

**FRIST CENTER FOR THE  
VISUAL ARTS, INC.**

**AUDITED FINANCIAL STATEMENTS  
WITH ADDITIONAL INFORMATION**

**December 31, 2009 and 2008**

# FRIST CENTER FOR THE VISUAL ARTS, INC.

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# FAULKNER MACKIE & COCHRAN, P.C.

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## Report of Independent Auditors

To the Board of Trustees  
Frist Center for the Visual Arts, Inc.  
Nashville, Tennessee

We have audited the accompanying statements of financial position of **Frist Center for the Visual Arts, Inc.** (a nonprofit 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 Frist Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Frist Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Frist Center for the Visual Arts, 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.

*Faulkner Mackie & Cochran, P.C.*

April 5, 2010

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## STATEMENTS OF FINANCIAL POSITION

	December 31	
	2009	2008
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents, at fair value	\$ 2,957,668	\$ 2,459,665
Donors' unconditional promises to give	90,900	101,420
Sponsorship proceeds receivable	22,917	2,917
Gift shop inventory and exhibition catalogues	167,705	182,678
Other current assets	<u>53,334</u>	<u>88,590</u>
Total Current Assets	3,292,524	2,835,270
Exhibition loan fee deposits and prepayments	1,137,286	1,153,415
Property and Equipment, net (Notes C and E)		
Contributed land	152,411	152,411
Building lease contributed by MDHA, including MDHA's renovations and improvements	13,275,850	13,987,054
Purchased land and improvements, furniture and equipment, and leasehold improvements	<u>11,402,613</u>	<u>11,830,488</u>
Total Property and Equipment, net	<u>24,830,874</u>	<u>25,969,953</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 29,260,684</u></b>	<b><u>\$ 29,958,638</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 480,781	\$ 626,161
Salaries, wages, and employee benefits	440,103	439,286
Unearned membership dues	275,898	302,810
Other current liabilities	<u>71,640</u>	<u>137,113</u>
Total Current Liabilities	1,268,422	1,505,370
Net Assets		
Unrestricted	13,996,095	14,007,294
Temporarily restricted (Note B)	<u>13,996,167</u>	<u>14,445,974</u>
Total Net Assets	<u>27,992,262</u>	<u>28,453,268</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 29,260,684</u></b>	<b><u>\$ 29,958,638</u></b>

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>			
Contributions from the general public and others	\$ 5,761,273	\$ 174,900	\$ 5,936,173
Support from Visual Arts Foundation endowment	962,030	0	962,030
Support from sponsorships	155,614	620,417	776,031
Membership dues, net of unearned portion	1,062,213	0	1,062,213
Admissions and education programs	386,368	0	386,368
Special event revenue (\$839,318 of revenue less \$60,250 direct benefits to donors) (Note H)	779,068	0	779,068
Gift shop gross profit (\$372,670 of sales less \$220,129 cost of sales)	152,541	0	152,541
Other operating revenue (Note I)	927,398	0	927,398
Investment income	4,702	0	4,702
Net assets released from temporary restrictions (Note B)	<u>1,245,124</u>	<u>(1,245,124)</u>	<u>0</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<b>11,436,331</b>	<b>(449,807)</b>	<b>10,986,524</b>
<b>EXPENSES</b>			
Program Services			
Exhibitions	5,289,895	0	5,289,895
Education and outreach	1,916,547	0	1,916,547
Gift shop	<u>373,697</u>	<u>0</u>	<u>373,697</u>
Total Program Services	7,580,139	0	7,580,139
Supporting Services			
General and administrative	1,553,561	0	1,553,561
Fund-raising	827,960	0	827,960
Member development	157,551	0	157,551
Other operating expenses (Note I)	<u>1,303,319</u>	<u>0</u>	<u>1,303,319</u>
Total Supporting Services	<u>3,842,391</u>	<u>0</u>	<u>3,842,391</u>
<b>TOTAL EXPENSES</b>	<b><u>11,422,530</u></b>	<b><u>0</u></b>	<b><u>11,422,530</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>13,801</b>	<b>(449,807)</b>	<b>(436,006)</b>
Transfer to Visual Arts Foundation endowment	<u>(25,000)</u>	<u>0</u>	<u>(25,000)</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ (11,199)</b>	<b>\$ (449,807)</b>	<b>\$ (461,006)</b>
Net Assets at beginning of year	<u>14,007,294</u>	<u>14,445,974</u>	<u>28,453,268</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 13,996,095</u></b>	<b><u>\$ 13,996,167</u></b>	<b><u>\$ 27,992,262</u></b>

