

Texas Association of Museums
Financial Statements and
Independent Auditors' Report
December 31, 2011 and 2010

Texas Association of Museums

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Dunagan★Jack LLP

Certified Public Accountants

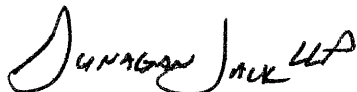
INDEPENDENT AUDITORS' REPORT

To the Council
Texas Association of Museums

We have audited the accompanying statements of financial position of Texas Association of Museums (a Texas nonprofit corporation) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Association of Museums as of December 31, 2011 and 2010, 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.



Austin, Texas
November 28, 2012

FINANCIAL STATEMENTS

Texas Association of Museums
STATEMENTS OF FINANCIAL POSITION

December 31,

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 3,498	\$ 31,194
Investments (Note C)	39,705	63,000
Accounts receivable	3,675	60
Inventory	1,074	1,262
Prepaid expenses	2,328	2,268
Beneficial interest in fund held by CFT (Note D)	22,599	23,416
Property and equipment (Note E)	10,806	3,470
Total assets	\$ 83,685	\$ 124,670
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 13,511	\$ 2,631
Deferred revenues (Note F)	34,535	33,335
Total liabilities	48,046	35,966
Net assets		
Unrestricted	(17,987)	(3,392)
Temporarily restricted (Note G)	19,729	59,899
Permanently restricted (Note H)	33,897	32,197
Total net assets	35,639	88,704
Total liabilities and net assets	\$ 83,685	\$ 124,670

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

Texas Association of Museums
STATEMENTS OF ACTIVITIES
For the years ended December 31,

	2011	2010
Changes in unrestricted net assets		
Revenues and gains		
Annual meeting	\$ 90,034	\$ 121,419
Membership dues	64,755	62,818
Fees for services	37,850	18,900
Grants and contributions	10,163	22,421
Workshop registration fees	4,980	16,904
Return on investments	1,858	5,391
Other revenues	2,448	4,261
Total unrestricted revenues and gains	212,088	252,114
Net assets released from restrictions	54,496	35,791
Total unrestricted revenues, gains and other support	266,584	287,905
Expenses		
Program services	187,686	194,445
Management and general	52,967	67,977
Fundraising	40,526	40,403
Total expenses	281,179	302,825
Decrease in unrestricted net assets	(14,595)	(14,920)
Changes in temporarily restricted net assets		
Grants and contributions	15,143	25,000
Change in value of fund held by CFT	(817)	1,384
Return on investments	-	13
Net assets released from restrictions	(54,496)	(35,791)
Decrease in temporarily restricted net assets	(40,170)	(9,394)
Changes in permanently restricted net assets		
Grants and contributions	1,700	2,370
Increase in permanently restricted net assets	1,700	2,370
Change in net assets	(53,065)	(21,944)
Net assets at beginning of year	88,704	110,648
Net assets at end of year	\$ 35,639	\$ 88,704

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

Texas Association of Museums
STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ (53,065)	\$ (21,944)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	1,537	-
Realized and unrealized (gains) losses on investments	(332)	(3,792)
Change in value of fund held by CFT	817	(1,384)
(Increase) decrease in accounts receivable	(3,615)	10,040
Decrease in inventory	188	528
Decrease in promises to give	-	48,785
(Increase) decrease in prepaid expenses	(60)	4,878
Increase (decrease) in accounts payable and accrued expenses	10,880	(5,723)
Increase (decrease) in deferred revenues	1,200	(3,257)
Contributions restricted for endowment	(1,700)	(2,480)
Net cash (used) provided by operating activities	(44,150)	25,651
Cash flows from investing activities:		
Purchases of equipment	(8,873)	(3,470)
Proceeds from sales and maturities of investments	25,125	30,364
Purchases of investments	(1,498)	(31,797)
Net cash provided (used) by investing activities	14,754	(4,903)
Cash flows from financing activities:		
Investments in endowment	1,700	2,480
Net cash provided by financing activities	1,700	2,480
Net (decrease) increase in cash and cash equivalents	(27,696)	23,228
Cash and cash equivalents at beginning of year	31,194	7,966
Cash and cash equivalents at end of year	\$ 3,498	\$ 31,194
Supplemental data:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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

