



SULLIVAN BILLE PC  
CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2010 and 2009, 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, 2010 and 2009, 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 May 5, 2011, 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, information technology 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.

*Sullivan Bille, P.C.*

May 5, 2011

**AMERICAN TEXTILE HISTORY MUSEUM, INC.****STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>A S S E T S</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Notes 2, 3 and 12)	\$ 261,797	\$ 240,242
Accounts receivable (Notes 2 and 4)	41,139	61,738
Unconditional promises to give, current portion (Notes 2 and 5)	414,558	717,531
Inventory - Museum store (Note 2)	2,683	1,637
Prepaid expenses and other current assets (Note 6)	22,980	28,302
Total current assets	<u>743,157</u>	<u>1,049,450</u>
<b>OTHER ASSETS:</b>		
Investments (Notes 2, 7 and 12)	2,949,809	3,189,757
Unconditional promises to give, net of current portion (Notes 2 and 5)	17,808	219,465
Property and equipment - net (Notes 2 and 8)	5,636,904	5,830,490
Library and textile artifacts (Note 2)	497,854	484,825
Historical collections (Note 2)		
Total other assets	<u>9,102,375</u>	<u>9,724,537</u>
TOTAL	<u>\$ 9,845,532</u>	<u>\$ 10,773,987</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Line of credit (Note 9)	\$ 94,168	
Accounts payable and accrued liabilities	148,814	\$ 179,665
Advance deposits	1,282	1,282
Total liabilities	<u>244,264</u>	<u>180,947</u>
<b>NET ASSETS (Notes 2, 10 and 11):</b>		
Unrestricted	6,728,718	7,415,639
Temporarily restricted	1,218,987	1,523,838
Permanently restricted	1,653,563	1,653,563
Total net assets	<u>9,601,268</u>	<u>10,593,040</u>
TOTAL	<u>\$ 9,845,532</u>	<u>\$ 10,773,987</u>

See notes to financial statements.

**AMERICAN TEXTILE HISTORY MUSEUM, INC.**

STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
Unrestricted revenues, gains and other support:		
Contributions (Note 2)	\$ 172,377	\$ 199,003
Investment return - net (Note 7)	259,831	371,064
Admissions and other operating revenue	204,179	133,196
Museum store sales	25,288	8,494
Reclassification (reimbursement) of deficient funds (Note 11)	5,824	(13,850)
Net assets released from restrictions - expiration of time restrictions	569,413	2,364,747
Total unrestricted revenue, gains and other support	<u>1,236,912</u>	<u>3,062,654</u>
Expenses:		
Program services:		
Collection	733,343	743,329
Public affairs	231,407	227,755
Exhibit and other operating expenses	615,220	600,756
Museum store	9,774	2,223
Supporting services:		
Administrative	72,184	90,225
Information technology	48,149	
Fund raising	212,482	265,672
Interest	1,274	1,093
Total expenses	<u>1,923,833</u>	<u>1,931,053</u>
Increase (decrease) in unrestricted net assets	<u>(686,921)</u>	<u>1,131,601</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	135,274	225,519
Grants	53,115	56,104
Investment return - net (Note 7)	76,173	136,957
Transfer of fund from permanently restricted (Notes 10 and 11)		161,119
Reclassification of net investment return (Note 11)		13,387
Net assets released from restrictions	(569,413)	(2,364,747)
Decrease in temporarily restricted net assets	<u>(304,851)</u>	<u>(1,771,661)</u>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:</b>		
Contributions and other income (Note 11)	5,824	9,448
Sales of books and pamphlets		32
Transfer of fund to temporarily restricted (Notes 10 and 11)		(161,119)
Reclassification of net investment return (Note 11)		(13,387)
Reclassification (reimbursement) of deficient funds (Note 11)	(5,824)	13,850
Decrease in permanently restricted net assets		<u>(151,176)</u>
<b>DECREASE IN NET ASSETS</b>	<u>(991,772)</u>	<u>(791,236)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>10,593,040</u>	<u>11,384,276</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$9,601,268</u>	<u>\$ 10,593,040</u>

See notes to financial statements.

