



# 2010 ANNUAL REPORT

## 2010 Annual Report

The 2010 Annual Report includes the narrative of activities, list of donors and audited financial statements of the Securities and Exchange Commission Historical Society from January 1 through December 31, 2010.

Carla L. Rosati, CFRE, *Editor*

Donald Norwood Design, *Design and Publication*

Photos from the virtual museum and archive at [www.sechistorical.org](http://www.sechistorical.org)

## Securities and Exchange Commission Historical Society

The Securities and Exchange Commission Historical Society, through its virtual museum and archive at [www.sechistorical.org](http://www.sechistorical.org), shares, preserves and advances knowledge of the history of financial regulation. The Society is a 501(c)(3) non-profit organization, independent of the U.S. Securities and Exchange Commission.

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Visit the virtual museum and archive at [www.sechistorical.org](http://www.sechistorical.org).

ON THE COVER: "Strictly Business," designed by John Buczak, September 7, 1939.

Courtesy of Works Project Administration Poster Collection, Library of Congress



*Richard Nesson, 2010-11 President -Elect and Susan Coffey,  
prior to the June 3, 2010 Annual Meeting*

## LETTER FROM THE PRESIDENT

December 31, 2010

Dear Friends:

On behalf of my fellow trustees of the Securities and Exchange Commission Historical Society, I am pleased to share with you the 2010 Annual Report, including a narrative of the Society's work this year, the audited financial statements of our activities, and the list of donors in 2010.

We have witnessed this year a phenomenal growth in the number of visitors to and use of our virtual museum and archive at [www.sechistorical.org](http://www.sechistorical.org). Founded just eight years ago, the museum has become the authoritative online source on the history of financial regulation from the 20th century to the present, providing objective information on the growth and oversight of the capital market system. The 2010 Annual Report details the variety of activities and actions we took this year to expand and enhance the use of the museum by more than 300,000 visitors.

We are grateful for the generous gifts and grants made this year for the building and outreach of the museum and for the administration of the Society. In the midst of on-going financial challenges, we continue to thrive and grow, thanks in large part to the sustained support of the many individuals, associations, corporations and foundations acknowledged in this Annual Report. The audited financial statements are a witness to the care we take in stewardship of the funds we receive.

My fellow trustees and I remain grateful for your participation and support.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Coffey". The signature is written in a cursive, flowing style.

Susan S. Coffey  
2010-11 President

## REPORT FROM THE EXECUTIVE DIRECTOR

### Welcome 300,000 Visitors!

After years of steady growth, the [www.sechistorical.org](http://www.sechistorical.org) community increased phenomenally in 2010. Over 306,000 visitors came to the virtual museum and archive this year, triple the number of visitors from a year ago.

The first sign of this remarkable growth in visitors occurred on July 8th, when the museum crossed the 100,000 annual visitor mark for the first time. After that, the museum regularly began attracting an average of 1,000 visitors each day.

Just as important, the ratio of visits to visitors also grew, from 1 1/2 visits per visitor in 2009, to 2 1/4 visits this year. This ratio demonstrates that [www.sechistorical.org](http://www.sechistorical.org) not only attracts more people to come, but also encourages visitors to return more often.

The audiences for programs broadcast on [www.sechistorical.org](http://www.sechistorical.org) also flourished this year. The April 15th Fireside Chat on the Foreign Corrupt Practices Act, sponsored by Debevoise & Plimpton LLP, set a new live audience record of 554. Just six weeks later, the June 3rd Annual Meeting program on self-regulatory organizations in the securities industry broke that record by attracting 1,150. But the all-time

audience record for 2010 was set by the last program of the year. In just two weeks, the October 26th Deloitte Fireside Chat IV, looking at the prevention and detection of financial reporting fraud, attracted 2,846 visitors.

Credit for the growth in museum visitors in 2010 goes to a more professional public relations strategy; partnerships with educational and practitioner groups, including C-LEAF at The George Washington University Law School, and the A.A. Sommer, Jr. Lecture in conjunction with Fordham University Law School and Morgan Lewis & Bockius LLP; a presentation at the American Accounting Association conference; and press coverage in *The Journal of Accountancy*, thanks to the American Institute of Certified Public Accountants.

