

AMERICAN TEXTILE HISTORY MUSEUM, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AND
INDEPENDENT AUDITORS' REPORT



SULLIVAN BILLE PC
CERTIFIED PUBLIC ACCOUNTANTS



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
American Textile History Museum, Inc.

We have audited the accompanying statement of financial position of the American Textile History Museum, Inc. (the Museum) (a non-profit organization) as of December 31, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 American Textile History Museum, Inc. as of December 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.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2010, on our consideration of the American Textile History Museum, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of admissions and other operating revenue, collection expenses, public affairs expenses, exhibit and other operating expenses, administrative expenses and fundraising expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Sullivan Bille, P.C." followed by a period.

November 10, 2010

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AMERICAN TEXTILE HISTORY MUSEUM, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 2, 3 and 9)	\$ 240,242	\$ 1,669,673
Accounts receivable (Note 4)	61,738	110,304
Unconditional promises to give, current portion (Notes 2 and 5)	717,531	869,709
Inventory - Museum store (Note 2)	1,637	
Prepaid expenses and other current assets (Note 6)	28,302	25,339
	<u>1,049,450</u>	<u>2,675,025</u>
Total current assets		
OTHER ASSETS:		
Investments (Notes 2, 7 and 9)	3,189,757	3,400,675
Unconditional promises to give, net of current portion (Notes 2 and 5)	219,465	553,917
Property and equipment - net (Notes 2 and 8)	5,830,490	4,704,351
Library and textile artifacts (Note 2)	484,825	474,564
Historical collections (Note 2)		
	<u>9,724,537</u>	<u>9,133,507</u>
Total other assets		
	<u>\$ 10,773,987</u>	<u>\$ 11,808,532</u>
TOTAL		
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 179,665	\$ 422,974
Advance deposits	1,282	1,282
	<u>180,947</u>	<u>424,256</u>
Total liabilities		
NET ASSETS (Notes 2, 11 and 12):		
Unrestricted	7,415,639	6,284,038
Temporarily restricted	1,523,838	3,295,499
Permanently restricted	1,653,563	1,804,739
	<u>10,593,040</u>	<u>11,384,276</u>
Total net assets		
	<u>\$ 10,773,987</u>	<u>\$ 11,808,532</u>
TOTAL		

See notes to financial statements.

AMERICAN TEXTILE HISTORY MUSEUM, INC.

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CHANGES IN UNRESTRICTED NET ASSETS:		
Unrestricted revenues, gains and other support:		
Contributions (Note 2)	\$ 199,003	\$ 158,985
Investment return (loss) - net (Note 7)	371,064	(625,343)
Admissions and other operating revenue	133,196	151,315
Museum store sales	8,494	
Reclassification of deficient funds (Note 2 and 11)	(13,850)	
Net assets released from restrictions - expiration of time restrictions	2,364,747	925,261
Total unrestricted revenue, gains and other support	<u>3,062,654</u>	<u>610,218</u>
Expenses:		
Program services:		
Collection	743,329	695,280
Public affairs	227,755	171,187
Exhibit and other operating expenses	600,756	581,670
Museum store	2,223	
Supporting services:		
Administrative	90,225	119,758
Fund raising	265,672	334,099
Interest	1,093	1,258
Total expenses	<u>1,931,053</u>	<u>1,903,252</u>
Loss on write-down of exhibit (Note 8)		78,920
Total expenses and loss	<u>1,931,053</u>	<u>1,982,172</u>
Increase (decrease) in unrestricted net assets	<u>1,131,601</u>	<u>(1,371,954)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	225,519	827,459
Grants	56,104	72,009
Investment return - net (Note 7)	136,957	
Transfer of fund from permanently restricted (Note 11 and 12)	161,119	
Reclassification of net investment return (Note 11)	13,387	
Net assets released from restrictions	(2,364,747)	(898,317)
Increase (decrease) in temporarily restricted net assets	<u>(1,771,661)</u>	<u>1,151</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions and other income (Note 11)	9,448	6,267
Sales of books and pamphlets	32	558
Investment return - net (Note 7)		(176,244)
Transfer of fund to temporarily restricted (Note 11 and 12)	(161,119)	
Reclassification of net investment return (Note 11)	(13,387)	
Reclassification of deficient funds (Note 11)	13,850	
Net assets released from restrictions		(26,944)
Decrease in permanently restricted net assets	<u>(151,176)</u>	<u>(196,363)</u>
DECREASE IN NET ASSETS	<u>(791,236)</u>	<u>(1,567,166)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>11,384,276</u>	<u>12,951,442</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,593,040</u>	<u>\$ 11,384,276</u>

See notes to financial statements.