**AMERICAN TEXTILE HISTORY MUSEUM, INC.**

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (991,772)	\$ (791,236)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Non-cash charges (credits) to change in net assets:		
Depreciation	294,953	228,553
Gain (loss) on sale of investments (Note 7)	(125,936)	269,847
Unrealized gain on investments (Note 7)	(131,744)	(684,322)
Changes in operating assets and liabilities:		
Accounts receivable	20,599	48,566
Inventory - Museum store	(1,046)	(1,637)
Prepaid expenses and other current assets	5,322	(2,963)
Accounts payable and accrued liabilities	(30,851)	(301,435)
Contributions restricted for long-term purposes	(5,824)	(9,448)
Net cash used in operating activities	<u>(966,299)</u>	<u>(1,244,075)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(1,398,640)	(2,153,149)
Proceeds from sale of investments	1,896,268	2,778,542
Additions to property and equipment	(101,367)	(1,296,566)
Additions to library assets - net	(13,029)	(10,261)
Net cash provided by (used in) investing activities	<u>383,232</u>	<u>(681,434)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net advances on line of credit	94,168	
Collection of unconditional promises to give	504,630	486,630
Collection of permanently restricted contributions	5,824	9,448
Net cash provided by financing activities	<u>604,622</u>	<u>496,078</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	21,555	(1,429,431)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>240,242</u>	<u>1,669,673</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 261,797</u></u>	<u><u>\$ 240,242</u></u>

See notes to financial statements.

# AMERICAN TEXTILE HISTORY MUSEUM, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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### 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 2009, 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

#### 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.

#### 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.

#### Subsequent Events

In preparing its financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 5, 2011, the date the financial statements were available to be issued.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Statement Presentation

The Museum presents 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.

A description of the net assets follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Museum and/or the passage of time.

Permanently restricted net assets - 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.

### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. As such, contributions are recognized as revenue in unrestricted net assets when they are received or unconditionally pledged. Temporarily restricted net assets are reclassified to unrestricted net assets when a temporary restriction expires and is reported in the statement of activities as net assets released from restrictions.

### Cash and Cash Equivalents

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

### Accounts Receivable

Accounts receivable are stated at the amount the Museum expects to collect from outstanding balances. The Museum provides for probable uncollectible amounts through a charge to revenues and a credit to a valuation allowance based on its assessment of the current status of individual amounts. Balances that are still outstanding after the Museum has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No valuation allowance was needed at December 31, 2010 or 2009.

### Inventory

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments

Investments consist of corporate bonds, government obligations, mutual funds, and equity securities. The Museum records its marketable securities 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 standard 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.

### 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%. Amounts have been recorded as unrestricted, temporarily restricted or permanently restricted in accordance with donor specifications. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### Endowment Fund

Accounting standards regarding endowment funds provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The standard also requires additional disclosure about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds).

The Commonwealth of Massachusetts adopted the provisions of UPMIFA for endowment funds existing on or established after the adoption. The Board has determined that the Museum's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

### 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 recorded over 2,200 hours of volunteer service in 2010 with an estimated value of \$58,700 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. Under these standards, an entity is required to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Management has evaluated its significant tax positions against the criteria



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010, 2009, 2008 and 2007.

### Advertising Costs

The Museum expenses the costs of advertising as they are incurred. Advertising expense for the years ended December 31, 2010 and 2009 were \$33,766 and \$20,196, respectively.