### Museum Grows in 2010

The growth in visitors was matched by an equally robust growth in the museum collection. More than 840 new materials were added in 2010.

The building of the museum's seventh permanent Gallery – "The Institution of Experience: Self-Regulatory

*Elaine Buckberg, Lisa Fairfax and Chudozie Okongwu (back to camera) listen to Christopher Laursen during the July 27th broadcast of The Best of NERA 2010*



Organizations in the Securities Industry, 1792 – 2010” – made possible the accession of papers, photos and media from the collections of the Chicago Board Options Exchange, NASD-FINRA and the New York Stock Exchange Archives. The Gallery was curated by Dr. Kenneth Durr and Robert Colby of History Associates, Inc.

The museum set a new record of adding sixteen oral histories interviews to the collection this year, thanks in part to the support of ASECA – Association of SEC Alumni, Inc. for interviews with former SEC staff.

For the first time since 2005, the footprint of the museum infrastructure was expanded with the new Film, Radio and Television section. The opening of this new section was launched with the addition of the 1971 “Can Regulatory Agencies Protect the Consumer?,” a debate between former SEC Chairman Manuel Cohen and Dr. George Stigler of the University of Chicago, courtesy of the American Enterprise Institute. Support for the opening of this new museum section was made possible through the gift of the Securities Law Student Association, Columbus School of Law, The Catholic University of America.

The museum infrastructure also added two new dedicated sections under Programs for the Bingham Presents series and for the Deloitte Fireside Chats series, joining The Best of NERA series.

At the end of the year, the costs incurred in building the museum collection since its founding on June 1, 2002 were just under \$1 million. While these costs may not be reflective of fair value, they – along with the number of visitors – demonstrate the worth of this unique collection to the growing number of visitors from around the nation and the world.

## New Museum Initiatives in 2010

The 2010 broadcast year began with a new program: the Diane Sanger Memorial Lecture. Made possible through the support of the family of Diane Sanger, a former SEC Associate General Counsel for Counseling and Regulatory



*Robert Kueppers, Roderick Hills and G. Peter Wilson share a laugh prior to the October 14, 2010 Deloitte Fireside Chat III: Regulation in the Audit Profession – Yesterday, Today and Tomorrow*

Policy, the lecture honored Ms. Sanger’s commitment to protecting investors and ensuring fairness in the capital markets. Nell Minow, The Corporate Library, presented the inaugural lecture on March 17th.

The 2010 Annual Meeting became the first to focus its program on the subject of the Gallery opening in December. “Self-Regulation and the Securities Industry” became an integral part of “The Institution of Experience” Gallery.

The virtual museum and archive commissioned two new Galleries this year:

- Gallery on the U.S. Supreme Court and its impact on financial regulation, to be curated by Dr. Kurt Hohenstein of Winona State University, and to open December 2011.
- Gallery on the SEC’s role in accounting standard-setting, the first museum Gallery to focus on an accounting or auditing-related subject. This Gallery will open December 2012, and will be curated by George Fritz, a retired accounting partner and consultant.

The SEC Historical Society also entered into partnerships with the Municipal Securities Rulemaking Board and with The Depository Trust & Clearing Corporation to enter materials and information respective of their financial regulatory histories into the museum collection.



*David Lipton (back to camera) with members of the Sanger family: (front row) Bryna Sanger; (back row) Murray Zung, Elizabeth Sanger-Zung, Gail Sanger, Al Fenster and Harry Katz, prior to the March 17, 2010 Diane Sanger Memorial Lecture*

## Revenue Meets Growth

The SEC Historical Society enjoyed a solid fundraising effort in 2010, with new and renewed gifts and grants meeting the rising costs of the virtual museum and archive's development and outreach.

Restricted gifts and grants for the virtual museum and archive represented 39% of 2010 revenue. In 2009, these gifts represented 33% of revenue, and in 2008, 15%. The Society made a concerted effort this year to secure support specifically for museum projects, including sponsorship for "The Institution of Experience" Gallery, program broadcasts and oral histories interviews. At the end of the year, the Society issued revised Museum Building and Sponsorship guidelines online at [www.sechistorical.org](http://www.sechistorical.org), with information about current sponsorship opportunities and recognition of sponsored gifts and grants.