NOTES TO FINANCIAL STATEMENTS

Texas Association of Museums

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Nature of Activities

Texas Association of Museums (Association) was incorporated in the State of Texas on February 26, 1975. The Association is dedicated to fostering educational, cultural, and recreational opportunities for all Texans. The Association was established for educational purposes; to provide a network among museums, to improve the level of professionalism within the museum community, to encourage the use and enjoyment of museums by all Texans, to serve as an information clearinghouse for and about museums, and to serve as a liaison between museums and museums-related agencies and organizations. Membership is open to all individuals and institutions who are involved in museums or museum-related activities.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

3. Basis of Presentation

Financial statement presentation follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-208, *Not-for-Profit Entities: Presentation of Financial Statements*. Under these standards, the Association 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.

4. Cash Equivalents

The Association considers all checking accounts, savings accounts, money market funds and certificates of deposit with initial maturities of three months or less to be cash equivalents.

5. Investments

The Association records investments using the guidance of FASB ASC 958-320, *Not-for-Profit Entities: Investments - Debt and Equity Securities*. Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Texas Association of Museums

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Inventory

Inventory comprised publications, primarily *The Museum Forms Book*. Inventory is stated at the lower of cost or market, determined by the first-in, first-out method of expensing.

7. Property and Equipment

Acquisitions of property and equipment are capitalized at cost, if purchased, or fair market value on the date of donation, if received as a gift. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, generally five to seven years for furniture and equipment. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expiration of restrictions when the assets are placed into service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time.

8. Revenue Recognition

Membership dues provide for a year of services from the Association from the anniversary date of each member. These dues are recognized ratably over the year as earned.

9. Contributions

The Association records contributions using the guidance of FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to unrestricted net assets. The Association's policy is to report restricted support that is satisfied in the year of receipt as first restricted and then reclassified to unrestricted net assets.

10. Functional Allocation of Expenses

Expenses are categorized by function in the statements of activities as either (1) program services, (2) management and general, or (3) fundraising expenses. Expenses that are specifically identified to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to each function.

Texas Association of Museums

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Estimates

The preparation of the 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 disclosures 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.

12. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE B - TAX EXEMPT STATUS

The Internal Revenue Service has determined that the Association is generally exempt from income tax under Section 501(a) of the Internal Revenue Code (Code) as an organization described in Section 501(c)(3). The Association has been classified as a publicly supported charitable organization under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code. Therefore, no provision for federal income taxes has been reflected in these financial statements.

The tax years 2009 through 2011 remain open to examination by the major taxing jurisdictions in which income tax returns are filed.

NOTE C - INVESTMENTS

Investments comprised the following at December 31,

	<u>2011</u>	<u>2010</u>
Vanguard Wellington Fund (VWELX)	\$ 39,705	\$ 52,875
Certificate of deposit	-	10,125
Total investments	<u>\$ 39,705</u>	<u>\$ 63,000</u>

Texas Association of Museums

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

NOTE D - BENEFICIAL INTEREST IN FUND HELD BY CFT

In September 2007, the Association established "The Texas Association of Museums Fund of CFT" with Communities Foundation of Texas (CFT), specifying itself as the beneficiary of this Fund. The Association has recorded this interest using the guidance of FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Therefore, this Fund has been recorded as an asset at December 31, 2011 and 2010. The total value of the fund was \$22,599 and \$23,416 at December 31, 2011 and 2010, respectively.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment comprised the following at December 31,

	2011	2010
Computer equipment	\$ 10,470	\$ 3,470
Software	1,873	-
	12,343	3,470
Less accumulated depreciation	(1,537)	-
	\$ 10,806	\$ 3,470

Depreciation expense totaled \$1,537 and \$0 for the years ended December 31, 2011 and 2010, respectively.

NOTE F - DEFERRED REVENUES

Deferred revenues comprised the following at December 31,

	2011	2010
Deferred membership dues	\$ 31,585	\$ 33,335
Deferred exhibitor fees	2,950	-
	\$ 34,535	\$ 33,335

Texas Association of Museums

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes and/or periods as of December 31,

	<u>2011</u>	<u>2010</u>
Glenda Morgan scholarship fund	\$ 9,805	\$ 10,125
Technology and communication capacity	9,351	18,384
Unappropriated endowment earnings	573	1,390
2011 Annual meeting sponsorships	-	30,000
	<u>\$ 19,729</u>	<u>\$ 59,899</u>

During the years ended December 31, 2011 and 2010, temporarily restricted net assets in the amounts of \$54,496 and \$35,791, respectively, were released to unrestricted net assets due to the satisfactions of purpose and time restrictions.

