

**CONCORD ANTIQUARIAN SOCIETY
DBA CONCORD MUSEUM**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

AND

INDEPENDENT AUDITOR'S REPORT

CONCORD ANTIQUARIAN SOCIETY
DBA CONCORD MUSEUM

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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
July 30, 2013

CONCORD ANTIQUARIAN SOCIETY
DBA CONCORD MUSEUM

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2012 AND 2011

	Operating	Endowment	Investment in Plant	Totals	
				2012	2011
Assets					
Current assets					
Cash and cash equivalents	\$ 275,792	\$ 188,643	\$ 88,050	\$ 552,485	\$ 1,034,118
Pledges receivable	151,579	-	167,241	318,820	165,800
Accounts receivable	151	-	-	151	1,618
Inventories	30,182	-	-	30,182	27,544
Prepaid expenses	12,935	-	-	12,935	15,101
Total current assets	470,639	188,643	255,291	914,573	1,244,181
Property, plant and equipment, net	-	-	1,922,195	1,922,195	1,901,893
Investments	-	6,133,585	-	6,133,585	4,953,991
	\$ 470,639	\$ 6,322,228	\$ 2,177,486	\$ 8,970,353	\$ 8,100,065
Liabilities and Net Assets					
Current liabilities					
Accounts payable, trade and accrued expenses	\$ 100,430	\$ -	\$ 3,606	\$ 104,036	\$ 100,199
Current maturities of long-term debt	-	-	10,000	10,000	60,000
Total current liabilities	100,430	-	13,606	114,036	160,199
Long-term debt, less current maturities	-	-	-	-	140,000
Net assets					
Unrestricted	196,181	4,664,537	1,912,116	6,772,834	6,153,992
Unrestricted, designated for future projects, capital and maintenance	-	10,530	75,000	85,530	45,530
Temporarily restricted	174,028	287,375	176,764	638,167	340,558
Permanently restricted	-	1,359,786	-	1,359,786	1,259,786
Total net assets	370,209	6,322,228	2,163,880	8,856,317	7,799,866
	\$ 470,639	\$ 6,322,228	\$ 2,177,486	\$ 8,970,353	\$ 8,100,065

See accompanying notes to financial statements.

CONCORD ANTIQUARIAN SOCIETY
DBA CONCORD MUSEUM

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2012

	Unrestricted				Temporarily Restricted	Permanently Restricted	2012 Totals
	Operating	Endowment	Investment in Plant	Total			
Support, revenue and other activities							
Gifts	\$ 560,946	\$ 50,000	\$ 18,000	\$ 628,946	\$ 3,565	\$ 100,000	\$ 732,511
Foundation grants	4,950	-	-	4,950	40,000	-	44,950
Government grants	-	-	-	-	357,879	-	357,879
Special events	239,266	-	-	239,266	-	-	239,266
Donated goods and services	41,229	-	1,397	42,626	-	-	42,626
Admissions	219,714	-	-	219,714	-	-	219,714
Membership	61,359	-	-	61,359	-	-	61,359
School programs	33,181	-	-	33,181	-	-	33,181
Other museum programs	21,214	-	23,000	44,214	-	-	44,214
Merchandising	139,778	-	-	139,778	-	-	139,778
Interest income	385	366	4	755	-	-	755
Net investment return	(860)	619,918	-	619,058	182,482	-	801,540
Investment return designated for operations	319,000	(319,000)	-	-	-	-	-
Net assets released from restrictions							
Satisfaction of time restrictions	9,800	-	-	9,800	(9,800)	-	-
Satisfaction of program restrictions	5,090	-	271,427	276,517	(276,517)	-	-
Total	<u>1,655,052</u>	<u>351,284</u>	<u>313,828</u>	<u>2,320,164</u>	<u>297,609</u>	<u>100,000</u>	<u>2,717,773</u>
Expenditures							
Program							
Exhibits, collections and programs	837,845	-	80,287	918,132	-	-	918,132
School programs	90,577	-	11,723	102,300	-	-	102,300
Merchandising	145,523	-	5,707	151,230	-	-	151,230
Membership	36,987	-	166	37,153	-	-	37,153
Collection items purchased	2,036	-	-	2,036	-	-	2,036
Supporting services							
Administrative and general	150,279	-	26,333	176,612	-	-	176,612
Public relations	41,118	-	341	41,459	-	-	41,459
Development	231,222	-	1,178	232,400	-	-	232,400
Total	<u>1,535,587</u>	<u>-</u>	<u>125,735</u>	<u>1,661,322</u>	<u>-</u>	<u>-</u>	<u>1,661,322</u>
Change in net assets before transfers	119,465	351,284	188,093	658,842	297,609	100,000	1,056,451
Transfers							
Amounts transferred to plant reserve	(62,209)	-	62,209	-	-	-	-
Change in net assets	57,256	351,284	250,302	658,842	297,609	100,000	1,056,451
Net assets, beginning of year	<u>138,925</u>	<u>4,323,783</u>	<u>1,736,814</u>	<u>6,199,522</u>	<u>340,558</u>	<u>1,259,786</u>	<u>7,799,866</u>
Net assets, end of year	<u>\$ 196,181</u>	<u>\$ 4,675,067</u>	<u>\$ 1,987,116</u>	<u>\$ 6,858,364</u>	<u>\$ 638,167</u>	<u>\$ 1,359,786</u>	<u>\$ 8,856,317</u>