AMERICAN TEXTILE HISTORY MUSEUM, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (791,236)	\$ (1,567,166)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Non-cash charges (credits) to change in net assets:		
Depreciation	228,553	205,810
Loss on sale of investments (Note 7)	269,847	5,665
Unrealized (gain) loss on investments (Note 7)	(684,322)	942,152
Loss on write-down of exhibit (Note 8)		78,920
Changes in operating assets and liabilities:		
Accounts receivable	48,566	13,578
Inventory - Museum store	(1,637)	
Prepaid expenses and other current assets	(2,963)	20,002
Accounts payable and accrued liabilities	(301,435)	102,241
Contributions restricted for long-term purposes	(9,448)	(6,267)
Net cash used in operating activities	<u>(1,244,075)</u>	<u>(205,065)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,153,149)	(2,197,232)
Proceeds from sale of investments	2,778,542	2,096,145
Additions to property and equipment	(1,296,566)	(638,875)
Additions to library assets - net	(10,261)	(22,894)
Net cash used in investing activities	<u>(681,434)</u>	<u>(762,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of unconditional promises to give	486,630	305,241
Collection of permanently restricted contributions	9,448	6,267
Net cash provided by financing activities	<u>496,078</u>	<u>311,508</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,429,431)	(656,413)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,669,673</u>	<u>2,326,086</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 240,242</u>	<u>\$ 1,669,673</u>

See notes to financial statements.

AMERICAN TEXTILE HISTORY MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

1. OPERATIONS

The American Textile History Museum, Inc. (the Museum) is a nonprofit organization which provides services to the public primarily to promote and advance the understanding of textiles and the history of the textile industry in the United States. The Museum's combined textile collections are known to be the most comprehensive collection in the Americas and perhaps the world. Accordingly, the Museum is a key source of knowledge for researchers and educators. The Museum is a Smithsonian Affiliate Museum.

After a complete modernization of its 25,000 square foot permanent exhibit in 2008, the Museum reopened to the public in June 2009 with its new exhibit, "*Textile Revolution...An Exploration Through Space and Time*". The Museum boasts vibrant educational programs for all grade levels as well as programs tailored to special interest groups such as colleges, seniors and business. In coordination with key cooperative relationships with the University of Massachusetts Lowell and North Carolina State University College of Textiles, the Museum presents cutting edge textile exhibits such as textiles utilized in outer space, stealth aircraft, medical applications and nano technology. Mindful of the need for interactivity, the Museum seeks to tell the "stories of the past" (with a special focus on the Colonial/pre-industry period) and make the public aware of some of the exciting "visions of the future", made possible by modern textile technology.

2. SIGNIFICANT ACCOUNTING POLICIES

The following are the more significant accounting policies used in the preparation of the accompanying financial statements:

Basis of Accounting and Presentation

The accounts of the Museum are maintained on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Financial statement presentation follows accounting standards under which the Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

In preparing its financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 10, 2010, the date the financial statements were available to be issued.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Museum considers all highly liquid investments, with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of museum store merchandise carried at lower of cost or market. Cost is determined by the first-in-first-out method.

Investments

Investments consist of corporate bonds, government obligations, mutual funds and equity securities. The Museum classifies its investments as “trading” and records them at fair value with unrealized holding gains and losses reported as a change in net assets in the accompanying statement of activities.

The Museum has adopted the provision of the accounting standards regarding fair value measurements applicable for all financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis. These standards define fair value, establish a framework for measuring fair value in generally accepted accounting principles and expand disclosure about fair value measurements. In accordance with the standards, fair value measurements are classified and disclosed in one of the following three categories:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs that reflect the Museum’s own assumptions.

A financial instrument’s 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Expenditures for property and equipment are capitalized at cost. Donated assets for property and equipment are capitalized at fair market value at date of receipt. Depreciation is computed on the straight-line and accelerated methods over the estimated useful lives of the assets.

Library and Textile Artifacts

The Museum maintains a library related to textile history. Library assets and textile artifacts of significance are recorded at cost and are not depreciated since there is no evidence that any decline in value has occurred.