## 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Enterprise Bank	\$114,264	\$122,497
Fidelity Investments – money market	57,960	113,838
Brown Brothers	38,533	2,867
Lowell Cooperative Bank	50,000	
Other	<u>1,040</u>	<u>1,040</u>
Total cash and cash equivalents	<u>\$261,797</u>	<u>\$240,242</u>

## 4. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Trade	\$ 2,110	\$26,549
Grant receivable	21,162	26,020
Investment income	6,712	9,169
Other	<u>11,155</u>	<u>          </u>
Total	<u>\$41,139</u>	<u>\$61,738</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, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year:		
History in the Making	\$ 980	\$ 5,880
Campaign for the American Textile History Museum	<u>422,421</u>	<u>737,083</u>
	423,401	742,963
Less unamortized discount	<u>8,843</u>	<u>25,432</u>
	<u>414,558</u>	<u>717,531</u>
Receivable in more than one year:		
Campaign for the American Textile History Museum	20,000	230,500
Less unamortized discount	<u>2,192</u>	<u>11,035</u>
	<u>17,808</u>	<u>219,465</u>
Unconditional promises to give - net	<u>\$432,366</u>	<u>\$936,996</u>

## 6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Prepaid insurance	\$ 8,629	\$10,606
Other	<u>14,351</u>	<u>17,696</u>
Total	<u>\$22,980</u>	<u>\$28,302</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 U.S. Treasury 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)

The carrying value of the Museum's investments at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Equity Securities	\$1,926,861	\$1,870,516
Mutual Funds	483,522	613,057
U.S. Treasury Obligations	305,895	364,334
Corporate Bonds	<u>233,531</u>	<u>341,850</u>
Total	<u>\$2,949,809</u>	<u>\$3,189,757</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Realized gain (loss) on sale of investments	\$125,936	\$(269,847)
Investment income	78,324	93,546
Unrealized gain	<u>131,744</u>	<u>684,322</u>
Investment return - net	<u>\$336,004</u>	<u>\$ 508,021</u>

Expenses relating to investment revenues, including custodial fees and investment advisory fees, for the years ended December 31, 2010 and 2009 amounted to \$26,832 and \$23,866, respectively.

The average annual yield exclusive of changes in market value was 6.54% and .13% and the total annual return including changes in market value was 8.32% and 16.54% for the years ended December 31, 2010 and 2009, respectively.

## 8. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Building and improvements	\$6,454,823	\$6,451,168
Equipment	64,911	46,503
Furniture and fixtures	556,627	553,877
Textile exhibit	1,053,955	977,401
Motor vehicle	<u>23,748</u>	<u>23,748</u>
Total	8,154,064	8,052,697
Accumulated depreciation	<u>2,517,160</u>	<u>2,222,207</u>
Property and equipment – net	<u>\$5,636,904</u>	<u>\$5,830,490</u>

## 8. PROPERTY AND EQUIPMENT (Continued)

The Museum's land and building are subject to a condominium agreement. For the years ended December 31, 2010 and 2009, the Museum paid \$16,252 and \$16,010 in condominium fees, respectively. As of December 31, 2010, the monthly condominium fee is \$1,234. Special assessments and other fees may be charged periodically at the management company's discretion.

Depreciation expense for the years ended December 31, 2010 and 2009 was \$294,953 and \$228,553, respectively.

## 9. LINE OF CREDIT

The Museum maintains a \$100,000 line of credit with a bank, payable on demand, with interest due monthly at the Bank's prime rate (3.25% at December 31, 2010). This line is unsecured. The outstanding balance on the line at December 31, 2010 was \$94,168. There was no balance outstanding at December 31, 2009.

## 10. RESTRICTIONS AND LIMITATIONS 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 Trustees have designated certain unrestricted net assets to be used for the purposes it designates. Unrestricted net assets at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</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	177,752	164,099
Shriner Book Fund	7,348	7,348
Horace N. Stevens, Jr. Collection Purchase	70,793	70,793
Education Program Endowment	<u>16,974</u>	<u>11,150</u>
Total board designated	915,338	895,861
Unappropriated	<u>5,813,380</u>	<u>6,519,778</u>
Total unrestricted	<u>\$6,728,718</u>	<u>\$7,415,639</u>