See notes to financial statements.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>			
Contributions from the general public and others	\$ 6,180,728	\$ 406,420	\$ 6,587,148
Support from Visual Arts Foundation endowment	908,535	0	908,535
Support from sponsorships	973,650	352,500	1,326,150
Membership dues, net of unearned portion	1,140,252	0	1,140,252
Admissions and education programs	620,675	0	620,675
Special event revenue (\$687,890 of revenue less \$76,696 direct benefits to donors) (Note H)	611,194	0	611,194
Gift shop gross profit (\$600,857 of sales less \$362,741 cost of sales)	238,116	0	238,116
Other operating revenue (Note I)	1,336,632	0	1,336,632
Investment income	26,890	0	26,890
Net assets released from temporary restrictions (Note B)	<u>1,708,344</u>	<u>(1,708,344)</u>	<u>0</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<b>13,745,016</b>	<b>(949,424)</b>	<b>12,795,592</b>
<b>EXPENSES</b>			
Program Services			
Exhibitions	5,775,767	0	5,775,767
Education and outreach	2,185,073	0	2,185,073
Gift shop	<u>423,786</u>	<u>0</u>	<u>423,786</u>
Total Program Services	8,384,626	0	8,384,626
Supporting Services			
General and administrative	1,645,941	0	1,645,941
Fund-raising	943,134	0	943,134
Member development	183,881	0	183,881
Other operating expenses (Note I)	<u>1,655,929</u>	<u>0</u>	<u>1,655,929</u>
Total Supporting Services	<u>4,428,885</u>	<u>0</u>	<u>4,428,885</u>
<b>TOTAL EXPENSES</b>	<b><u>12,813,511</u></b>	<b><u>0</u></b>	<b><u>12,813,511</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>931,505</b>	<b>(949,424)</b>	<b>(17,919)</b>
Transfer to Visual Arts Foundation endowment	<u>(476,843)</u>	<u>0</u>	<u>(476,843)</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 454,662</b>	<b>\$ (949,424)</b>	<b>\$ (494,762)</b>
Net Assets at beginning of year	<u>13,552,632</u>	<u>15,395,398</u>	<u>28,948,030</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 14,007,294</u></b>	<b><u>\$ 14,445,974</u></b>	<b><u>\$ 28,453,268</u></b>

See notes to financial statements.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31</u>	
	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 5,611,316	\$ 6,957,749
Support received from Visual Arts Foundation endowment	962,030	908,535
Sponsorships received	756,031	1,390,999
Membership dues received	1,025,679	1,162,279
Admissions and education revenue received	381,770	628,652
Special event revenue received	839,318	702,890
Gift shop sales received	372,670	600,857
Other operating revenue received	918,613	1,380,918
Investment income received	4,702	26,890
Cash paid to suppliers, consultants and others	<u>(10,127,906)</u>	<u>(11,400,558)</u>
Net Cash Provided by Operating Activities	<u>744,223</u>	<u>2,359,211</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(221,220)</u>	<u>(69,340)</u>
Net Cash Used in Investing Activities	<u>(221,220)</u>	<u>(69,340)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	<u>0</u>	<u>0</u>
<b>INCREASE FROM CASH FLOWS BEFORE TRANSFER TO ENDOWMENT</b>		
	523,003	2,289,871
Transfer to Visual Arts Foundation endowment	<u>(25,000)</u>	<u>(476,843)</u>
<b>NET INCREASE FROM CASH FLOWS</b>	\$ 498,003	\$ 1,813,028
Cash and Cash Equivalents at beginning of year	<u>2,459,665</u>	<u>646,637</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,957,668</u>	<u>\$ 2,459,665</u>

(CONTINUED)

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## STATEMENTS OF CASH FLOWS (Continued)

	<u>Year Ended December 31</u>	
	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ (436,006)	\$ (17,919)
<u>Reconciling Adjustments</u>		
Depreciation and amortization expense	642,880	678,630
Imputed rent expense for annual expiration of building lease contributed by MDHA, including annual amortization of MDHA's contributed renovations and improvements	711,204	711,204
Non-cash contributions	(335,377)	(50,353)
Non-cash expenses	335,377	50,353
Other, net	6,215	0
(Increase) Decrease in:		
Donors' unconditional promises to give	10,520	435,954
Sponsorship proceeds receivable	(20,000)	64,849
Gift shop inventory and exhibition catalogues	14,973	17,033
Other current assets	35,256	275,622
Exhibition loan fee deposits and prepayments	16,129	(83,108)
Other assets	0	16,168
Increase (Decrease) in:		
Accounts payable and accrued expenses	(145,380)	97,848
Salaries, wages, and employee benefits	817	56,763
Unearned membership dues	(26,912)	11,229
Other current liabilities	(65,473)	94,938
Total Reconciling Adjustments	<u>1,180,229</u>	<u>2,377,130</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 744,223</u></b>	<b><u>\$ 2,359,211</u></b>

## SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES

**Gift-in-Kind Contributions:** The estimated fair value of "gift-in-kind" contributions recognized by the Frist Center during the years ended December 31, 2009 and 2008, totaled \$335,377 and \$50,353, respectively. These contributions consist of various goods, services and insurance coverage that were utilized by the Frist Center and expensed in its operations during the respective year.

**Disposal of Fully-Depreciated Furniture and Equipment:** During the years ended December 31, 2009 and 2008, the Frist Center disposed of fully-depreciated furniture and equipment with an original cost basis of \$417,338 and \$21,577, respectively. These disposals consisted mainly of computers and peripheral equipment that were no longer used in the Frist Center's operations.

See notes to financial statements.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### NOTE A -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities:** On March 3, 1998, Frist Center for the Visual Arts, Inc. (the "Frist Center") was chartered as a public benefit corporation under the Tennessee Nonprofit Corporation Act. The sole member of the Frist Center is Frist Center for the Visual Arts Foundation (the "Visual Arts Foundation"), which has the power to appoint the Frist Center's Board of Trustees. The primary purpose of the Visual Arts Foundation ("supporting" organization) is to serve as a fund-raising and endowment entity for the benefit of the Frist Center ("supported" organization). As such, the Visual Arts Foundation holds and manages a portfolio of investments to provide for the long-term financial support of the Frist Center's charitable and educational activities.

The primary purpose of the Frist Center is to promote cultural growth and enjoyment by the public in general by supporting and fostering the exhibition and availability of works of art in the community. To achieve its objective, the Frist Center began by developing a high quality museum and exhibition gallery for the visual arts in Nashville, Tennessee, which opened to the public on April 8, 2001. Since then, management has focused its efforts on operating the Frist Center in an effective manner to provide ongoing support and community educational services for the visual arts in Tennessee.