Historical Collections

The Museum does not capitalize donated assets of historical significance or recognize them as revenues or gains as such donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections, which is the policy of the Museum. The Museum has many exhibits that demonstrate how textiles shaped peoples' lives from colonial times to the present. In addition, the Museum holds extensive historical equipment and textiles.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Museum or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Museum. Generally, the donors of these assets permit the Museum to expend a certain percent of the average value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds

The Museum's endowment consists of four individual donor restricted funds and one board designated fund established for a variety of purposes. 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 investments in equity securities, mutual funds, government obligations, corporate bonds and cash

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.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), 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 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 Museum's Investment Committee shall seek to invest the endowment funds in such a manner that the investments will provide a spendable return consistent with a long-term goal of preserving the funds in real terms.

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 to achieve its long-term return objectives with prudent risk constraints.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Museum has a policy of appropriating for distribution 5% of the endowment value to support operating costs each year. The Museum recognizes that revenues can be negatively impacted by significant changes in economic conditions and considers allocating an amount higher than 5% if actual costs require such. The Museum also recognizes that expenditures greater than 5% can only be considered as a short-term policy.

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 restriction 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 \$13,850 as of December 31, 2009.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Promises to Give

Unconditional promises to give are recognized as revenues measured at present value of the estimated future cash flows using a discount rate of 4%. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Assets

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. No amounts have been reflected in the financial statements for donated services. However, a substantial number of volunteers have donated significant amounts of their time and perform a variety of tasks that assist the Museum with specific programs, capital campaign solicitations, and various committee assignments. The Museum has recorded over 1,500 hours of volunteer service with an estimated value of \$32,300 based on the national average value of a volunteer hour.

Income Taxes

The Museum is treated as a public charity for income tax purposes under Section 501(C)(3) of the Internal Revenue Code, and accordingly, no provision for income taxes is included in the financial statements. The Museum also qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a public charity under Section 509(a)(2).

Accounting standards provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization's financial statements and 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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

examination. The Museum has evaluated its significant tax positions against the criteria established and believes that there are no such tax positions requiring accounting recognition. The Museum's federal and state tax returns are subject to examination by taxing authorities for the years ended December 31, 2009, 2008, 2007 and 2006.

Advertising Costs

The Museum expenses the costs of advertising as they are incurred. Advertising expense for the years ended December 31, 2009 and 2008 were \$20,196 and \$10,935, respectively.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Enterprise Bank	\$122,497	\$ 922,608
Fidelity Investments – money market	113,838	567,211
Brown Brothers	2,867	179,054
Other	<u>1,040</u>	<u>800</u>
Total cash and cash equivalents	<u>\$240,242</u>	<u>\$1,669,673</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Trade	\$26,549	\$ 32,703
Grant receivable	26,020	58,856
Investment income	<u>9,169</u>	<u>18,745</u>
Total	<u>\$61,738</u>	<u>\$110,304</u>

5. PROMISES TO GIVE

In 2006, the Museum began "Campaign for the American Textile History Museum". This was a \$3.9 million campaign to preserve, protect, and provide public access to the Museum's collections, to renovate our core exhibition, and to build our permanently restricted endowment. Support goals were as follows: endowment, \$1 million; redesign of the core exhibit, \$1.5 million; and operations, \$1.4 million. Donors had the option of designating their pledge among any one of these three areas. All pledges for operations were unrestricted and were applied towards the general operations of the Museum. Any designated promises to give were identified and restricted for their intended purpose. The campaign was completed as of August 8, 2008.

5. PROMISES TO GIVE (Continued)

The "Campaign for the American Textile History Museum" provided for donors to participate in the "Maine Community Foundation (MCF) \$1 Million Challenge" grant. The \$1 million to be raised by the Museum for the permanently restricted endowment, as indicated in the prior paragraph, was to be matched dollar-for-dollar by an anonymous donor through the MCF. The Museum raised the \$1 million matching funds through the "Campaign for the American Textile History Museum" as of May 2007, and those funds have been included in the Museum's permanently restricted endowment funds. MCF established a \$1 million fund in perpetuity in the Museum's name. These funds are not included in the Museum's permanently restricted endowment funds. Earnings in the fund will be distributed to the Museum for general operations and will be recorded as revenue as received.