## 10. RESTRICTIONS AND LIMITATIONS ON NET ASSETS

### Temporarily Restricted

Temporarily restricted net assets consist of contributions for which donor-imposed restrictions have not been met. Temporarily restricted net assets at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Capital Plant Fund - funds restricted by donors to support the renovation of the core exhibit and general maintenance and improvements to the facility	\$ 520,975	\$ 901,290
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	193,182	189,907
Operating Support - funds restricted by donors to fund specific Museum programs or operations	<u>504,830</u>	<u>432,641</u>
Total	<u>\$1,218,987</u>	<u>\$1,523,838</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. For the years ended December 31, 2010 and 2009 \$569,413 and \$2,364,747, 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 at both December 31, 2010 and 2009 as follows:

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
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	500,000
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	<u>153,563</u>
Total	<u>\$1,653,563</u>

## 11. ENDOWMENT FUND

The Museum's endowment consists of three 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.

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 of Trustees, 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.

## 11. ENDOWMENT FUND (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. There were no deficits at December 31, 2010.

Endowment net asset composition by type of fund as of December 31, 2010 and 2009 consisted of the following:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<u>December 31, 2010:</u>				
Donor-restricted endowment fund		\$132,445	\$1,653,563	\$1,786,008
Board-designated endowment fund	<u>\$16,974</u>	_____	_____	<u>16,974</u>
Total endowment funds	<u>\$16,974</u>	<u>\$132,445</u>	<u>\$1,653,563</u>	<u>\$1,802,982</u>
<u>December 31, 2009:</u>				
Donor-restricted endowment fund		\$72,072	\$1,653,563	\$1,725,635
Board-designated endowment fund	<u>\$11,150</u>	_____	_____	<u>11,150</u>
Total endowment funds	<u>\$11,150</u>	<u>\$72,072</u>	<u>\$1,653,563</u>	<u>\$1,736,785</u>

## 11. ENDOWMENT FUND (Continued)

Changes in endowment net assets for the years ended December 31, 2010 and 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at December 31, 2008	\$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		13,387	(13,387)	
Endowment net assets at December 31, 2009	\$11,150	\$ 72,072	\$1,653,563	\$1,736,785
Contributions received			5,824	5,824
Net investment return		60,373		60,373
Reimbursement of deficient funds	5,824		(5,824)	
Endowment net assets at December 31, 2010	<u>\$16,974</u>	<u>\$132,445</u>	<u>\$1,653,563</u>	<u>\$1,802,982</u>

## 12. 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 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, 2010 and 2009 were approximately \$1,650,000.



### 13. 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 \$33,354 and \$30,600 for the years ended December 31, 2010 and 2009, respectively.

### 14. LEASES

The Museum leases storage space in Dracut, Massachusetts and Cedar Falls, North Carolina for their collections under various lease agreements and tenant at will arrangements. Total storage expense for each of the years ended December 31, 2010 and 2009 was \$77,390. Future minimum lease payments under the noncancelable leases are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2011	\$51,397
2012	<u>4,284</u>
Total	<u>\$55,681</u>

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**AMERICAN TEXTILE HISTORY MUSEUM, INC.**

**SCHEDULE OF ADMISSIONS AND OTHER OPERATING REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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	2010	2009
Educational services	\$ 30,040	\$ 16,820
Admissions	45,104	18,817
Functions, leasing and catering	1,350	450
Reproduction fees	6,991	2,122
Special events	98,970	86,174
Miscellaneous	21,724	8,813
Total	<u>\$204,179</u>	<u>\$133,196</u>

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**AMERICAN TEXTILE HISTORY MUSEUM, INC.**

**SCHEDULE OF COLLECTION EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Salaries	\$283,696	\$338,564
Benefits	76,718	92,760
Payroll service fees	16,432	
Outside labor	4,278	2,097
Computer maintenance - MIMSY application	12,145	12,146
Cataloging/processing	2,050	
Consultants	7,697	7,787
Conferences and professional development	2,357	1,771
Insurance	11,467	17,493
Supplies	4,950	7,650
Outside storage lease	77,390	73,107
Condominium fees	7,151	6,562
Utilities	62,854	49,659
Audit	5,124	6,149
Investment advisory fees	9,164	8,140
Service contracts	5,458	3,568
Depreciation	123,880	96,016
Miscellaneous	20,532	19,860
Total	<u>\$733,343</u>	<u>\$743,329</u>