See accompanying notes to financial statements.

CONCORD ANTIQUARIAN SOCIETY
DBA CONCORD MUSEUM

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2011

	Unrestricted				Temporarily Restricted	Permanently Restricted	2011 Totals
	Operating	Endowment	Investment in Plant	Total			
Support, revenue and other activities							
Gifts	\$ 425,508	\$ 60,000	\$ -	\$ 485,508	\$ 255,030	\$ -	\$ 740,538
Foundation grants	3,500	-	-	3,500	18,000	-	21,500
Government grants	-	-	-	-	9,800	-	9,800
Special events	253,033	-	-	253,033	-	-	253,033
Donated goods and services	39,075	-	28,000	67,075	-	-	67,075
Admissions	137,068	-	-	137,068	-	-	137,068
Membership	47,494	-	-	47,494	-	-	47,494
School programs	42,991	-	-	42,991	-	-	42,991
Other museum programs	20,777	-	22,800	43,577	-	-	43,577
Merchandising	95,361	-	-	95,361	-	-	95,361
Interest income	490	291	631	1,412	-	-	1,412
Net investment return	(760)	39,463	-	38,703	(8,271)	-	30,432
Investment return designated for operations	315,000	(315,000)	-	-	-	-	-
Net assets released from restrictions							
Satisfaction of time restrictions	14,700	83,072	-	97,772	(97,772)	-	-
Satisfaction of program restrictions	41,115	-	76,385	117,500	(117,500)	-	-
Total	<u>1,435,352</u>	<u>(132,174)</u>	<u>127,816</u>	<u>1,430,994</u>	<u>59,287</u>	<u>-</u>	<u>1,490,281</u>
Expenditures							
Program							
Exhibits, collections and programs	609,157	-	88,026	697,183	-	-	697,183
School programs	88,312	-	11,481	99,793	-	-	99,793
Merchandising	117,464	-	5,774	123,238	-	-	123,238
Membership	23,568	-	158	23,726	-	-	23,726
Collection items purchased	857	-	-	857	-	-	857
Supporting services							
Administrative and general	267,664	-	64,362	332,026	-	-	332,026
Public relations	80,893	-	326	81,219	-	-	81,219
Development	188,331	50,868	1,396	240,595	-	-	240,595
Total	<u>1,376,246</u>	<u>50,868</u>	<u>171,523</u>	<u>1,598,637</u>	<u>-</u>	<u>-</u>	<u>1,598,637</u>
Change in net assets before transfers	59,106	(183,042)	(43,707)	(167,643)	59,287	-	(108,356)
Transfers							
Amounts transferred to plant	(46,880)	-	46,880	-	-	-	-
Change in net assets	12,226	(183,042)	3,173	(167,643)	59,287	-	(108,356)
Net assets, beginning of year	<u>126,699</u>	<u>4,506,825</u>	<u>1,733,641</u>	<u>6,367,165</u>	<u>281,271</u>	<u>1,259,786</u>	<u>7,908,222</u>
Net assets, end of year	<u>\$ 138,925</u>	<u>\$ 4,323,783</u>	<u>\$ 1,736,814</u>	<u>\$ 6,199,522</u>	<u>\$ 340,558</u>	<u>\$ 1,259,786</u>	<u>\$ 7,799,866</u>

See accompanying notes to financial statements.