Unconditional promises to give at December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year:		
History in the Making	\$ 5,880	\$ 11,025
Campaign for the American Textile History Museum	<u>737,083</u>	<u>898,984</u>
	742,963	910,009
Less unamortized discount	<u>25,432</u>	<u>40,300</u>
	<u>717,531</u>	<u>869,709</u>
Receivable in more than one year:		
Campaign for the American Textile History Museum	230,500	586,000
Less unamortized discount	<u>11,035</u>	<u>32,083</u>
	<u>219,465</u>	<u>553,917</u>
Unconditional Promises to Give - net	<u>\$936,996</u>	<u>\$1,423,626</u>

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Prepaid insurance	\$10,606	\$15,130
Other	<u>17,696</u>	<u>10,209</u>
Total	<u>\$28,302</u>	<u>\$25,339</u>

7. INVESTMENTS

The Museum's equity securities and mutual funds are classified within Level 1 of the fair value hierarchy and are valued using quoted market prices. The Museum's government obligations and corporate bonds are classified within Level 2 of the fair value hierarchy and are valued using an independent pricing service.

7. INVESTMENTS (Continued)

Investments at December 31, 2009 and 2008 consisted of the following:

	Carrying Value	
	<u>2009</u>	<u>2008</u>
Equity Securities	\$1,870,516	\$2,150,609
Mutual Funds	613,057	324,767
U.S. Treasury Obligations	364,334	314,954
Corporate Bonds	<u>341,850</u>	<u>610,345</u>
Total	<u>\$3,189,757</u>	<u>\$3,400,675</u>

The following schedule summarized the investment return and its classification in the statement of activities for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Realized gain (loss) on sale of investments	\$(269,847)	\$ (5,665)
Investment income	93,546	146,230
Unrealized gain (loss)	<u>684,322</u>	<u>(942,152)</u>
Investment return (loss) – net	<u>\$ 508,021</u>	<u>\$(801,587)</u>

Expenses relating to investment revenues, including custodial fees and investment advisory fees, for the years ended December 31, 2009 and 2008 amounted to \$23,866 and \$23,858, respectively.

The average annual yield exclusive of changes in market value was .13 % and .17% and the total annual return including changes in market value was 16.54% and (17.10)% for the years ended December 31, 2009 and 2008, respectively.

8. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Building and improvements	\$6,451,168	\$5,343,583
Equipment	46,503	35,391
Furniture and fixtures	553,877	533,102
Textile exhibit	977,401	
Motor vehicle	23,748	23,748
Construction in progress	<u> </u>	<u>762,436</u>
Total	8,052,697	6,698,260
Accumulated depreciation	<u>2,222,207</u>	<u>1,993,909</u>
Property and equipment - net	<u>\$5,830,490</u>	<u>\$4,704,351</u>

8. PROPERTY AND EQUIPMENT (Continued)

The Museum's land and building are subject to a condominium agreement. For the years ended December 31, 2009 and 2008, the Museum paid \$16,010 and \$21,715 in condominium fees, respectively. As of December 31, 2009, the monthly condominium fee is \$1,234 per month. Special assessments and other fees may be charged periodically at the management company's discretion.

During 2008, the Museum began construction to completely renovate its permanent exhibit. As of September 2009, the construction of the permanent exhibit has been completed and all costs relating to the design and construction have been capitalized and depreciated accordingly. As of December 31, 2008, all costs relating to the design and construction were recorded as construction in progress. The net book value of the original exhibit of \$78,920 has been written-off as of January 1, 2008.

Depreciation expense for the years ended December 31, 2009 and 2008 was \$228,553 and \$205,810, respectively.

9. FINANCIAL INSTRUMENTS

Concentrations of Credit Risk

Financial instruments that potentially subject the Museum to credit risk consist principally of promises to give, receivables and investments.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount approximate fair value because of the short maturity of those instruments. Substantially all cash equivalents are not insured by the Federal Deposit Insurance Corporation, however these deposits may be redeemed upon demand and, therefore, management believes that they bear minimal risk.

Investments

The fair value of investments are estimated based on quoted market prices for those or similar investments. Investments restricted to permanent net assets at December 31, 2009 and 2008 were approximately \$1,900,000 and \$1,800,000, respectively.

10. PENSION PLAN

The Museum has a simplified employee pension plan which covers substantially all full-time employees. Contributions to the plan for each participant are based on 5% of total compensation with an annual limit of \$7,500 per individual. The amount charged to operations by the Museum was \$30,600 and \$36,237 for the years ended December 31, 2009 and 2008, respectively.