**Program Services:** The major program services conducted by the Frist Center are as follows:

- **Exhibitions:** The Frist Center hosts traveling exhibitions from the United States and abroad, as well as developing its own exhibitions on a diverse range of themes. Significant advance planning and coordination is required for each exhibition presented. Exhibitions may remain at the Frist Center for a few months or a few years, however, the Frist Center is dedicated to providing new opportunities for discovery with each visit.
- **Education and Outreach:** The Frist Center offers a wide variety of accessible and affordable programs designed to assist people of all ages and backgrounds to become more knowledgeable and appreciative of art. Educational opportunities are provided through films, lectures, concerts, gallery talks, school tours, educator workshops, and youth and family activities.
- **Gift Shop:** The Frist Center's gift shop offers a wide selection of arts and crafts supplies, educational materials, publications, catalogues, gifts and souvenir items that are related to its exhibitions and programs. The gift shop also features high quality art and fine crafts of selected Tennessee artisans.

**Basis of Accounting:** The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") using the accrual method of accounting.

**Use of Estimates:** Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net assets, support, revenues, and expenses and the disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

**Financial Statement Presentation:** The Frist Center reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted and permanently restricted), based on the existence or absence of donor-imposed restrictions.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

**Cash and Cash Equivalents:** Cash consists of amounts on hand and on deposit in financial institutions and investment-related custodial accounts. Through December 31, 2013, the Federal Deposit Insurance Corporation ("FDIC") will generally insure the total amount deposited by each customer in a participating bank up to its basic limit of \$250,000. In addition, the Frist Center's primary bank has elected, through June 30, 2010, to participate in the FDIC's "Transaction Account Guarantee Program", which fully insures non-interest bearing accounts. Accordingly, as of December 31, 2009, all of the Frist Center's cash deposits are fully guaranteed by the FDIC. Cash equivalents include all highly-liquid investments, such as money market funds, that have scheduled maturities of three months or less at the time of purchase. These investments earn interest at variable short-term market rates and are presented at fair value, based on readily available quoted market prices (i.e., categorized as Level 1 securities, in accordance with the GAAP fair value hierarchy). At December 31, 2009 and 2008, the Frist Center held cash equivalents of approximately \$0 and \$2,581,000, respectively.

**Unconditional Promises to Give:** A donor's promise to give is recognized as support if the donor communicates an unconditional promise to the Frist Center. Conditional promises to give are not recognized as support until the donor's conditions are substantially met. Contributions that are restricted by the donor (e.g., as to passage of time or specific purpose), are reported as increases in temporarily restricted net assets or permanently restricted net assets, depending on the nature of the restriction. Upon satisfaction or expiration of a temporary restriction, the applicable net assets are reclassified to unrestricted net assets.

Contributions are recorded at fair value on the date received. The fair value of a donor's unconditional promise to give financial support that is expected to be received after one year is deemed to be equal to its estimated present value. Future amounts of cash or non-cash assets to be received are discounted using a risk-free interest rate, such as the rate available on zero-coupon U.S. government issues with a similar maturity.

**Support from Sponsorships:** Corporate and individual sponsorships enhance the Frist Center's capacity to offer high quality art exhibitions and community educational services, while promoting increased interaction of the public and private sectors. Support from a sponsorship is recognized in a manner consistent with the approach described above for unconditional promises to give. Sponsorship commitments are usually finalized well in advance of the opening date of a designated exhibition or program. Accordingly, sponsorship support is normally reported as an increase in temporarily restricted net assets and then reclassified to unrestricted net assets upon the Frist Center's receipt or use of the proceeds, as applicable, in conjunction with the exhibition or program designated by the sponsor.

**Gift Shop Inventory and Exhibition Catalogues:** Inventory consists entirely of products acquired for resale in the gift shop and is reported at the lower of cost (first-in, first-out method) or market. Catalogues on hand for current exhibitions are reported at the lower of production cost or net realizable sales value. An allowance is recognized after closing an exhibition for the potential non-recoupment of production costs related to unsold exhibition catalogues. This allowance is reversed upon the subsequent sale, donation or other disposition of such catalogues. Allowances related to post-exhibition catalogue costs totaled approximately \$135,000 and \$152,000 at December 31, 2009 and 2008, respectively.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

**Receivables and Allowance for Uncollectible Amounts:** Receivables are recorded at each reporting date for amounts due from various parties in conjunction with financial transactions. Interest is accrued when applicable, subject to the terms and conditions of the financial transaction. An allowance is recognized when deemed necessary by management for potentially uncollectible receivables and accrued interest. No allowance was recognized at December 31, 2009 and 2008. Amounts deemed worthless by management are written off.

**Exhibition Loan Fee Deposits and Prepayments:** The Frist Center procures collected works of art for exhibition by executing temporary loan agreements with domestic and foreign museums and collectors. These agreements typically require the Frist Center to pay a loan fee, generally by making an initial deposit and one or more installment payments prior to the opening of an exhibition. Other significant, directly-allocable costs that are incurred prior to the opening of an exhibition, such as insurance, shipping and curatorial fees, are recorded as prepayments. The aggregate total of loan fee deposits and prepayments for each exhibition is amortized on a pro-rata basis over the respective exhibition period. This amortization is reported as a component of "Exhibitions" expense in the Statements of Activities. (Refer to Note L for additional information.)