Unrestricted grants from corporations and foundations represented 34% of revenue in 2010, on level with 2009

support, and a reduction from 49% of revenue in 2008. Unrestricted individual gifts were 27% of revenue this year, less than the 33% in 2009 and the 36% in 2008.

## **www.sechistorical.org: Current, Independent and Growing**

Every day, people come to [www.sechistorical.org](http://www.sechistorical.org), counting on us to provide them with the information that can be found only in our virtual museum and archive. We, in turn, look to friends and donors like you to keep the museum free and accessible worldwide at all times, and to ensure that the collection remains current, independent and growing. Thank you for making possible the growth and outreach of [www.sechistorical.org](http://www.sechistorical.org) in 2010.

Carla L. Rosati, CFRE  
December 31, 2010

## In Support of the Museum and the Society in 2010

The SEC Historical Society thanks the following individuals, associations, corporations and foundations that joined in support of our work from January 1, 2010 through December 31, 2010. Gifts and grants with \$ were designated for the virtual museum and archive at [www.sechistorical.org](http://www.sechistorical.org).

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GRANTS OF \$25,000 AND MORE

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Bingham McCutchen LLP \$  
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FINRA \$  
Kalorama Partners LLC \$  
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*James Duffy, prior to the June 3, 2010  
Annual Meeting*



*Susan Merrill gathers after the broadcast of Bingham Presents 2010: Harmonization of the Regulation of Investment Advisers and Broker-Dealers on September 29th with moderator Erik Sirri (center) and presenters David Tittsworth, W. Hardy Callcott and Michael Sharp*

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SEC HISTORICAL SOCIETY 2010 ANNUAL REPORT

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*Ira Solomon (head of table) moderates the discussion during the October 26, 2010 De-  
loitte Fireside Chat IV: Responsibility for Preventing and Detecting Financial Reporting  
Fraud, with Robert Kueppers (back to camera), Cynthia Fornelli and Joseph Carcello*

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SEC HISTORICAL SOCIETY 2010 ANNUAL REPORT

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*Paul Berger and Stanley Sporkin, prior to the April 15, 2010  
Fireside Chat on the Foreign Corrupt Practices Act*

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**Planned Gift Commitments**

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Anonymous  
Carla L. Rosati s

## Independent Auditors' Report

To the Board of Trustees  
Securities and Exchange  
Commission Historical Society  
Washington, D.C.

We have audited the accompanying statement of financial position of the Securities and Exchange Commission Historical Society (the Society) as of December 31, 2010, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Society's 2009 financial statements and, in our report dated March 17, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit 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 Society'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 audit provides 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 Society as of December 31, 2010, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman  
March 16, 2011

# Financial Statements Securities And Exchange Commission Historical Society

For The Year Ended December 31, 2010

## Statement of Financial Position

as of December 31, 2010 with summarized financial information for 2009

ASSETS	2010	2009
<b>CURRENT ASSETS</b>		
Cash and cash equivalents, including \$4,876 and \$664,418 which is Board designated, at December 31, 2010 and 2009, respectively (Note 9)	\$ 490,779	\$ 997,074
Investments (Notes 2, 9 and 11)	910,539	315,101
Grants and contributions receivable, current (Note 7)	47,500	66,900
Prepaid expenses	17,507	11,199
<b>Total current assets</b>	<b>1,466,325</b>	<b>1,390,274</b>
<b>OTHER ASSETS</b>		
Virtual museum collection (Note 6)	975,912	811,976
Donated artwork	25,000	25,000
Security deposit (Note 5)	7,000	7,000
Grants and contributions receivable, net of current portion (Note 7)	25,000	22,500
<b>Total other assets</b>	<b>1,032,912</b>	<b>866,476</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,499,237</b>	<b>\$ 2,256,750</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 31,001	\$ 27,034
Deferred rent (Note 5)	1,386	—
<b>Total liabilities</b>	<b>32,387</b>	<b>27,034</b>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	475,523	348,221
Investment in virtual museum and archive collections (Note 6)	975,912	811,976
Board designated reserve fund (Note 9)	915,415	979,519
<b>Total unrestricted net assets</b>	<b>2,366,850</b>	<b>2,139,716</b>
Temporarily restricted (Note 3)	100,000	90,000
<b>Total net assets</b>	<b>2,466,850</b>	<b>2,229,716</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,499,237</b>	<b>\$ 2,256,750</b>