CONCORD ANTIQUARIAN SOCIETY
DBA CONCORD MUSEUM

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,056,451	\$ (108,356)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,304	123,707
Change in allowance for uncollectible pledges and present value discount	-	(27,380)
Net investment (gains) losses	(729,070)	35,501
Gifts restricted for long-term investment	(100,000)	-
Collection items purchased	2,036	857
(Increase) decrease in operating assets:		
Pledges receivable	(153,020)	(37,398)
Accounts receivable	1,467	8,655
Inventories	(2,638)	4,963
Prepaid expenses and other current assets	2,166	38,269
Increase (decrease) in operating liabilities:		
Accounts payable, trade and accrued expenses	3,837	42,293
Total adjustments	<u>(860,918)</u>	<u>189,467</u>
Net cash provided by operating activities	<u>195,533</u>	<u>81,111</u>
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(134,606)	(11,880)
Proceeds from sales and maturities of investments	2,643,356	5,742,109
Payments for purchases of investments	(3,093,880)	(5,077,724)
Collection items purchased	<u>(2,036)</u>	<u>(857)</u>
Net cash provided by (used in) investing activities	<u>(587,166)</u>	<u>651,648</u>
Cash flows from financing activities:		
Principal payments of long-term debt	(190,000)	(80,000)
Net payments on note payable, bank	-	(31,636)
Gifts restricted for long-term investment	<u>100,000</u>	<u>-</u>
Net cash used in financing activities	<u>(90,000)</u>	<u>(111,636)</u>
Net increase (decrease) in cash and cash equivalents	(481,633)	621,123
Cash and cash equivalents, beginning of year	<u>1,034,118</u>	<u>412,995</u>
Cash and cash equivalents, end of year	<u>\$ 552,485</u>	<u>\$ 1,034,118</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 July 30, 2013, 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.

CONCORD ANTIQUARIAN SOCIETY
DBA CONCORD MUSEUM

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents (continued)

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.

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)

Endowment funds (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; and 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 5.0 to 6.0% 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 2.0 to 3.0% 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. There were no such deficiencies as of September 30, 2012 and 2011.

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. Contributions 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 - PROPERTY, PLANT AND EQUIPMENT

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

	Estimated Useful Lives	2012	2011
Land and land improvements	15 years	\$ 82,220	\$ 82,220
Buildings	15 - 35 years	4,138,858	4,044,460
Equipment	3 - 7 years	212,583	179,015
		4,433,661	4,305,695
Less: Accumulated depreciation		2,511,466	2,403,802
		\$ 1,922,195	\$ 1,901,893

Depreciation expense was \$114,304 and \$123,707 for 2012 and 2011, respectively.

CONCORD ANTIQUARIAN SOCIETY
DBA CONCORD MUSEUM

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - INVESTMENTS

Investments are included in the following classes of net assets:

	2012	2011
Donor-restricted endowment funds:		
Temporarily restricted	\$ 287,375	\$ 104,893
Permanently restricted	1,359,786	1,259,786
Board-designated endowment funds	4,486,424	3,589,312
	\$ 6,133,585	\$ 4,953,991

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

	2012	2011
Mutual funds		
Equity	\$ 4,841,328	\$ 3,952,736
Fixed income	1,292,257	1,001,255
	\$ 6,133,585	\$ 4,953,991

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 130,057	\$ -	\$ -	\$ 130,057
Net realized and unrealized gains	547,448	182,482	-	729,930
Investment management fees	(58,447)	-	-	(58,447)
	\$ 619,058	\$ 182,482	\$ -	\$ 801,540

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 124,444	\$ -	\$ -	\$ 124,444
Net realized and unrealized losses	(27,229)	(8,271)	-	(35,500)
Investment management fees	(58,512)	-	-	(58,512)
	\$ 38,703	\$ (8,271)	\$ -	\$ 30,432