**Exhibition Loan Fee Revenue and Expense Recoupments:** In addition to presenting traveling exhibitions developed by collectors and owners of works of art, the Frist Center periodically organizes new art exhibitions for presentation in its galleries. These new exhibitions are then made available by the Frist Center to other art museums and institutions under temporary loan agreements with terms similar to those described in the previous section. This activity enables the Frist Center to earn loan fee revenue and to recoup certain directly-allocable costs from the borrowing institutions, thus reducing the loan fees and exhibition costs initially incurred for its own gallery presentation. Loan fee revenue and expense recoupments totaled \$136,492 and \$0 for the years ended December 31, 2009 and 2008, respectively. These amounts are included as a direct offset to "Exhibitions" expense in the Statements of Activities. Loan fees received from borrowing institutions in advance of scheduled exhibition dates totaled \$40,000 and \$90,000 at December 31, 2009 and 2008, respectively. These amounts are recognized as deferred revenue and reported as a component of "Other current liabilities" in the Statements of Financial Position until earned, which is deemed to occur as of the scheduled exhibition date.

**Property and Equipment:** Property and equipment assets are initially recorded at cost if purchased, or at estimated fair value if contributed. Depreciation and amortization expense are calculated using the straight-line method over the estimated service lives of the assets, which are principally as follows: 3 to 7 years for furniture and equipment, 15 years for land improvements, and 30 years for leasehold improvements. Significant additions and improvements are capitalized. Normal repairs and maintenance are charged to expense as incurred. Property and equipment is reported net of accumulated depreciation and amortization in the Statements of Financial Position.

**Contributed Use of Property:** The Frist Center recognizes contribution support upon entering into a lease if the lessor requires only nominal lease payments in relation to the estimated fair rental value of the leased property. The fair value of the contribution is equal to the lesser of: (a) the present value of the excess of the estimated fair rental rate over the stated lease payments (if any) during the lease term, or (b) the fair value of the leased asset at inception of the lease.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

With respect to a long-term lease, the contributed lease asset is initially reported as an increase in temporarily restricted assets due to the "passage of time" restriction that governs the use of the leased property. This asset is amortized on a straight-line basis over the lease term and the expired portion in each reporting period is released from temporarily restricted net assets and reclassified to unrestricted net assets. The amortized amount is also recognized as rent expense in the Statements of Activities. The unexpired portion is reported as a component of property and equipment in the Statements of Financial Position. (Refer to Note C for additional information regarding the Frist Center's recognition in 1998 of a building lease contributed by MDHA.)

**Advertising Costs:** The Frist Center expenses all advertising costs as incurred. During the years ended December 31, 2009 and 2008, advertising costs totaled approximately \$289,000 and \$569,000 respectively. Of the total amounts incurred in these two years, approximately \$1,500 and \$11,300, respectively, were recognized in conjunction with non-cash "gift-in-kind" contributions received by the Frist Center.

**Donated Services:** Many individuals volunteer their time and perform a variety of beneficial tasks that assist the Frist Center to conduct its programs and services. During the years ended December 31, 2009 and 2008, volunteer hours totaled approximately 23,000 and 21,200, respectively. However, in accordance with GAAP, the estimated fair value of these volunteer services has not been reflected in the accompanying financial statements.

**Membership Dues:** The Frist Center offers various levels of basic and contributing memberships to its patrons. The portion of each member's dues that represents the value of membership benefits provided by the Frist Center is recognized as earned revenue ratably over the membership term, generally a one-year period. A liability for unearned membership dues is provided in the Statements of Financial Position. The portion of a member's dues that represents a contribution is recognized as contribution support upon receipt. The support and revenue portions of membership dues are combined and presented, net of any portion representing unearned revenue, in the Statements of Activities.

**Income Taxes:** Based on an Internal Revenue Service determination letter dated November 11, 2002, the Frist Center is recognized as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is not deemed to be a "private foundation". However, continued compliance with the prescribed "public support test", and other rules and regulations, is required to maintain this exemption. Management is not aware of any event or activity that has occurred since the latest determination date that might adversely affect the Frist Center's tax exempt status.

The Frist Center may be subject to federal and state income taxes if it has net income from trade or business activities that are not substantially related to its exempt purpose. "Unrelated business income taxes" are computed in accordance with the regular federal and state income tax brackets and rates that are applicable to for-profit corporations. Certain aspects of the Frist Center's venue rental and catering operations routinely generate unrelated business taxable income, although these activities have historically resulted in a net loss for unrelated business income tax purposes.

Effective January 1, 2009, the Frist Center adopted a new accounting interpretation relating to uncertainties in income taxes. However, the implementation of this new interpretation had no effect on the accompanying 2009 financial statements.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

**Subsequent Events:** In preparing the accompanying financial statements, management has evaluated subsequent events through April 5, 2010, which represents the date the financial statements were available to be issued.

**Reclassifications:** Certain prior year amounts have been reclassified to conform to the current year presentation.

### NOTE B -- TEMPORARILY RESTRICTED NET ASSETS

Activity during the year ended December 31, 2009, is summarized as follows:

<u>Temporarily Restricted Due To:</u>	<u>December 31, 2008</u>	<u>Release of Restrictions</u>	<u>Additions</u>	<u>December 31, 2009</u>
<u>"Passage of Time"</u>				
Donors' unconditional promises to give	\$ 101,420	\$ (101,420)	\$ 90,900	\$ 90,900
Sponsorship proceeds receivable	2,500	(2,500)	22,917	22,917
Building lease contributed by MDHA, including MDHA's renovations and Improvements	13,987,054	(711,204)	0	13,275,850
<u>"Specific Purpose Use"</u>				
Sponsorship proceeds designated for future exhibition	350,000	(350,000)	597,500	597,500
Contribution proceeds designated for specific purpose	5,000	(80,000)	84,000	9,000
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$14,445,974</u>	<u>\$ (1,245,124)</u>	<u>\$ 795,317</u>	<u>\$13,996,167</u>

Activity during the year ended December 31, 2008, is summarized as follows:

<u>Temporarily Restricted Due To:</u>	<u>December 31, 2007</u>	<u>Release of Restrictions</u>	<u>Additions</u>	<u>December 31, 2008</u>
<u>"Passage of Time"</u>				
Donors' unconditional promises to give	\$ 537,374	\$ (787,374)	\$ 351,420	\$ 101,420
Sponsorship proceeds receivable	57,766	(57,766)	2,500	2,500
Building lease contributed by MDHA, including MDHA's renovations and Improvements	14,698,258	(711,204)	0	13,987,054
<u>"Specific Purpose Use"</u>				
Sponsorship proceeds designated for future exhibition	102,000	(102,000)	350,000	350,000
Contribution proceeds designated for specific purpose	0	(50,000)	55,000	5,000
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$15,395,398</u>	<u>\$ (1,708,344)</u>	<u>\$ 758,920</u>	<u>\$14,445,974</u>

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### NOTE C -- BUILDING LEASE AND RENOVATIONS CONTRIBUTED BY MDHA

**General:** During 1998, the Metropolitan Government of Nashville and Davidson County ("METRO") contributed \$19.9 million to its agency, the Metropolitan Development and Housing Agency ("MDHA"). These funds were designated for use as follows: (1) \$4.4 million for MDHA's purchase of the downtown Post Office building (located at 901 Broadway, Nashville, Tennessee) from the U.S. Postal Service, and (2) \$15.5 million for the cost of MDHA's renovations to the building, in conjunction with the Frist Center development project. Although this property will be utilized by the Frist Center under terms of a long-term lease, MDHA retains full ownership of the building.

**Building Lease:** Effective June 30, 1998, MDHA entered into a long-term lease agreement with the Frist Center for the use of its newly-acquired building. The lease specifies a term of approximately 99 years (June 30, 1998 to September 1, 2097); however, the Frist Center may terminate the lease, at its option, after approximately 30 years (September 1, 2028). Based on architectural studies, the lease provides the Frist Center with approximately 109,000 square feet of usable space. Accordingly, the lease requires only nominal lease payments of \$1.00 per year, which the Frist Center elected to prepay in full and record as rent expense during 1998.

The lease is structured as a "net lease," which imposes responsibility on the Frist Center for all maintenance, repairs, insurance, taxes and utilities. The Visual Arts Foundation has guaranteed the Frist Center's performance to MDHA under this lease, including its compliance with covenants and obligatory provisions, such as the sub-lease described below.

As a result of MDHA requiring only nominal lease payments over the term of the lease, the Frist Center recognized a non-cash contribution of \$4.4 million in 1998. This contribution was recorded as an increase in temporarily restricted net assets, due to the "passage of time" restriction that governs the use of the leased property. Rent expense is recognized on a monthly pro-rata basis as the "passage of time" restriction expires, and a corresponding amount is reclassified from temporarily restricted net assets to unrestricted net assets. Management has elected to use the initial lease term of 30 years as the appropriate period for recognizing the expiration of this contributed lease asset. (Refer to Note E for information regarding rent expense recognized during the years ended December 31, 2009 and 2008.)

In conjunction with MDHA's purchase agreement with the U.S. Postal Service, the Post Office will continue to use the lower floor of the building (approximately 15,000 square feet) under a 30-year sub-lease agreement with the Frist Center (September 1, 1998 to August 31, 2028). Free use of this space was incorporated into the acquisition price negotiated by MDHA. Accordingly, no lease payments by the Post Office are required during the initial lease term. The Post Office is obligated to pay its separately-metered utilities and proportionate share of common area maintenance expenses. The sub-lease agreement grants two consecutive renewal options to the Post Office, with lease terms of 10 years each at the prevailing market rental rate.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

**Funding of Renovation Costs:** The Frist Center also recognized a non-cash contribution of \$15.5 million in 1998 to reflect the fair value of funds committed by MDHA for renovations to the building. This contribution was recorded in a manner consistent with the approach described above for the contributed lease asset. By agreement with MDHA, the Frist Center assumed responsibility for the payment of any renovation costs incurred by MDHA which exceeded the maximum amount of MDHA's commitment. Although the Frist Center has recorded the excess amounts expended as leasehold improvements, MDHA retains full ownership of the building.

MDHA's contributed renovations and the leasehold improvements paid for by the Frist Center are deemed to have been placed in service as of April 2001. Both amounts are being amortized on a monthly pro-rata basis over the remaining portion of the initial 30-year lease term. Amortization of the contributed renovations asset is recognized as additional rent expense as the "passage of time" restriction expires. Also, a corresponding amount is reclassified from temporarily restricted net assets to unrestricted net assets, in a manner consistent with the contributed lease asset. Amortization of the Frist Center's leasehold improvements is included as a component of regular depreciation and amortization expense.

### NOTE D -- TRANSACTIONS BETWEEN THE FRIST CENTER AND THE VISUAL ARTS FOUNDATION

**Support from Visual Arts Foundation Endowment:** In its role as "supporting organization", the Visual Arts Foundation provides operational funding subsidies to the Frist Center upon receipt and approval of grant requests submitted by the Frist Center. The aggregate annual amount available to the Frist Center is based on an assumed annual return on the endowment's investment portfolio of approximately 5%. Support from the endowment totaled \$962,030 and \$908,535 for the years ended December 31, 2009 and 2008. There were no outstanding grant requests at December 31, 2009; however, it is expected that the Frist Center will continue to depend on funding subsidies provided by the Visual Arts Foundation in the foreseeable future.