SEC HISTORICAL SOCIETY 2010 ANNUAL REPORT

**Statement of Activities and Change in Net Assets**

For the year ended December 31, 2010 with summarized financial information for 2009

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Grants and contributions	\$ 674,815	\$ 100,000	\$ 774,815	\$ 885,326
Interest and investment income (Note 2)	4,105	—	4,105	4,487
Other income	735	—	735	1,299
Net assets released from donor restrictions (Note 4)	90,000	(90,000)	—	—
<b>Total revenue</b>	<b>769,655</b>	<b>10,000</b>	<b>779,655</b>	<b>891,112</b>
<b>EXPENSES</b>				
Program Services:				
Virtual Museum and Archive	463,592	—	463,592	300,926
Commemoration	—	—	—	374,188
<b>Total program services</b>	<b>463,592</b>	<b>—</b>	<b>463,592</b>	<b>675,114</b>
Supporting Services:				
General and Administrative	18,795	—	18,795	32,264
Development and Fundraising	60,134	—	60,134	89,553
<b>Total supporting services</b>	<b>78,929</b>	<b>—</b>	<b>78,929</b>	<b>121,817</b>
<b>Total expenses</b>	<b>542,521</b>	<b>—</b>	<b>542,521</b>	<b>796,931</b>
Change in net assets	227,134	10,000	237,134	94,181
Net assets at beginning of year	2,139,716	90,000	2,229,716	2,135,535
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,366,850</b>	<b>\$ 100,000</b>	<b>\$ 2,466,850</b>	<b>\$ 2,229,716</b>

**Statement of Functional Expenses**

For the year ended December 31, 2010 with summarized financial information for 2009

	2010				2009	
	Program Services Virtual Museum	Supporting Services General and Administrative	Development and Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 172,866	\$ 25,368	\$ 20,437	\$ 45,805	\$ 218,671	\$ 225,762
Benefits (Note 8)	62,943	9,237	7,441	16,678	79,621	75,378
Printing and production	19,427	4,955	2,474	7,429	26,856	37,811
Professional fees	41,277	21,114	9,169	30,283	71,560	37,764
Occupancy (Note 5)	—	66,668	—	66,668	66,668	59,570
Telephone	7,042	11,808	2,196	14,004	21,046	21,707
Travel	5,324	—	—	—	5,324	3,325
Postage and delivery	3,685	1,000	1,412	2,412	6,097	7,787
Repairs and maintenance	—	750	—	750	750	360
Supplies	2,495	764	526	1,290	3,785	2,163
Events and meetings	18,517	3,464	—	3,464	21,981	306,177
Museum maintenance	1,938	—	—	—	1,938	3,606
Other	—	16,887	1,337	18,224	18,224	15,521
<b>Sub-total</b>	<b>335,514</b>	<b>162,015</b>	<b>44,992</b>	<b>207,007</b>	<b>542,521</b>	<b>796,931</b>
Allocation of general and administrative	128,078	(143,220)	15,142	(128,078)	—	—
<b>TOTAL</b>	<b>\$ 463,592</b>	<b>\$ 18,795</b>	<b>\$ 60,134</b>	<b>\$ 78,929</b>	<b>\$ 542,521</b>	<b>\$ 796,931</b>

## Statement of Cash Flows

For the year ended December 31, 2010 with summarized financial information for 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 237,134	\$ 94,181
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net depreciation of investments	14,958	15,510
(Increase) decrease in:		
Grants and contributions receivable	16,900	(89,400)
Prepaid expenses	(6,308)	75,766
Increase (decrease) in:		
Accounts payable and accrued liabilities	3,967	19,130
Deferred rent	1,386	—
Net cash provided by operating activities	268,037	115,187
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(823,040)	(122,411)
Proceeds from maturity of investments	212,644	420,780
Accession of virtual museum collections	(163,936)	(172,536)
Net cash provided (used) by investing activities	(774,332)	125,833
Net increase (decrease) in cash and cash equivalents	(506,295)	241,020
Cash and cash equivalents at beginning of year	997,074	756,054
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 490,779</b>	<b>\$ 997,074</b>

