



ATHENÆUM

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FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

THE ATHENAEUM FOUNDATION, INC.

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4181 E. 96th Street, Suite 180 ♦ Indianapolis, IN 46240
Mailing Address: P. O. Box 90170 ♦ Indianapolis, Indiana 46290-0170
Office (317) 569-4181 ♦ FAX (317) 569-0564 ♦ (888) 922-4941

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Athenaeum Foundation, Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position of THE ATHENAEUM FOUNDATION, INC. as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. Generally Accepted Auditing Standards. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 ATHENAEUM FOUNDATION, INC. as of December 31, 2010 and 2009, and the changes in net assets, functional expenses, and cash flows for the years then ended in conformity with U.S. Generally Accepted Accounting Principles.



June 7, 2011

THE ATHENAEUM FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>ASSETS</u>	
	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and cash equivalents	\$ 6,176	\$ 38,494
Pledges receivable - Trustee Pledge Campaign	5,500	21,000
Grants receivable	40,405	150,000
Prepaid insurance	20,428	5,141
Other	12,198	1,363
Total current assets	<u>84,707</u>	<u>215,998</u>
Property and Equipment:		
Land	1,175,278	1,175,278
Building and improvements	8,770,016	8,774,501
Furniture and equipment	701,207	766,425
	<u>10,646,501</u>	<u>10,716,204</u>
Less accumulated depreciation	6,947,668	6,542,573
Property and equipment, net	3,698,833	4,173,631
Artifacts	<u>69,690</u>	<u>69,690</u>
Total assets	<u>\$ 3,853,230</u>	<u>\$ 4,459,319</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Lines of credit	\$ 127,000	\$ 127,758
Current portion of long-term debt	42,185	38,460
Accounts payable	125,469	37,529
Accrued expenses	13,149	28,476
Deferred rental income	25,050	15,525
Total current liabilities	<u>332,853</u>	<u>247,748</u>
Long-Term Debt	<u>524,797</u>	<u>577,039</u>
Total liabilities	<u>857,650</u>	<u>824,787</u>
Net Assets:		
Unrestricted net assets	2,947,948	3,420,532
Temporarily restricted net assets	47,632	214,000
Total net assets	<u>2,995,580</u>	<u>3,634,532</u>
Total liabilities and net assets	<u>\$ 3,853,230</u>	<u>\$ 4,459,319</u>

See accompanying Notes to Financial Statements.

THE ATHENAEUM FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Totals</u>
Support:				
Contributions	\$ 117,035	\$ -0-	\$ 117,035	\$ 54,390
Grants	-0-	55,000	55,000	152,500
In-kind contributions	<u>13,962</u>	<u>-0-</u>	<u>13,962</u>	<u>39,399</u>
	<u>130,997</u>	<u>55,000</u>	<u>185,997</u>	<u>246,289</u>
Other Revenue:				
Rental income	528,737	-0-	528,737	476,511
Events income	62,337	-0-	62,337	51,462
Parking income	62,086	-0-	62,086	56,184
Interest income	110	-0-	110	1,483
Other	<u>4,256</u>	<u>-0-</u>	<u>4,256</u>	<u>1,770</u>
	<u>657,526</u>	<u>-0-</u>	<u>657,526</u>	<u>587,410</u>
 Total support and revenue	 788,523	 55,000	 843,523	 833,699
Temporarily Restricted Assets				
Released From Restriction	<u>221,368</u>	<u>(221,368)</u>	<u>-0-</u>	<u>-0-</u>
	<u>1,009,891</u>	<u>(166,368)</u>	<u>843,523</u>	<u>833,699</u>
Expenses:				
Building operations	1,223,079	-0-	1,223,079	1,128,339
Fundraising	87,597	-0-	87,597	88,127
Management and general	<u>171,799</u>	<u>-0-</u>	<u>171,799</u>	<u>169,655</u>
Total expenses	<u>1,482,475</u>	<u>-0-</u>	<u>1,482,475</u>	<u>1,386,121</u>
 Change in net assets	 (472,584)	 (166,368)	 (638,952)	 (552,422)
Net Assets, Beginning of Year	<u>3,420,532</u>	<u>214,000</u>	<u>3,634,532</u>	<u>4,186,954</u>
Net Assets, End of Year	<u>\$ 2,947,948</u>	<u>\$ 47,632</u>	<u>\$ 2,995,580</u>	<u>\$ 3,634,532</u>

See accompanying Notes to Financial Statements.

