	-	-	322,000	-	322,000
Special events	124,480	-	-	124,480	-	-	124,480
Donated goods and services	11,960	-	15,420	27,380	-	-	27,380
Admissions	149,278	-	-	149,278	-	-	149,278
Membership	49,593	-	-	49,593	6,100	-	55,693
School programs	60,887	-	-	60,887	-	-	60,887
Other museum programs	35,718	-	6,500	42,218	-	-	42,218
Merchandising	105,701	-	-	105,701	-	-	105,701
Interest income	-	-	-	-	20,305	-	20,305
Net investment return	(1,276)	(257,380)	-	(258,656)	(147,615)	-	(406,271)
Investment return designated for operations	188,500	(188,500)	-	-	-	-	-
Net assets released from restrictions							
Satisfaction of time restrictions	38,500	604,078	-	642,578	(642,578)	-	-
Satisfaction of program restrictions	168,999	(102,982)	130,380	196,397	(196,397)	-	-
Total	<u>1,289,375</u>	<u>177,725</u>	<u>152,300</u>	<u>1,619,400</u>	<u>(350,203)</u>	<u>-</u>	<u>1,269,197</u>
Expenditures							
Program							
Exhibits, collections and programs	574,934	-	66,607	641,541	-	-	641,541
School programs	75,735	-	11,001	86,736	-	-	86,736
Membership	13,067	-	157	13,224	-	-	13,224
Collection items purchased but not capitalized	4,886	-	-	4,886	-	-	4,886
Supporting services							
Administrative and general	187,696	-	66,339	254,035	-	-	254,035
Merchandising	114,112	-	4,714	118,826	-	-	118,826
Public relations	89,882	-	323	90,205	-	-	90,205
Development	208,633	72,684	992	282,309	-	-	282,309
Total	<u>1,268,945</u>	<u>72,684</u>	<u>150,133</u>	<u>1,491,762</u>	<u>-</u>	<u>-</u>	<u>1,491,762</u>
Change in net assets before transfers	20,430	105,041	2,167	127,638	(350,203)	-	(222,565)
Transfers							
Amounts transferred to plant reserve	(1,000)	-	1,000	-	-	-	-
Change in net assets	19,430	105,041	3,167	127,638	(350,203)	-	(222,565)
Net assets, beginning of year	<u>77,572</u>	<u>3,482,667</u>	<u>1,360,687</u>	<u>4,920,926</u>	<u>2,011,027</u>	<u>1,259,786</u>	<u>8,191,739</u>
Net assets, end of year	<u>\$ 97,002</u>	<u>\$ 3,587,708</u>	<u>\$ 1,363,854</u>	<u>\$ 5,048,564</u>	<u>\$ 1,660,824</u>	<u>\$ 1,259,786</u>	<u>\$ 7,969,174</u>

See accompanying notes to financial statements.

CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (57,125)	\$ (222,565)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,941	99,722
Change in allowance for uncollectible pledges and present value discount	9,176	(35,652)
Net investment (gains) losses	(16,573)	521,835
(Increase) decrease in operating assets:		
Pledges receivable	565,815	114,049
Accounts receivable	(4,435)	889
Inventories	3,545	(4,180)
Prepaid expenses and other current assets	9,620	832
Increase (decrease) in operating liabilities:		
Accounts payable, trade and accrued expenses	6,887	(31,413)
Deferred revenue	(15,723)	(7,203)
Total adjustments	<u>673,253</u>	<u>658,879</u>
Net cash provided by operating activities	<u>616,128</u>	<u>436,314</u>
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(388,529)	(101,889)
Proceeds from sales and maturities of investments	4,198,789	5,588,644
Payments for purchases of investments	<u>(4,664,687)</u>	<u>(7,329,656)</u>
Net cash used in investing activities	<u>(854,427)</u>	<u>(1,842,901)</u>
Net decrease in cash and cash equivalents	(238,299)	(1,406,587)
Cash and cash equivalents, beginning of year	<u>1,172,530</u>	<u>2,579,117</u>
Cash and cash equivalents, end of year	<u>\$ 934,231</u>	<u>\$ 1,172,530</u>

See accompanying notes to financial statements.

CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Concord Antiquarian Society, doing business as the Concord Museum ("the Museum"), is incorporated as a Massachusetts nonprofit organization. The Museum is an educational institution dedicated to furthering public understanding and appreciation of Concord's history and its relationship to the cultural history of the nation. Since its founding in 1886, the Museum has collected, preserved and interpreted objects made or used in the Concord area. The Museum has been accredited continuously since 1973 by the American Association of Museums. The Museum serves as a center of learning and cultural enjoyment for the region and as a gateway to the town of Concord for visitors from around the world.

Method of accounting

The financial statements of the Museum have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Museum obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Financial statement presentation

The Museum presents information regarding its financial position and activities according to three classes of net assets described as follows:

Unrestricted - All resources over which the governing board has discretionary control. The governing board of the Museum may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Temporarily restricted - Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently restricted - Endowment resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments and relevant state law.

Accounting 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses. Actual results could differ from those estimates.

Subsequent events

The Museum has evaluated the financial statement impact of subsequent events occurring through April 16, 2010, the date that the financial statements were available to be issued.

Cash and cash equivalents

For purposes of these financial statements, the Museum considers all short-term investments with original maturities of three months or less to be cash equivalents.

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



CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk free interest rate applicable to the year the promise is received. Accretion of the discount is included in contributions and gifts revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Inventories

Inventories, which consist principally of books, reproductions and souvenirs, are valued at the lower of cost or market. Cost is determined principally using the first-in, first-out (FIFO) method.

Property, plant and equipment

Property, plant and equipment are carried at cost or at fair value as of the date of the gift. Depreciation is computed using the straight-line method.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value.

Gains or losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income is recorded in unrestricted assets unless its use is temporarily or permanently restricted by explicit donor stipulations.

Endowment funds

The Museum's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions. Endowment funds include invested gifts.

As required by generally accepted accounting principles, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by state law.

CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with the Uniform Prudent Management of Institutional Funds Act, the Museum can consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization.

The Museum has adopted investment and spending policies for its Board-designated and other endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Museum expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum has invested in a portfolio that targets a diversified asset allocation, placing a greater emphasis on hard assets and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Museum has a policy of appropriating for distribution each year 4.5 to 5.5% of its endowment fund's average fair value over the prior twelve quarters through March 31 of the year proceeding the year in which the distribution is planned. In establishing this policy, the Museum considered the long-term expected return on its endowment. Accordingly, over the long term, the Museum expects the current spending policy to allow its endowment to grow at an average of 2.5 to 3.5% annually. This is consistent with the Museum's objective to maintain the purchasing power of its endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor imposed restrictions require the Museum to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. Such deficiencies amounted to \$0 as of September 30, 2009 and 2008.

Collection

As allowed by accounting principles generally accepted in the United States of America and following the practices of many museums, the Museum has not capitalized its collection of items of historical nature and other related objects purchased or donated. The collection is held for public education or research in furtherance of public service rather than financial gain. The Museum continually reviews its collection and may deaccession or acquire additional items. Expenditures for additional collection items are presented as a reduction in the appropriate class of net assets.

CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions, gifts and grants

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contribution of assets other than cash are recorded at their fair value on the date of the gift. Gifts of long-lived assets are reported as unrestricted support, unless specifically restricted by the donor. Time restrictions on gifts of long-lived assets, if any, expire when the assets are acquired. Restricted gifts or promises to give are required to be reported as restricted support in the period received and are then reclassified to unrestricted net assets upon satisfaction of the donor restriction.

Donated goods and services

Donated goods and services are recorded at estimated fair market value on date of receipt. Donated services are recorded when provided by individuals whose skills would need to be purchased if not provided by donation.

A substantial number of unpaid volunteers make significant contributions of their time to the Museum. The value of this contributed time is not reflected in these statements.

Functional expenses

The expenses incurred to provide the various programs and other activities of the Museum have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

2 - PLEDGES RECEIVABLE

Pledges receivable as of September 30, 2009 and 2008 are as follows:

	2009	2008
Due: Less than one year	\$ 383,714	\$ 730,838
One to five years	99,952	318,643
	483,666	1,049,481
Total pledges receivable	483,666	1,049,481
Less: Discounts to present value at 3.00% to 5.00%	(9,700)	(18,900)
Allowances for uncollectible pledges	(34,086)	(15,710)
Net pledges receivable	\$ 439,880	\$ 1,014,871

CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, together with estimated useful lives, consists of the following:

	<u>Estimated Useful Lives</u>	<u>2009</u>	<u>2008</u>
Land and land improvements	15 years	\$ 82,220	\$ 82,220
Buildings	15 – 35 years	3,964,600	3,562,734
Equipment	3 – 7 years	175,588	169,604
Furniture and fixtures	7 – 12 years	50,587	99,910
Construction in progress	-	-	34,636
		<u>4,272,995</u>	<u>3,949,104</u>
Less: Accumulated depreciation		<u>2,217,553</u>	<u>2,167,250</u>
		<u>\$ 2,055,442</u>	<u>\$ 1,781,854</u>

Depreciation expense was \$114,941 and \$99,722 for 2009 and 2008, respectively.