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

The Securities and Exchange Commission Historical Society (the Society) is a 501(c)(3) nonprofit organization, incorporated in the District of Columbia. The Society shares, preserves and advances knowledge of the history of financial regulation through its virtual museum and archive at [www.sechistorical.org](http://www.sechistorical.org). The Society is independent of the U.S. Securities and Exchange Commission. Significant accounting policies followed by the Society are presented below.

The Society operated the following program in 2010:

**Virtual Museum and Archive** The virtual museum and archive at [www.sechistorical.org](http://www.sechistorical.org) shares, preserves and advances knowledge of the history of financial regulation from the 20th century to the present. The museum is free and accessible worldwide at all times. The museum collection includes a timeline of regulatory developments against U.S. and worldwide events; galleries, providing search functions on specific subjects; papers; photos; oral histories; programs; and film, radio and television media. The museum also provides links to other Web sites with related materials. The museum collection is built and exhibited independent of any oversight from the U.S. Securities and Exchange Commission.

#### Basis of presentation

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

#### Cash and cash equivalents

The Society considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the Society may maintain cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

#### Investments

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in interest and investment income in the Statement of Activities and Change in Net Assets.

#### Grants and contributions receivable

Grants and contributions receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

**Equipment and software**

Equipment and software in excess of \$1,500, which have been purchased, are stated at cost. Donated equipment and software are valued at its appraised value. Equipment and software are depreciated using the straight-line method. Provisions for depreciation and amortization are based on estimated useful lives of three years for software and web development costs, five years for computer equipment and seven years for all other equipment. The cost of maintenance and repairs is recorded as expenses are incurred. As of December 31, 2010, all equipment and software were fully depreciated.

**Income taxes**

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Society is not a private foundation.

**Uncertain tax positions**

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2010, the Society has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

**Net asset classification**

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Society and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Society and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

**Grants and contributions**

Grants and contributions are recorded as revenue when received from the donor. Donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Risks and uncertainties**

The Society invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

**Fair value measurements**

The Society adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Society accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

**Reclassification**

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2010:

	COST	MARKET VALUE
<b>U.S. Treasury Notes</b>	<b>\$ 905,917</b>	<b>\$ 910,539</b>

Included in interest and investment income are the following:

Interest	\$ 19,063
Net depreciation of investments	(14,958)
<b>TOTAL INTEREST AND INVESTMENT INCOME</b>	<b>\$ 4,105</b>

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2010:

Depository Trust and Clearing Corporation	\$ 30,000
Municipal Securities Rulemaking Board	20,000
Center for Audit Quality	20,000
Family of Diane Sanger	20,000
NERA Economic Consulting	10,000
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ 100,000</b>

**4. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

ASECA - Association of SEC Alumni, Inc.	\$ 25,000
Chicago Board Options Exchange	25,000
Debevoise and Plimpton LLP	10,000
Municipal Securities Rulemaking Board	10,000
NERA Economic Consulting	10,000
Family of Diane Sanger	10,000
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>\$ 90,000</b>

**5. LEASE COMMITMENT**

The Society entered into a 36-month lease that began on October 1, 2010, with a base rent of \$5,630 per month, plus a prorate share of operating expenses and any increase in real estate taxes and assessments over amounts stipulated in the lease agreement, increasing by a factor of 8.00% per year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

A security deposit in the amount of \$7,000 was paid and recorded as an other asset on the accompanying Statement of Financial Position.

Total occupancy expense for the year ended December 31, 2010 was \$66,668. Minimum future payments under the lease commitment are as follows:

Year Ended December 31,	
2011	\$ 68,910
2012	74,418
2013	59,094
	<b>\$ 202,422</b>

**6. VIRTUAL MUSEUM AND ARCHIVE COLLECTION**

The Society has capitalized the collection of the virtual museum and archive since the museum's inception in June 2002.