THE ATHENAEUM FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>
Support:			
Contributions	\$ 54,390	\$ -0-	\$ 54,390
Grants	-0-	152,500	152,500
In-kind contributions	<u>39,399</u>	<u>-0-</u>	<u>39,399</u>
	<u>93,789</u>	<u>152,500</u>	<u>246,289</u>
Other Revenue:			
Rental income	476,511	-0-	476,511
Events income	51,462	-0-	51,462
Parking income	56,184	-0-	56,184
Interest income	1,483	-0-	1,483
Other	<u>1,770</u>	<u>-0-</u>	<u>1,770</u>
	<u>587,410</u>	<u>-0-</u>	<u>587,410</u>
 Total support and revenue	 681,199	 152,500	 833,699
Temporarily Restricted Assets			
Released From Restriction	<u>194,967</u>	<u>(194,967)</u>	<u>-0-</u>
	<u>876,166</u>	<u>(42,467)</u>	<u>833,699</u>
Expenses:			
Building operations	1,128,339	-0-	1,128,339
Fundraising	88,127	-0-	88,127
Management and general	<u>169,655</u>	<u>-0-</u>	<u>169,655</u>
Total expenses	<u>1,386,121</u>	<u>-0-</u>	<u>1,386,121</u>
 Change in net assets	 (509,955)	 (42,467)	 (552,422)
 Net Assets, Beginning of Year	 <u>3,930,487</u>	 <u>256,467</u>	 <u>4,186,954</u>
 Net Assets, End of Year	 <u>\$ 3,420,532</u>	 <u>\$ 214,000</u>	 <u>\$ 3,634,532</u>

See accompanying Notes to Financial Statements.

THE ATHENAEUM FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR 2009

	<u>Building Operations</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>2010 Total</u>	<u>2009 Total</u>
Labor and Benefits:					
Salaries	\$ 74,575	\$ 28,410	\$ 74,575	\$ 177,560	\$ 178,432
Employee benefits	1,617	616	1,617	3,850	4,100
Payroll taxes and expense	<u>6,039</u>	<u>2,301</u>	<u>6,039</u>	<u>14,379</u>	<u>14,166</u>
Total labor and benefits	82,231	31,327	82,231	195,789	196,698
Other Expenses:					
Depreciation	465,236	-0-	9,495	474,731	508,387
Utilities	229,006	-0-	4,674	233,680	224,874
Interest expense	46,589	-0-	951	47,540	52,945
Repairs and maintenance	93,824	-0-	1,915	95,739	96,568
Insurance	15,002	-0-	22,502	37,504	24,210
Outside services	25,371	-0-	20,758	46,129	46,604
Equipment rental	12,218	-0-	-0-	12,218	13,922
Office expense	8,053	-0-	424	8,477	6,664
Other taxes and licenses	10,364	-0-	8,479	18,843	24,105
Professional fees	-0-	-0-	14,042	14,042	12,643
Event expense	-0-	54,967	-0-	54,967	55,097
Meals and entertainment	-0-	1,077	3,232	4,309	5,839
Parking expense	8,641	-0-	-0-	8,641	3,412
Bank service charges	-0-	-0-	1,215	1,215	1,068
Consulting fees	-0-	-0-	-0-	-0-	2,635
Grant expense	224,451	-0-	-0-	224,451	98,267
Marketing expense	-0-	226	676	902	390
Dues and subscriptions	-0-	-0-	1,205	1,205	1,692
Miscellaneous	<u>2,093</u>	<u>-0-</u>	<u>-0-</u>	<u>2,093</u>	<u>10,101</u>
	<u>\$ 1,223,079</u>	<u>\$ 87,597</u>	<u>\$ 171,799</u>	<u>\$ 1,482,475</u>	<u>\$ 1,386,121</u>

See accompanying Notes to Financial Statements.