11. ENDOWMENT ASSETS

Endowment assets include board designated and donor restricted funds. Changes in endowment assets for the year ended December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$10,000		\$1,804,739	\$1,814,739
Contributions received	15,000		9,480	24,480
Net investment return		\$110,308		110,308
Appropriated for expenditure		(51,623)		(51,623)
Fund transfer to temporarily restricted (Yeaton Fund)			(161,119)	(161,119)
Reclassification of deficient funds	(13,850)		13,850	
Reclassification of net investment return		<u>13,387</u>	<u>(13,387)</u>	
Endowment assets, end of year	<u>\$11,150</u>	<u>\$ 72,072</u>	<u>\$1,653,563</u>	<u>\$1,736,785</u>

12. RESTRICTIONS ON NET ASSETS

Unrestricted

Unrestricted net assets consist of memberships, admissions, program service fees, contributions and grants that are not restricted by donors or grantors. The Board of Directors have appropriated certain unrestricted net assets at December 31, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
John P. Stevens Memorial	\$ 523,858	\$ 523,858
Abbot Stevens Memorial	103,613	103,613
Perley Fund	15,000	15,000
William F. Sullivan Research	164,099	140,809
Shriner Book Fund	7,348	7,348
Horace N. Stevens, Jr. Collection Purchase	70,793	70,793
Education Program Endowment	<u>11,150</u>	<u>10,000</u>
Total board designated	895,861	871,421
Unappropriated	<u>6,519,778</u>	<u>5,412,617</u>
Total unrestricted	<u>\$7,415,639</u>	<u>\$6,284,038</u>

12. RESTRICTIONS ON NET ASSETS (Continued)

Temporarily Restricted

Temporarily restricted net assets consist of contributions for which donor-imposed restrictions have not been met as follows:

	<u>2009</u>	<u>2008</u>
Capital Plant Fund - funds restricted by donors to support the renovation of the core exhibit and general maintenance and improvements to the facility.	\$ 901,290	\$3,004,957
Yeaton Fund - donated by Charles Richard Yeaton to establish a trust to support the Museum's Osborne Library under which the Museum was given the full power to expend the principal and income as the Trustees may see fit. It is currently the intention of the Museum to maintain the principal of the gift (\$131,842) and to use the interest generated for the purpose specified by Mr. Yeaton. Interest not expended during any given year will be added to the principal.	189,907	
Operating Support - funds restricted by donors to fund specific Museum programs or operations.	<u>432,641</u>	<u>290,542</u>
Total	<u>\$1,523,838</u>	<u>\$3,295,499</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. For the years ended December 31, 2009 and 2008, \$2,364,747 and \$898,317, respectively, were released from temporarily restricted net assets as certain costs were incurred.

Permanently Restricted

Permanently restricted net assets consist of endowment funds that are subject to restrictions by the donor as follows:

	<u>2009</u>	<u>2008</u>
D Pulliam Endowment Fund - corpus to be retained in perpetuity as required by the Maine Community Foundation (MCF) challenge grant, income and appreciation from which is expendable to support the general operations of the Museum.	\$1,000,000	\$ 976,702
Mellon Fund - corpus to be retained in perpetuity to support the conservation efforts of the Museum, income and appreciation from which is expendable for the designated purpose.	<u>500,000</u>	<u>513,387</u>
Total forwarded	\$1,500,000	\$1,490,089

12. RESTRICTIONS ON NET ASSETS (Continued)

	<u>2009</u>	<u>2008</u>
Total forwarded	\$1,500,000	\$1,490,089
Publication Fund – corpus to be retained in perpetuity to support publications purchased by or produced by the Museum, income and appreciation from which is expendable for the designated purpose.	153,563	153,531
Yeaton Fund – reclassified to Temporarily Restricted at December 31, 2009.	<u> </u>	<u>161,119</u>
Total	<u>\$1,653,563</u>	<u>\$1,804,739</u>

13. LEASES

The Museum leases storage space in Dracut, Massachusetts and Cedar Falls, North Carolina for their collections under various lease agreements. Total storage expense for the years ended December 31, 2009 and 2008 was \$77,390 and \$67,124, respectively. Future minimum lease payments under the noncancelable leases are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2010	\$ 55,729
2011	51,397
2012	<u>4,284</u>
Total	<u>\$111,410</u>

AMERICAN TEXTILE HISTORY MUSEUM, INC.

SCHEDULE OF ADMISSIONS AND OTHER OPERATING REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Educational services	\$ 16,820	\$ 11,263
Admissions	18,817	
Functions, leasing and catering	450	
Reproduction fees	2,122	4,559
Special events	86,174	135,048
Miscellaneous	8,813	445
Total	<u>\$133,196</u>	<u>\$151,315</u>

AMERICAN TEXTILE HISTORY MUSEUM, INC.