**AMERICAN TEXTILE HISTORY MUSEUM, INC.**

**SCHEDULE OF PUBLIC AFFAIRS EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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	2010	2009
Salaries	\$ 97,416	\$121,389
Benefits	26,749	36,455
Payroll service fees	14,808	
Outside labor	1,196	2,323
Consultants and professional fees	620	3,157
Copying	2,707	1,379
Supplies	15,230	10,442
Telephone	1,637	1,524
Travel	5,317	1,679
Condominium fees	1,625	1,903
Utilities	15,549	11,288
Audit	2,423	2,908
Depreciation	17,697	13,711
Miscellaneous	28,433	19,597
Total	<u>\$ 231,407</u>	<u>\$227,755</u>

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**AMERICAN TEXTILE HISTORY MUSEUM, INC.**

SCHEDULE OF EXHIBIT AND OTHER OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Salaries	\$137,901	\$149,853
Benefits	29,655	39,026
Payroll service fees	13,470	
Outside labor	4,084	1,709
Consultants and professional fees	53,468	29,075
Design fee	12,568	8,433
Advertising	32,417	19,005
Conservation	1,932	84,947
Insurance	6,755	13,839
Photography/videography	650	3,106
Postage and freight	13,315	3,577
Supplies	19,895	23,193
Outside storage lease		4,283
Travel	12,797	602
Equipment and exhibit rentals	12,027	14,286
Maintenance	5,371	7,961
Exhibit fabrication	9,667	2,440
Legal	1,062	461
Audit	3,255	3,905
Utilities	58,354	47,400
Condominium fees	6,826	5,730
Depreciation	147,477	109,686
Miscellaneous	32,274	28,239
Total	<u>\$615,220</u>	<u>\$600,756</u>

**AMERICAN TEXTILE HISTORY MUSEUM, INC.**

**SCHEDULE OF ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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	2010	2009
Salaries	\$ 32,154	\$ 46,816
Benefits	6,578	10,083
Payroll service fees	9,816	638
Outside labor	194	643
Consultants and professional fees	116	2,085
Audit	2,331	2,797
Computer maintenance	69	2,194
Depreciation		4,570
Dues and subscriptions	957	650
Insurance	4,421	624
Investment services	4,170	3,737
Supplies	454	1,305
Travel	121	435
Condominium fees	325	982
Miscellaneous	10,478	12,666
Total	<u>\$ 72,184</u>	<u>\$ 90,225</u>

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**AMERICAN TEXTILE HISTORY MUSEUM, INC.**

**SCHEDULE OF INFORMATION TECHNOLOGY EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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	2010	2009
Salaries	\$ 32,034	\$ -0-
Benefits	4,022	
Computer maintenance	10,751	
Supplies	1,198	
Miscellaneous	144	
Total	<u>\$ 48,149</u>	<u>\$ -0-</u>

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**AMERICAN TEXTILE HISTORY MUSEUM, INC.**

**SCHEDULE OF FUNDRAISING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Salaries	\$ 90,970	\$130,974
Benefits	15,901	24,746
Payroll service fees	7,739	
Outside labor	444	130
Consultants and professional fees	11,230	15,883
Design fees	5,006	8,251
Catering and hospitality	24,663	19,104
Computer maintenance	4,695	4,962
Copying	903	704
Photography/videography		890
Postage and mail services	3,950	12,067
Printing	10,521	17,829
Speakers/performers/talent fee	3,233	3,317
Supplies	10,024	7,810
Telephone	1,109	1,347
Travel	169	350
Insurance	3,606	674
Condominium fees	325	833
Utilities	4,500	2,259
Depreciation	5,899	4,570
Miscellaneous	7,595	8,972
Total	<u>\$212,482</u>	<u>\$265,672</u>