THE ATHENAEUM FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	<u>Building Operations</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>2009 Total</u>
Labor and Benefits:				
Salaries	\$ 74,941	\$ 28,550	\$ 74,941	\$ 178,432
Employee benefits	1,722	656	1,722	4,100
Payroll taxes and expense	<u>5,950</u>	<u>2,266</u>	<u>5,950</u>	<u>14,166</u>
Total labor and benefits	82,613	31,472	82,613	196,698
Other Expenses:				
Depreciation	498,219	-0-	10,168	508,387
Utilities	220,377	-0-	4,497	224,874
Interest expense	51,886	-0-	1,059	52,945
Repairs and maintenance	94,637	-0-	1,931	96,568
Insurance	9,684	-0-	14,526	24,210
Outside services	25,632	-0-	20,972	46,604
Equipment rental	13,922	-0-	-0-	13,922
Office expense	6,331	-0-	333	6,664
Other taxes and licenses	13,258	-0-	10,847	24,105
Professional fees	-0-	-0-	12,643	12,643
Event expense	-0-	55,097	-0-	55,097
Meals and entertainment	-0-	1,460	4,379	5,839
Parking expense	3,412	-0-	-0-	3,412
Bank service charges	-0-	-0-	1,068	1,068
Consulting fees	-0-	-0-	2,635	2,635
Grant expense	98,267	-0-	-0-	98,267
Marketing expense	-0-	98	292	390
Dues and subscriptions	-0-	-0-	1,692	1,692
Miscellaneous	<u>10,101</u>	<u>-0-</u>	<u>-0-</u>	<u>10,101</u>
	<u>\$ 1,128,339</u>	<u>\$ 88,127</u>	<u>\$ 169,655</u>	<u>\$ 1,386,121</u>

See accompanying Notes to Financial Statements.

THE ATHENAEUM FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (638,952)	\$ (552,422)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	474,731	508,387
Loss on disposal of assets	67	-0-
Changes in operating assets and liabilities:		
Pledges receivable	15,500	63,520
Grant receivable	109,595	(150,000)
Prepaid insurance	(15,287)	(4,854)
Other assets	(10,835)	20,241
Accounts payable	87,940	(12,679)
Accrued expenses	(15,327)	8,004
Deferred rental income	<u>9,525</u>	<u>14,344</u>
Net cash provided by (used in) operating activities	<u>16,957</u>	<u>(105,459)</u>
Cash Flows From Investing Activities:		
Property and equipment capital expenditures	<u>-0-</u>	<u>(54,759)</u>
Cash Flows From Financing Activities:		
Borrowings (repayments) on line of credit, net	(758)	127,758
Repayments of long-term debt	<u>(48,517)</u>	<u>(76,496)</u>
Net cash provided by (used in) financing activities	<u>(49,275)</u>	<u>51,262</u>
Net decrease in cash and cash equivalents	(32,318)	(108,956)
Cash and Cash Equivalents, Beginning of Year	<u>38,494</u>	<u>147,450</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,176</u>	<u>\$ 38,494</u>
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest	<u>\$ 49,613</u>	<u>\$ 50,876</u>

See accompanying Notes to Financial Statements.

THE ATHENAEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

1. SIGNIFICANT ACCOUNTING POLICIES

THE ATHENAEUM FOUNDATION, INC. (the “Organization”) is a not-for-profit organization formed in 1991, dedicated to restoring the architectural treasure known as the “Das Deutsche Haus Athenaeum” (Athenaeum Building). The Organization’s mission is to revitalize the Athenaeum Building so that it may serve the Indianapolis community as a center for the arts, entertainment, and physical fitness, while preserving and maintaining its unique historical character. The Organization sponsors a number of family and heritage related events and programs throughout the calendar year.