**Transfer to Visual Arts Foundation Endowment:** Certain donors have authorized the Frist Center to transfer their contributed funds to the Visual Arts Foundation for long-term investment management, instead of using the funds in current operations. Transferred funds are incorporated into the investment portfolio of the Visual Arts Foundation and then managed according to its investment policy. During the years ended December 31, 2009 and 2008, the Frist Center transferred \$25,000 and \$476,843, respectively, to the Visual Arts Foundation for investment in the endowment portfolio.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### NOTE E -- PROPERTY AND EQUIPMENT

The major components of property and equipment are summarized as follows:

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
<b><u>Contributed Assets</u></b>		
Unrestricted		
Land -- redevelopment project	\$ 152,411	\$ 152,411
Temporarily Restricted (Note C)		
Building lease contributed by MDHA	4,400,000	4,400,000
Building renovations and improvements contributed by MDHA	<u>15,500,000</u>	<u>15,500,000</u>
	19,900,000	19,900,000
Less: Accumulated amortization	<u>(6,624,150)</u>	<u>(5,912,946)</u>
Total Temporarily Restricted	<u>13,275,850</u>	<u>13,987,054</u>
<b>Total Contributed Assets</b>	<u>13,428,261</u>	<u>14,139,465</u>
<b><u>Purchased Assets – Unrestricted</u></b>		
Land -- redevelopment project	2,557,964	2,557,964
Land improvements -- redevelopment project	2,119,454	2,119,454
Furniture and equipment, including computers and software	4,400,091	4,617,216
Leasehold improvements	10,471,571	10,456,525
Construction in progress	<u>0</u>	<u>4,930</u>
	19,549,080	19,756,089
Less: Accumulated depreciation and amortization	<u>(8,146,467)</u>	<u>(7,925,601)</u>
<b>Total Purchased Assets</b>	<u>11,402,613</u>	<u>11,830,488</u>
<b>TOTAL PROPERTY AND EQUIPMENT, net</b>	<u>\$ 24,830,874</u>	<u>\$ 25,969,953</u>

Amortization of the building lease and renovations contributed by MDHA totaled \$711,204 during each of the years ended December 31, 2009 and 2008. Depreciation and amortization expense for all other assets during these years totaled \$642,880 and \$678,630, respectively. During 2009, the Frist Center renovated its interactive educational gallery. Expenses associated with this renovation were capitalized as leasehold improvements. The original leasehold improvements associated with this gallery (cost basis of \$10,884 and accumulated depreciation of \$4,669) were disposed, resulting in a realized loss of \$6,215.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### NOTE F -- DONORS' UNCONDITIONAL PROMISES TO GIVE

Since inception, the Frist Center has received notification from several donors of their unconditional promises to give financial support. These promises are occasionally comprised of a current contribution and a commitment to make support payments over a specified future period. Because the long-term portion is subject to a "passage of time" restriction, it is discounted to net present value and recorded as an increase in temporarily restricted assets.

At December 31, 2009 and 2008, contribution proceeds receivable totaled \$90,900 and \$101,420, respectively. These amounts are reported as current assets based on the payment schedules communicated by the various donors.

During the years ended December 31, 2009 and 2008, installment payments were generally received as scheduled. Accordingly, management deemed an allowance for possible uncollectible amounts receivable to be unnecessary at both December 31, 2009 and 2008.

### NOTE G -- SUPPORT FROM SPONSORSHIPS

At December 31, 2009 and 2008, sponsorship proceeds receivable totaled \$22,917 and \$2,917, respectively. These amounts are reported as current assets based on the payment schedules communicated by the various sponsors. Sponsorship payments were generally received as scheduled during the years ended December 31, 2009 and 2008. Accordingly, management deemed an allowance for possible uncollectible amounts receivable to be unnecessary at both December 31, 2009 and 2008.

### NOTE H -- SPECIAL EVENT REVENUE

Management has designated "The Frist Center Gala" as the organization's annual fund-raising event. In addition to a dinner and silent auction, the Gala event highlights the opening of a major exhibition. Special event revenue, before expenses, is summarized as follows by event year:

	Year Ended December 31		
	2009	2008	2007
<b>Special Event</b>			
2008 Gala (Total event revenue of \$926,190)	\$ 0	\$ 687,890	\$ 238,300
2009 Gala (Total event revenue of \$839,318)	<u>839,318</u>	<u>0</u>	<u>0</u>
GROSS REVENUE (Before Expenses)	<u>\$ 839,318</u>	<u>\$ 687,890</u>	<u>\$ 238,300</u>

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### NOTE I -- OTHER OPERATING REVENUE AND EXPENSES

The Frist Center offers certain services to its members and patrons primarily for their convenience while they are visiting the visual arts center. These services include an on-site café, catering services, venue rentals, and on-site parking for members and patrons. The venue rental activity provides private groups with meeting rooms, catering services and admission to the exhibition galleries during and after regular business hours. Operating revenue from venue rentals for the years ended December 31, 2009 and 2008, is net of approximately \$47,000 and \$82,000, respectively, of admissions revenue generated during venue rental activities.

Operating results for the aforementioned activities are summarized below and on the following page. The highlighted items represent captions and totals that are presented in the accompanying Statements of Activities.