On December 31, 2010, the museum collection totaled 4,339 primary materials, including 3,479 papers; 502 photos; 109 oral histories; 67 programs; 18 film, radio and television media; 157 Timeline developments; and 7 Gallery essays. No materials were de-accessioned from the collection in 2010.

For the year ended December 31, 2010, costs incurred in building the collection of the virtual museum and archive totaled \$163,936. As of December 31, 2010, the accumulated costs incurred in building the virtual museum and archive totaled \$975,912, which may not be reflective of fair value.

**7. GRANTS AND CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are reported in the financial statements as "grants and contributions receivable" and as revenue in the appropriate net asset class. Grants and contributions receivable are due as follows at December 31, 2010:

Less than one year	\$ 47,500
One to five years	25,000
<b>GRANTS RECEIVABLE</b>	<b>\$ 72,500</b>

**8. SAVINGS PLAN**

The Society maintains a 403(b) Savings Plan (the Plan) for its employees. The Plan provides for employee contributions. The Society matches up to 100 percent of employee contributions. Employees are 100 percent vested upon entry into the Plan. For the year ended December 31, 2010, contributions to the Plan were \$30,181.

**9. BOARD DESIGNATED NET ASSETS**

The Board of Trustees of the Society established a \$500,000 board designated fund to assure continuation of the Society. The value of this fund at December 31, 2010 was \$915,415. The fund is comprised of investments in U.S. Government Reserves money market funds totaling \$4,876 and U.S. Treasury notes totaling \$910,539, which are included in cash and cash equivalents and investments, respectively, in the accompanying Statement of Financial Position.

**10. EXECUTIVE DIRECTOR ACCRUED TIME**

The Executive Director currently has an accrued time balance of 350 hours, including 240 vacation hours carried over from previous years, and 110 hours granted by the Board of Trustees for fiscal year 2009 additional accrued time. For the year ended December 31, 2010, the value of the Executive Director's accrued time was \$22,498 and is included in the accompanying financial statements in accounts payable and accrued liabilities.

**11. FAIR VALUE MEASUREMENTS**

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Society has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Society has the ability to access.

**Level 2.** These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded on the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2010:

ASSET CATEGORY INVESTMENTS:	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL
<b>U.S. Treasury Notes</b>	<b>\$ 910,539</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 910,539</b>

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through March 16, 2011, the date the financial statements were issued.

## BUILDING THE MUSEUM COLLECTION

The SEC Historical Society thanks the following donors of materials to the collection of the virtual museum and archive at [www.sechistorical.org](http://www.sechistorical.org) in 2010:

Anonymous	Barry Goldsmith	National Archives and Records Administration
American Enterprise Institute	Joseph Hardiman	New York Stock Exchange Archives
Paul Atkins	Conrad Hewitt	Donald Nicolaisen
Brandon Becker	Roderick Hills	Chudozie Okongwu
Paul Berger	John Huber	John Pinto
Bradley Bondi	William Johnston	Norman Poser
James Brigagliano	Mark Kessler	Prelinger Archives
William Brodsky	Richard Ketchum	Sheryl Rosenthal
Elaine Buckberg	Catherine Kinney	Bryna Sanger
W. Hardy Callcott	Justin Klein	Michael Sharp
Joseph Carcello	Robert Knuts	David Silver
Chicago Board Options Exchange	Robert Kueppers	Erik Sirri
Frank Chin	Edward Kwalwasser	Ira Solomon
David Doherty	Christopher Laursen	Stanley Sporkin
James Doty	Library of Congress	Donald Stone
James Duffy	Donald Malawsky	David Tittsworth
Carrie Dwyer	Jeffrey Manns	Ann Wallace
Lisa Fairfax	Robert Marchman	Donald Weeden
FINRA	Minnesota Historical Society	Richard Wendt
Cynthia Fornelli	Nell Minow	G. Peter Wilson
	Joanne Moffic-Silver	
	David Morf	
	Donna Nagy	



*"Occupations Related to Mathematics," 1936.  
Courtesy of Works Project Administration Poster  
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