In addition to leasing space in the Athenaeum Building, the Organization provides discounted or free meeting space to many not-for-profit organizations and receives contributions from the public and grants from various sources to promote its mission and continue to improve the facilities as a community center. The Organization also earns revenues from events, parking, and interest income.

The significant accounting policies followed by the Organization in the preparation of its financial statements are summarized below:

Fund Accounting

The Organization utilizes the principles of fund accounting in the preparation of its financial statements. The two fund accounts used include the following:

Unrestricted Fund

The unrestricted fund is used to account for all contributions, revenues, and expenses from the general operations of the Organization.

Temporarily Restricted Fund

The temporarily restricted fund is used to record revenues that are earned and which contain restrictions placed by the donor.

Revenue and Expense Recognition

Support and other revenues are reported as increases in unrestricted or temporarily restricted net assets based upon donor-imposed restrictions, if any. Contributions are recognized when the donor makes an unconditional promise to give to the Organization either in writing or verbally. Events, parking, and other income are recognized when earned or received. Expenses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Rental income is recognized on a straight-line basis over the term of the related lease. Differences between payments required under the terms of the lease and the revenues recognized on a straight-line basis are recorded as deferred rent.

THE ATHENAEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

Functional Expenses

Expenses are classified as Building Operations, Fundraising, and Management and General. Classifications are based on actual direct expenditures and cost allocations determined by estimates of time spent by Organization personnel, facilities usage, or other rational basis of allocation.

Estimates

The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Principal estimates used in the preparation of the financial statements include depreciation methods, useful lives of property and equipment, collectability of pledge and grant receivables, and the allocation of functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents represent amounts held in checking, money market accounts and other short-term investments with maturity dates of three months or less.

Property, Equipment and Depreciation

Purchased property and equipment are recorded at cost. Items donated are recorded at fair market value on the date of donation. Costs of improvements are capitalized and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets utilizing the straight-line method. The ranges of useful lives used by the Organization are as follows:

<u>Description</u>	<u>Ranges of Useful Lives</u>
Building and improvements	5-25 years
Furniture and equipment	3-10 years

Artifacts

Artifacts consist of donated works of art and furniture. All donated artifacts are recorded at their estimated fair value as a contribution in the period received and are not subject to depreciation.

In-Kind Contributions

The Organization receives in-kind donations and contributions from unrelated parties including various services provided free of charge or at significant discounts.

THE ATHENAEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

Income Taxes

The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state law. Certain unrelated business activities, such as earnings from beverage sales and parking revenue, are subject to tax.

Management of the Organization evaluates all significant tax positions to ensure compliance with exempt purpose of the Organization as required by GAAP, including consideration of any unrelated business income tax. As of December 31, 2010, Management does not believe the Organization has taken any tax positions that are not in compliance with the exempt purpose of the Organization. The Organization's Federal and state tax returns remain open and subject to examination beginning with the calendar tax year ended December 31, 2007.

Subsequent Events

Subsequent events have been evaluated through June 7, 2011, which is the date the financial statements were available for issuance.

2. PLEDGES RECEIVABLE - TRUSTEE PLEDGE CAMPAIGN

During 2007, the Organization established a Trustee Pledge Campaign for the purpose of reducing the Organization's long-term debt. The Trustees pledged \$227,200 in 2007, of which \$15,500 and \$56,520 was received during the years ended December 31, 2010 and 2009, respectively.

Pledges receivable in the amount of \$5,500 at December 31, 2010 is expected to be received during the year ending December 31, 2011.

3. GRANTS RECEIVABLE

The Organization recognizes all material conditional or unconditional promises to give as grant revenue. Promises to give that are expected to be collected in future years are recorded at their net present value. Grants receivable of \$40,405 and \$150,000 at December 31, 2010 and 2009, respectively, are due from a grantor within one year.