4 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2009</u>	<u>2008</u>
Donor-restricted endowment funds:		
Temporarily restricted	\$ 41,017	\$ 35,004
Permanently restricted	1,259,786	1,259,786
Board-designated endowment funds	3,652,642	3,145,383
Donor-restricted funds:		
Temporarily restricted (pooled life income fund)	-	30,801
	<u>\$ 4,953,445</u>	<u>\$ 4,470,974</u>

Investment fair values as of September 30 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Mutual funds		
Equity	\$ 3,199,667	\$ 3,622,739
Fixed income	1,753,778	845,508
Cash and cash equivalents	-	2,727
	<u>\$ 4,953,445</u>	<u>\$ 4,470,974</u>

CONCORD ANTIQUARIAN SOCIETY  
DBA CONCORD MUSEUM

NOTES TO FINANCIAL STATEMENTS  
(Continued)

4 - INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 104,711	\$ -	\$ -	\$ 104,711
Net realized and unrealized gains	15,473	1,100	-	16,573
Investment management fees	(44,201)	-	-	(44,201)
	<u>\$ 75,983</u>	<u>\$ 1,100</u>	<u>\$ -</u>	<u>\$ 77,083</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 148,932	\$ 1,654	\$ -	\$ 150,586
Net realized and unrealized losses	(372,566)	(149,269)	-	(521,835)
Investment management fees	(35,022)	-	-	(35,022)
	<u>\$ (258,656)</u>	<u>\$ (147,615)</u>	<u>\$ -</u>	<u>\$ (406,271)</u>

5 - ENDOWMENT ASSETS

Endowment assets include donor-restricted and Board-designated investments and cash and cash equivalents. Changes in endowment assets for the year ended September 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	<u>\$ 3,587,708</u>	<u>\$ 35,004</u>	<u>\$ 1,259,786</u>	<u>\$ 4,882,498</u>
Investment return:				
Interest and dividend income	107,353	-	-	107,353
Net realized and unrealized gains	16,023	6,013	-	22,036
Investment management fees	(44,201)	-	-	(44,201)
Total investment return	79,175	6,013	-	85,188
Contributions	137,899	-	-	137,899
Satisfaction of time restrictions	598,022	-	-	598,022
Appropriation for expenditure	(307,613)	-	-	(307,613)
Endowment assets, end of year	<u>\$ 4,095,191</u>	<u>\$ 41,017</u>	<u>\$ 1,259,786</u>	<u>\$ 5,395,994</u>

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NOTES TO FINANCIAL STATEMENTS  
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5 - ENDOWMENT ASSETS (Continued)

Changes in endowment assets for the year ended September 30, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 3,482,667	\$ 178,921	\$ 1,259,786	\$ 4,921,374
Investment return:				
Interest and dividend income	148,932	-	-	148,932
Net realized and unrealized losses	(371,290)	(143,917)	-	(515,207)
Investment management fees	(35,022)	-	-	(35,022)
Total investment return	(257,380)	(143,917)	-	(401,297)
Contributions	122,509	-	-	122,509
Satisfaction of time restrictions	604,078	-	-	604,078
Appropriation for expenditure	(364,166)	-	-	(364,166)
Endowment assets, end of year	<u>\$ 3,587,708</u>	<u>\$ 35,004</u>	<u>\$ 1,259,786</u>	<u>\$ 4,882,498</u>

6 - POOLED LIFE INCOME FUND

Prior to 2009, the Museum had established a pooled life income fund to which, under a gift agreement and beneficiary designation, a donor makes an irrevocable transfer of assets to an independent fiduciary (trustee of the pooled income fund) on behalf of the Museum. Until a donor's death, the donor (or the donor's designated beneficiary) receives the income earned on the contributed assets. Upon death of the donor or revocation of their interest in the investment income, all rights in the principal and income assets transfer to the Museum. The Museum had recognized, as temporarily restricted gift revenue, the fair value of the assets to be received, discounted for the estimated lifespan of the donor. As of September 30, 2008, the Museum has recorded an investment of \$30,801, equal to the fair value of the contributed assets, and deferred revenue of \$16,283, representing the amount of the discount for future interest. During 2009, the beneficiary of the pooled life income fund gifted the remainder of her lifetime income trust to the Museum. As of September 30, 2009 there are no investments or deferred revenue pertaining to the pooled life income fund.