	<u>Café and Catering</u>	<u>Venue Rentals</u>	<u>Parking</u>	<u>Total</u>
<b><u>Year Ended December 31, 2009</u></b>				
<b>Other Operating Revenue</b>	\$ 626,186	\$ 184,492	\$ 116,720	<b>\$ 927,398</b>
Operating Expenses				
Direct expenses				
Salaries, wages and benefits	(418,034)	(166,939)	0	(584,973)
Cost of sales	(211,903)	0	0	(211,903)
Other direct expenses	<u>(93,112)</u>	<u>(54,185)</u>	<u>(76,354)</u>	<u>(223,651)</u>
Total Direct Expenses	<u>(723,049)</u>	<u>(221,124)</u>	<u>(76,354)</u>	<u>(1,020,527)</u>
Operating Income (Loss) before				
Depreciation and Indirect Expenses	(96,863)	(36,632)	40,366	(93,129)
Depreciation expense	(5,837)	(636)	(66,503)	(72,976)
Allocated indirect expenses	<u>(134,952)</u>	<u>(74,864)</u>	<u>0</u>	<u>(209,816)</u>
Total Depreciation and Allocated Indirect Expenses	<u>(140,789)</u>	<u>(75,500)</u>	<u>(66,503)</u>	<u>(282,792)</u>
NET OPERATING INCOME (LOSS)	<u>\$ (237,652)</u>	<u>\$ (112,132)</u>	<u>\$ (26,137)</u>	<u>\$ (375,921)</u>

As presented in the 2009 Statement of Activities, "Other operating expenses" is comprised of the following totals shown above:

Total Direct Expenses	\$ (1,020,527)
Total Depreciation and Allocated Indirect Expenses	<u>(282,792)</u>
<b>Other Operating Expenses</b>	<b><u>\$ (1,303,319)</u></b>

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

	<u>Café and Catering</u>	<u>Venue Rentals</u>	<u>Parking</u>	<u>Total</u>
<b><u>Year Ended December 31, 2008</u></b>				
<b>Other Operating Revenue</b>	\$ 928,215	\$ 249,234	\$ 159,183	<b>\$1,336,632</b>
Operating Expenses				
Direct expenses				
Salaries, wages and benefits	(466,021)	(241,218)	0	(707,239)
Cost of sales	(301,304)	0	0	(301,304)
Other direct expenses	<u>(128,498)</u>	<u>(120,609)</u>	<u>(80,149)</u>	<u>(329,256)</u>
Total Direct Expenses	<u>(895,823)</u>	<u>(361,827)</u>	<u>(80,149)</u>	<u>(1,337,799)</u>
Operating Income (Loss) before Depreciation and Indirect Expenses	32,392	(112,593)	79,034	(1,167)
Depreciation expense	(9,351)	(636)	(66,503)	(76,490)
Allocated indirect expenses	<u>(140,501)</u>	<u>(101,139)</u>	<u>0</u>	<u>(241,640)</u>
Total Depreciation and Allocated Indirect Expenses	<u>(149,852)</u>	<u>(101,775)</u>	<u>(66,503)</u>	<u>(318,130)</u>
NET OPERATING INCOME (LOSS)	<u>\$ (117,460)</u>	<u>\$ (214,368)</u>	<u>\$ 12,531</u>	<u>\$ (319,297)</u>

As presented in the 2008 Statement of Activities, "Other operating expenses" is comprised of the following totals shown above:

Total Direct Expenses	\$ (1,337,799)
Total Depreciation and Allocated Indirect Expenses	<u>(318,130)</u>
<b>Other Operating Expenses</b>	<b><u>\$ (1,655,929)</u></b>

### NOTE J -- RELATED PARTY TRANSACTIONS - LEGAL SERVICES

Since inception, the Frist Center has obtained various legal services from an attorney and the law firm of which he is a member, while the attorney served as the Frist Center's corporate Secretary. These services and the related professional fees incurred (approximately \$27,500 and \$28,800 during the years ended December 31, 2009 and 2008, respectively) have been subjected to the Frist Center's approval control policies and payment procedures that are applicable to unrelated service providers.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### NOTE K -- EMPLOYEE RETIREMENT PLAN

During the fiscal year ended June 30, 2001, the Frist Center established an employee retirement plan pursuant to Section 401(k) of the Internal Revenue Code. Substantially all employees who have attained the age of 21 are eligible to participate. Under the plan, employees may elect to defer and contribute a portion of their annual compensation, subject to the statutory limit, and the Frist Center matches employee contributions at the rate of 100% of the first 5% of eligible compensation. Contributions to the plan totaled \$133,565 and \$135,202 for the years ended December 31, 2009 and 2008, respectively. The plan also allows the Frist Center to make discretionary employer contributions to the plan; however, there were none during the years ended December 31, 2009 and 2008.

### NOTE L -- COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

#### COMMITMENTS

**Exhibition Participation Fees:** In addition to loan fees, exhibition loan agreements typically require that a portion of incidental exhibition costs (i.e., "shared costs") be paid by the Frist Center as reimbursement to the lending museum or collector. Examples of such shared costs may include: conservation surveys, pre-travel packing and crating services, transportation and insurance, construction of exhibition cases and special mountings, environmental assessments and monitoring, registrar and curatorial services, and travel reimbursements. Shared costs specified in exhibition loan agreements may require fixed or variable payments for specific types of expenditures.

With respect to exhibition loan agreements executed through December 31, 2009, the Frist Center is obligated to make future payments of participation fees approximately as follows:

	<u>Exhibition Loan Fees</u>	<u>Estimated Shared Costs</u>	<u>Total</u>
<u>Calendar Year:</u>			
2010	\$ 536,842	\$ 56,250	\$ 593,092
2011	<u>455,650</u>	<u>100,000</u>	<u>555,650</u>
Total	<u>\$ 992,492</u>	<u>\$ 156,250</u>	<u>\$ 1,148,742</u>

**Service Agreements:** Effective October 1, 2009, the Frist Center entered into renewal agreements with two independent service providers in conjunction with an on-going research project. Each agreement specifies a one-year term from October 1, 2009 through September 30, 2010, or until the research project is completed, but no later than April 2011. The combined fees payable under both agreements total \$124,467. Through December 31, 2009, the Frist Center has paid \$18,000 under these agreements. The remaining financial commitment of \$106,467 is scheduled to be paid at predetermined dates through the latter of (1) December 2010, or (2) when all reports required for the research project are completed.