THE ATHENAEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

4. LINES OF CREDIT

At December 31, 2010, the Organization had a \$150,000 revolving line of credit and a \$50,000 temporary line of credit with a bank. The revolving line of credit bears interest at the bank's prime rate with a 5% floor and is available until June 30, 2011, at which time it is subject to renewal. The temporary line of credit expires on June 30, 2011 and bears interest at the bank's prime interest rate plus 1.5% with a 6% floor. Both lines of credit are secured by substantially all assets of the Organization. Borrowings against the lines of credit were \$127,000 and \$127,758 at December 31, 2010 and 2009, respectively.

5. LONG-TERM DEBT

Long-term debt at December 31, 2010 and 2009 includes the following:

	<u>2010</u>	<u>2009</u>
Note payable to bank; 7.42%, payable in monthly installments of \$6,903 including interest with a balloon payment due in August 2012. Secured by the Athenaeum Building.	\$ 566,982	\$ 615,499
Less current maturities	<u>42,185</u>	<u>38,460</u>
	<u>\$ 524,797</u>	<u>\$ 577,039</u>

Annual maturities of long-term debt at December 31, 2010 are as follows:

<u>Year Ending December 31,</u>	
2011	\$ 42,185
2012	<u>524,797</u>
	<u>\$ 566,982</u>

6. LEASING ARRANGEMENTS

The Organization leases its facilities to tenants under the terms of long-term operating leases that include both fixed rentals and contingent rentals. Rental income received under the terms of fixed rental leases was \$201,717 and \$139,602 for the years ended December 31, 2010 and 2009, respectively.

THE ATHENAEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

Future minimum rental income to be received under the terms of the fixed rental, noncancelable operating leases at December 31, 2010 are as follows:

Year Ending <u>December 31,</u>		
2011	\$	173,613
2012		150,022
2013		154,305
2014		153,893
2015		<u>76,860</u>
	\$	<u>708,693</u>

The Organization also leases space to a tenant under the terms of a contingent rental agreement that calls for the tenant to pay a certain percentage of its gross revenues to the Organization on a monthly basis through the end of the lease term in March 2018. Rental income received under the terms of the contingent rental agreement for the years ended December 31, 2010 and 2009 was \$269,306 and \$252,946, respectively.

7. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions due to the satisfaction of donor-imposed restrictions totaled \$221,368 and \$194,967 for the years ended December 31, 2010 and 2009, respectively. The assets were used for various programs and events.

8. CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Rental Income Concentration

At December 31, 2010 and for the year then ended, the Organization received 76% of its rental revenue from two (2) tenants. At December 31, 2009 and for the year then ended, the Organization received 81% of its rental revenue from two (2) tenants.

THE ATHENAEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

9. FINANCIAL CONDITION

As of December 31, 2010, the Organization has negative working capital of \$248,146 and has incurred a decrease in net assets of \$638,952 and \$552,422 for the years ended December 31, 2010 and 2009. Net assets have decreased over 28% in the past two years ended December 31, 2010. These factors, when taken together, raise substantial doubt as to the Organization's ability to continue operating as a going concern. In order to address these issues, Management and the Board of Directors have developed a number of strategies to return the Organization to profitability and to a positive cash flow position, as follows:

- The Organization is in the process of negotiating a long-term lease with a university to take control of the theatre;
- The Organization has applied for and expects to receive operating grants from donor organizations that support the mission and purpose of the Organization, including organizations that have provided grants in prior years;
- The Organization's long-term strategic plan calls for a significant campaign within the next three years to raise funds for renovation and to create a maintenance endowment, thereby reducing ongoing maintenance costs;
- The Organization's ongoing GermanFest is a maturing event and is expected to provide additional net revenue each year;
- Management and the Board of Directors have developed plans to target large donors and donor organizations to solicit significant gifts to fund ongoing operations;
- Revenues from lessors using the facilities are expected to increase steadily over the next few years as activities increase.

As a result of these and other operating and fundraising actions, Management and the Board of Directors believe that the Organization will have positive cash flow in 2011 and beyond.