7 - LINE OF CREDIT, BANK

The Museum has a \$300,000 revolving line of credit agreement with its bank, secured by certain assets of the Museum. The note bears interest at the bank's prime lending rate, with a floor of 5.00% (5.00% as of September 30, 2009) and is due on demand. There were no amounts outstanding on this line of credit as of September 30, 2009 and 2008.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

8 - LONG-TERM DEBT

Long-term debt consists of the following:

	2009	2008
Mortgage payable, bank, secured by certain assets of the Museum, due in monthly interest installments through November 2010, at which time annual principal installments of \$140,000 plus interest at 6.65% are due through November 2012.	\$ 420,000	\$ 420,000
Less: Current maturities of long-term debt	-	-
	\$ 420,000	\$ 420,000

Maturities of long-term debt in subsequent fiscal years are as follows:

2010	\$ -
2011	140,000
2012	140,000
2013	140,000
	\$ 420,000

9 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Museum follows the provisions of the “Fair Value Measurements and Disclosures” topic of the Financial Accounting Standards Board Accounting Standards Codification 820, (FASB ASC 820). This Standard defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements.

Determination of fair value

The Museum uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. However, in some instances, there may be no quoted market prices for the Museum’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value hierarchy

In accordance with FASB ASC 820, the Museum groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

9 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

*Fair value hierarchy (continued)*

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Museum's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at September 30, 2009 as follows:

	Level 1	Level 2	Level 3	Total
Investments	\$ 4,953,445	\$ -	\$ -	\$ 4,953,445

The Museum's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at September 30, 2008 as follows:

	Level 1	Level 2	Level 3	Total
Investments	\$ 4,470,974	\$ -	\$ -	\$ 4,470,974

The Museum does not measure any liabilities at fair value on a recurring or non-recurring basis.

10 - MERCHANDISING OPERATIONS

Results for merchandising operations for the years ended September 30, 2009 and 2008 are summarized as follows:

	2009	2008
Merchandising revenue	\$ 95,360	\$ 105,701
Cost of goods sold	51,831	51,852
Gross profit	43,529	53,849
Direct selling expenses	54,987	53,995
Contribution before allocation of occupancy costs and depreciation expense	(11,458)	( 146)
Allocation of occupancy costs	9,694	8,265
Allocation of depreciation	6,012	4,714
Contribution after allocation of occupancy costs and depreciation expense	\$ (27,164)	\$ (13,125)

Direct selling expenses include payroll and other direct costs related to operation of the Museum Shop, but do not include allocation of indirect administrative costs. Occupancy costs allocated include utilities, maintenance and insurance.



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NOTES TO FINANCIAL STATEMENTS  
(Continued)

11 - RESTRICTED NET ASSETS

Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes:

	2009	2008
Expenditures for program activities	\$ 398,249	\$ 642,535
Time restriction	374,380	1,018,289
	\$ 772,629	\$ 1,660,824

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	2009	2008
Time restriction satisfied by collection of pledges receivable	\$ 642,522	\$ 642,578
Expenditures for program activities	426,320	196,397
	\$ 1,068,842	\$ 838,975

Permanently restricted net assets

Permanently restricted net assets are restricted to:

	2009	2008
Investment in perpetuity, the income and appreciation from which is expendable to support specified program activities of the Museum	\$ 1,259,786	\$ 1,259,786

12 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information is as follows:

	2009	2008
Cash paid during the year for interest	\$ 28,001	\$ 23,663

Non-cash financing and investing activities:

During 2008, the Museum incurred long-term debt of \$420,000 to finance the purchase of property.

13 - TAX EXEMPT STATUS

The Museum qualifies as a tax exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is required.

The Museum files income tax returns in the U.S. federal jurisdiction. The Museum is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2006.