**Equipment Leases:** The Frist Center leases certain office equipment via operating leases with commercial leasing companies. These leases require monthly payments over the stated lease terms, which are typically two to three years. In the aggregate, the lease payments are not considered material and are expensed as incurred.

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### CONTINGENCIES

**Contractual Disputes:** The Frist Center is involved in contractual disputes with the organizer and a vendor relating to the *Treasures of Ancient Egypt* exhibition held at the Frist Center during 2006. Due to the nature of the disputed items, the Frist Center has suspended payment of certain contractual amounts it would have paid had the other parties to the contracts performed as agreed. The suspended amounts have been accrued and are included as a component of "Accounts payable and accrued expenses" in the Statements of Financial Position as of December 31, 2009 and 2008. Payment of the suspended amounts is not expected until the disputes have been resolved and a full release is received from all parties involved.

In the event that additional third-party claims against the Frist Center arise due to the application of Egyptian laws and customs, which may be different in some respects from applicable U.S. contract law, management intends to contest such claims and will vigorously defend against any litigation should suit be filed in either Egypt or the United States of America.

### CONCENTRATIONS

**Annual Operating Support from Private Foundation:** Since its inception, the Frist Center has received annual operating support from a private foundation that is recognized as a "substantial contributor" under federal tax rules and regulations. Contributions received from this private foundation during the years ended December 31, 2009 and 2008, totaled \$5,000,719 and \$5,516,500, respectively, which represents 46% and 43% of the Frist Center's total support and revenues, respectively. Due to the relative significance of the annual contributions from this donor to the Frist Center's total support and revenue, a significant concentration of annual operating support is deemed to exist with respect to this private foundation.

## **ADDITIONAL INFORMATION**

# FAULKNER MACKIE & COCHRAN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Report of Independent Auditors On Additional Information

To the Board of Trustees  
Frist Center for the Visual Arts, Inc.  
Nashville, Tennessee

Our report on our audits of the basic financial statements of **Frist Center for the Visual Arts, Inc.** (a nonprofit organization) for the years ended December 31, 2009 and 2008, appears on page 1 of this document. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole.

The Schedule of Functional Expenses presented on page 22, for the year ended December 31, 2009, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic December 31, 2009 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic December 31, 2009 financial statements taken as a whole.

*Faulkner Mackie & Cochran, P.C.*

April 5, 2010

# FRIST CENTER FOR THE VISUAL ARTS, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

	FOR THE YEAR ENDED DECEMBER 31, 2009										For the Year Ended December 31, 2008
	PROGRAM SERVICES			TOTAL PROGRAM SERVICES	SUPPORTING SERVICES				TOTAL SUPPORTING SERVICES	TOTAL EXPENSES	TOTAL EXPENSES
	Exhibitions	Education and Outreach	Gift Shop		General and Administrative	Fund-raising	Member Development	Other Operating Expenses			
Salaries, wages, and employee benefits	\$ 2,064,600	\$ 1,031,398	\$ 233,920	\$ 3,329,918	\$ 1,021,852	\$ 443,299	\$ 65,223	\$ 745,268	\$ 2,275,642	\$ 5,605,560	\$ 6,082,077
Consulting and professional fees	27,012	125,673	2,688	155,373	100,299	2,799	658	6,143	109,899	265,272	268,515
Rent expense - MDHA's building	422,782	153,866	35,504	612,152	28,395	10,061	821	59,775	99,052	711,204	711,204
Rentals, repairs and maintenance	35,524	21,166	6,074	62,764	46,091	124,692	6,825	17,861	195,469	258,233	313,507
Occupancy and insurance	794,275	172,255	38,331	1,004,861	39,466	15,399	1,225	72,534	128,624	1,133,485	1,047,898
Printing, video and photography	184,450	32,545	496	217,491	19,176	73,774	39,137	2,266	134,353	351,844	309,048
Supplies	36,091	67,771	8,880	112,742	18,192	37,572	1,035	12,014	68,813	181,555	251,406
Telephone, postage and shipping	18,816	20,535	3,383	42,734	57,889	26,296	14,798	9,647	108,630	151,364	178,514
Special events, meetings and venue rentals	14,780	33,260	333	48,373	5,661	22,246	9,794	51,553	89,254	137,627	223,052
Travel	23,696	16,082	72	39,850	7,409	6,390	3,713	74	17,586	57,436	85,981
Advertising	150,657	27,598	5,440	183,695	82,274	12,711	10,400	0	105,385	289,080	568,845
Exhibition expenses	1,165,673	8,071	0	1,173,744	0	0	0	0	0	1,173,744	1,543,581
Cost of sales - café and catering	0	0	0	0	0	0	0	211,903	211,903	211,903	301,304
Depreciation and amortization expense	268,009	176,929	35,332	480,270	45,372	9,490	1,940	105,808	162,610	642,880	678,630
Miscellaneous	83,530	29,398	3,244	116,172	81,485	43,231	1,982	8,473	135,171	251,343	249,949
<b>TOTAL EXPENSES</b>	<b>\$ 5,289,895</b>	<b>\$ 1,916,547</b>	<b>\$ 373,697</b>	<b>\$ 7,580,139</b>	<b>\$ 1,553,561</b>	<b>\$ 827,960</b>	<b>\$ 157,551</b>	<b>\$ 1,303,319</b>	<b>\$ 3,842,391</b>	<b>\$ 11,422,530</b>	<b>\$ 12,813,511</b>

See report of independent auditors on additional information.