**SCHEDULE OF COLLECTION EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Salaries	\$338,564	\$308,982
Benefits	92,760	78,194
Outside labor	2,097	10,594
Computer maintenance - MIMSY application	12,146	19,094
Cataloging/processing		3,257
Consultants	7,787	196
Conferences and professional development	1,771	858
Insurance	17,493	20,595
Supplies	7,650	4,813
Outside storage lease	73,107	63,192
Freight		4,200
Condominium fees	6,562	3,909
Utilities	49,659	63,188
Audit	6,149	2,700
Investment advisory fees	8,140	4,294
Service contracts	3,568	
Depreciation	96,016	92,745
Miscellaneous	19,860	14,469
Total	<u>\$743,329</u>	<u>\$695,280</u>

AMERICAN TEXTILE HISTORY MUSEUM, INC.

**SCHEDULE OF PUBLIC AFFAIRS EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Salaries	\$ 121,389	\$ 84,191
Benefits	36,455	33,793
Outside labor	2,323	
Consultants and professional fees	3,157	
Copying	1,379	904
Supplies	10,442	4,542
Telephone	1,524	1,427
Travel	1,679	1,258
Condominium fees	1,903	1,086
Utilities	11,288	14,416
Audit	2,908	750
Depreciation	13,711	13,249
Miscellaneous	19,597	15,571
Total	<u>\$ 227,755</u>	<u>\$171,187</u>

AMERICAN TEXTILE HISTORY MUSEUM, INC.

**SCHEDULE OF EXHIBIT AND OTHER OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Salaries	\$149,853	\$175,646
Benefits	39,026	51,879
Outside labor	1,709	2,785
Consultants and professional fees	29,075	28,198
Design fee	8,433	10,904
Advertising	19,005	10,678
Conservation	84,947	79,031
Insurance	13,839	16,529
Photography/videography	3,106	1,427
Postage and freight	3,577	2,460
Supplies	23,193	6,682
Outside storage lease	4,283	2,950
Travel	602	1,848
Equipment and exhibit rentals	14,286	6,845
Maintenance	7,961	16,685
Exhibit Fabrication	2,440	
Legal	461	2,292
Audit	3,905	6,900
Utilities	47,400	60,253
Condominium fees	5,730	9,989
Depreciation	109,686	54,237
Miscellaneous	28,239	33,452
Total	<u>\$600,756</u>	<u>\$581,670</u>

AMERICAN TEXTILE HISTORY MUSEUM, INC.

**SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Salaries	\$ 46,816	\$ 33,244
Benefits	10,083	11,826
Outside labor	643	44
Consultants and professional fees	2,085	
Audit	2,797	2,700
Computer maintenance	2,194	3,025
Depreciation	4,570	41,162
Dues and subscriptions	650	1,093
Insurance	624	738
Investment services	3,737	4,294
Payroll/bank charges	638	1,296
Supplies	1,305	231
Travel	435	430
Condominium fees	982	3,909
Miscellaneous	12,666	15,766
Total	<u>\$ 90,225</u>	<u>\$119,758</u>

AMERICAN TEXTILE HISTORY MUSEUM, INC.

**SCHEDULE OF FUNDRAISING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Salaries	\$130,974	\$135,001
Benefits	24,746	31,039
Outside labor	130	2,716
Consultants and professional fees	15,883	13,948
Design fees	8,251	9,188
Catering and hospitality	19,104	37,349
Computer maintenance	4,962	6,525
Copying	704	1,045
Photography/videography	890	27,120
Postage and mail services	12,067	11,932
Printing	17,829	13,648
Speakers/performers/talent fee	3,317	9,174
Supplies	7,810	12,829
Telephone	1,347	1,547
Travel	350	1,600
Insurance	674	805
Condominium fees	833	2,823
Utilities	2,259	2,975
Depreciation	4,570	4,416
Miscellaneous	8,972	8,419
Total	<u>\$265,672</u>	<u>\$334,099</u>



SULLIVAN BILLE PC
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
American Textile History Museum, Inc.

We have audited the financial statements of American Textile History Museum, Inc. (a nonprofit organization) as of and for the year ended December 31, 2009, and have issued our report thereon dated November 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered American Textile History Museum, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Textile History Museum, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sullivan Bille, P.C.

November 10, 2010