NOTE H - ENDOWMENT FUND

In 2007 the Association announced the creation of an endowment fund to help sustain its continuing operations and success in serving its membership.

The Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

Texas Association of Museums

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

NOTE H - ENDOWMENT FUND - CONTINUED

In accordance with UPMIFA, the Association considers 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 Association 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 Association
- The investment policies of the Association

Return Objectives

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To achieve its return objectives on its endowment fund, the Association forwards endowment gifts to The Texas Association of Museums Fund of CFT. CFT's fiduciary responsibilities include the prudent investment of its assets. The CFT Investment Committee sets investment policy and oversees the performance of its investments. The Texas Association of Museums Fund of CFT is primarily invested in CFT's Growth Fund. Target allocations for the Growth Fund are as follows:

- 70-80% Equity
- 15-25% Fixed Income
- 4-6% Cash Equivalents

Texas Association of Museums

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

NOTE H - ENDOWMENT FUND - CONTINUED

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a discretionary spending policy for determining appropriations for distribution. Any appropriations are consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as provide additional real growth through new gifts and investment return.

Changes in the Association's endowment fund (which excludes contributions receivable) were as follows for the years ended December 31, 2011 and 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund, December 31, 2009	\$ -	\$ 6	\$ 29,717	\$ 29,723
Contributions	-	-	2,480	2,480
Return on investments	-	1,384	-	1,384
Appropriations	-	-	-	-
Endowment fund, December 31, 2010	-	1,390	32,197	33,587
Contributions	-	-	1,700	1,700
Return on investments	-	(817)	-	(817)
Appropriations	-	-	-	-
Endowment fund, December 31, 2011	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ 33,897</u>	<u>\$ 34,470</u>

NOTE I - DONATED SERVICES AND FACILITIES

The Association received in-kind contributions of facilities for the annual meeting and other events and workshops. The Association estimates the fair value of donated facilities to be \$6,600 and \$17,160 for the years ended December 31, 2011 and 2010, respectively.

NOTE J - CONCENTRATION RISK

Annual meetings revenues represented 39% and 43% of total revenues for the years ended December 31, 2011 and 2010, respectively.

Texas Association of Museums

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

NOTE K - LEASE COMMITMENTS

The Association leases office space in Fort Worth, Texas. As of December 31, 2011, future minimum lease payments under this operating lease were as follows:

<u>Years ending December 31,</u>	<u>Lease Payments</u>
2012	\$ 14,850
2013	10,172
thereafter	-

Facilities rent expense of \$14,473 and \$12,941 was recognized during the years ended December 31, 2011 and 2010, respectively. In April 2010, the Association executed a new lease agreement for office space in Fort Worth, Texas. The lease term is from June 2010 through June 2015. Base rent escalates from an initial rate of \$1,007 per month to \$1,118 at the end of the term. Additional rent might be payable over the term for actual building operating expenses over a certain dollar threshold. The Association has a one time option to terminate the lease at the end of the thirty-seventh month by providing written notice to landlord within the thirty-first month and providing payment of two months gross rent and operating expenses.

NOTE L - FAIR VALUE MEASUREMENTS

Certain assets are carried at fair value in these financial statements. Fair value measurements were arrived at using the following inputs at December 31,

<u>Description</u>	<u>2011</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Vanguard Wellington Fund	\$ 39,705	\$ 39,705	\$ -	\$ -
Beneficial interest in CFT fund	22,599	-	22,599	-
	<u>\$ 62,304</u>	<u>\$ 39,705</u>	<u>\$ 22,599</u>	<u>\$ -</u>
<u>Description</u>	<u>2010</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Vanguard Wellington Fund	\$ 52,875	\$ 52,875	\$ -	\$ -
Beneficial interest in CFT fund	23,416	-	23,416	-
	<u>\$ 76,291</u>	<u>\$ 52,875</u>	<u>\$ 23,416</u>	<u>\$ -</u>

Texas Association of Museums

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

NOTE M - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 28, 2012, the date the financial statements were available to be issued.