CONCORD ANTIQUARIAN SOCIETY
DBA CONCORD MUSEUM

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - 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, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 4,323,783	\$ 104,893	\$ 1,259,786	\$ 5,688,462
Investment return:				
Interest and dividend income	131,283	-	-	131,283
Net realized and unrealized gains	547,448	182,482	-	729,930
Investment management fees	(58,447)	-	-	(58,447)
Total investment return	620,284	182,482	-	802,766
Contributions and designations	50,000	-	100,000	150,000
Satisfaction of time restrictions	-	-	-	-
Appropriation for expenditure	(319,000)	-	-	(319,000)
Endowment assets, end of year	<u>\$ 4,675,067</u>	<u>\$ 287,375</u>	<u>\$ 1,359,786</u>	<u>\$ 6,322,228</u>

Changes in endowment assets for the year ended September 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 4,506,825	\$ 113,716	\$ 1,259,786	\$ 5,880,327
Investment return:				
Interest and dividend income	124,734	-	-	124,734
Net realized and unrealized losses	(26,469)	(8,823)	-	(35,292)
Investment management fees	(58,512)	-	-	(58,512)
Total investment return	39,753	(8,823)	-	30,930
Contributions and designations	60,000	-	-	60,000
Satisfaction of time restrictions	55,325	-	-	55,325
Appropriation for expenditure	(338,120)	-	-	(338,120)
Endowment assets, end of year	<u>\$ 4,323,783</u>	<u>\$ 104,893</u>	<u>\$ 1,259,786</u>	<u>\$ 5,688,462</u>

5 - 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, 2012) and is due on demand. There was \$0 outstanding on this line of credit as of September 30, 2012 and 2011.

CONCORD ANTIQUARIAN SOCIETY
DBA CONCORD MUSEUM

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - LONG-TERM DEBT

Long-term debt consists of the following:

	2012	2011
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.	\$ 10,000	\$ 200,000
Less: Current maturities of long-term debt	10,000	60,000
	\$ -	\$ 140,000

7 - FAIR VALUE MEASUREMENTS

The Museum follows the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC Topic 820) which provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

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.

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 asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2012 and 2011.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

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7 - FAIR VALUE MEASUREMENTS (Continued)

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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, 2012 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds				
Equity	\$ 4,841,328	\$ -	\$ -	\$ 4,841,328
Fixed income	1,292,257	-	-	1,292,257
	\$ 6,133,585	\$ -	\$ -	\$ 6,133,585

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, 2011 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds				
Equity	\$ 3,952,736	\$ -	\$ -	\$ 3,952,736
Fixed income	1,001,255	-	-	1,001,255
	\$ 4,953,991	\$ -	\$ -	\$ 4,953,991

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

8 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information is as follows:

	2012	2011
Cash paid during the year for interest	\$ 2,772	\$ 18,131

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(Continued)

9 - MERCHANDISING OPERATIONS

Results for merchandising operations for the years ended September 30, 2012 and 2011 are summarized as follows:

	2012	2011
Merchandising revenue, including donated goods and services	\$ 139,778	\$ 95,361
Cost of goods sold	71,685	51,029
Gross profit	68,093	44,332
Direct selling expenses	49,446	56,607
Contribution before allocation of occupancy costs and depreciation expense	18,647	(12,275)
Allocation of occupancy costs	10,621	9,828
Allocation of payroll costs	13,771	-
Allocation of depreciation	5,707	5,774
Contribution after allocation of occupancy costs and depreciation expense	\$ (11,452)	\$ (27,877)

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.

10 - RESTRICTED NET ASSETS

Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Expenditures for program activities	\$ 319,347	\$ 210,758
Time restriction	318,820	129,800
	\$ 638,167	\$ 340,558

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:

	2012	2011
Time restriction satisfied by collection of pledges receivable	\$ 9,800	\$ 97,772
Expenditures for program activities	276,517	117,500
	\$ 286,317	\$ 215,272

Permanently restricted net assets

Permanently restricted net assets are restricted to:

	2012	2011
Investment in perpetuity, the income and appreciation from which is expendable to support specified program activities of the Museum	\$ 1,359,786	\$ 1,259,786

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NOTES TO FINANCIAL STATEMENTS
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11 - 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.

Management annually reviews for uncertain tax positions along with any related interest and penalties and believes that the Museum has no uncertain tax positions that would have a material adverse effect, individually or in the aggregate upon the Museum's statements of financial position, or the related statements of activities, or cash flows.

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 2009.

12 - RECLASSIFICATIONS

Certain amounts in the 2011 financial statements have been reclassified to conform with the 2012 presentation. Such reclassifications had no effect on change in net assets as previously reported.