

**Living History Farms Foundation
Urbandale, Iowa**

FINANCIAL REPORT

December 31, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Living History Farms Foundation
Urbandale, Iowa

We have audited the accompanying statements of financial position of the Living History Farms Foundation 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 Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Living History Farms Foundation 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.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
February 26, 2010

**Living History Farms Foundation
STATEMENTS OF FINANCIAL POSITION**

ASSETS	December 31	
	2009	2008
CURRENT ASSETS		
Cash	\$ 20,909	\$ 125,970
Wetlands mitigation/drainage escrow account	50,000	50,000
Accounts receivable	3,769	15,252
Contributions receivable, current portion	87,250	97,802
Inventories	86,911	61,611
Prepaid expenses	18,394	15,507
Total current assets	<u>267,233</u>	<u>366,142</u>
INVESTMENTS, RECEIVABLES AND OTHER ASSETS		
Contributions receivable, net of current portion	23,500	100,000
Certificates of deposit	—	216,000
Wetlands mitigation/drainage escrow account	140,000	140,000
Investments, board designated	6,737,744	5,155,406
Historical property, antiques and artifacts	5,308,525	5,314,296
Total investments, receivables and other assets	<u>12,209,769</u>	<u>10,925,702</u>
PROPERTY AND EQUIPMENT		
	<u>4,857,277</u>	<u>5,099,983</u>
Totals	<u>\$17,334,279</u>	<u>\$16,391,827</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable, bank	\$ 35,000	\$ —
Current maturities of long-term debt	10,413	9,386
Accounts payable and accrued expenses	91,869	194,518
Deferred revenue	21,190	—
Total current liabilities	<u>158,472</u>	<u>203,904</u>
LONG-TERM DEBT , less current maturities	<u>11,544</u>	<u>21,957</u>
NET ASSETS		
Unrestricted		
Designated by the Board for construction	—	164,772
Designated by the Board for endowment	6,737,744	5,215,406
Undesignated	9,984,392	10,344,806
Temporarily restricted	242,068	240,923
Permanently restricted	200,059	200,059
	<u>17,164,263</u>	<u>16,165,966</u>
Totals	<u>\$17,334,279</u>	<u>\$16,391,827</u>

See Notes to Financial Statements.

**Living History Farms Foundation
STATEMENTS OF ACTIVITIES**

	Year ended December 31, 2009			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributed revenue				
Endowment contributions	\$ 1,308,343	\$ -	\$ -	\$ 1,308,343
Annual community support				
Individuals, corporations and governments, including Bravo allocations	<u>681,862</u>	<u>4,272</u>	<u>-</u>	<u>686,134</u>
	<u>1,990,205</u>	<u>4,272</u>	<u>-</u>	<u>1,994,477</u>
Operating revenue				
Admissions and memberships	518,751	-	-	518,751
Educational programs	266,752	-	-	266,752
Retail and rental	434,943	-	-	434,943
Investment return	627,289	1,569	-	628,858
Special events	59,634	-	-	59,634
Other	<u>11,753</u>	<u>-</u>	<u>-</u>	<u>11,753</u>
	<u>1,919,122</u>	<u>1,569</u>	<u>-</u>	<u>1,920,691</u>
Total revenues	<u>3,909,327</u>	<u>5,841</u>	<u>-</u>	<u>3,915,168</u>
OPERATING EXPENSES				
Program expenses				
Interpretation sites	851,594	-	-	851,594
Educational	210,720	-	-	210,720
Retail and rental	330,240	-	-	330,240
Special events	49,241	-	-	49,241
Maintenance	234,780	-	-	234,780
General and administrative expenses	564,635	-	-	564,635
Development	210,217	-	-	210,217
Marketing	<u>199,365</u>	<u>-</u>	<u>-</u>	<u>199,365</u>
Total operating expenses before depreciation and amortization	<u>2,650,792</u>	<u>-</u>	<u>-</u>	<u>2,650,792</u>
Change in net assets from operations before depreciation and amortization	1,258,535	5,841	-	1,264,376
Depreciation and amortization	<u>(260,504)</u>	<u>-</u>	<u>-</u>	<u>(260,504)</u>
Change in net assets from operations	<u>998,031</u>	<u>5,841</u>	<u>-</u>	<u>1,003,872</u>
OTHER CHANGES				
Interest expense	(5,575)	-	-	(5,575)
Gain on sale of land	-	-	-	-
Net assets released from restriction	<u>4,696</u>	<u>(4,696)</u>	<u>-</u>	<u>-</u>
Total other changes	<u>(879)</u>	<u>(4,696)</u>	<u>-</u>	<u>(5,575)</u>
INCREASE (DECREASE) IN NET ASSETS	997,152	1,145	-	998,297
NET ASSETS, beginning	<u>15,724,984</u>	<u>240,923</u>	<u>200,059</u>	<u>16,165,966</u>
NET ASSETS, ending	<u>\$16,722,136</u>	<u>\$ 242,068</u>	<u>\$ 200,059</u>	<u>\$17,164,263</u>

See Notes to Financial Statements.

Year ended December 31, 2008

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -
<u>627,257</u>	<u>29,465</u>	<u>-</u>	<u>656,722</u>
<u>627,257</u>	<u>29,465</u>	<u>-</u>	<u>656,722</u>
491,347	-	-	491,347
255,905	-	-	255,905
515,783	-	-	515,783
81,190	-	-	81,190
69,068	-	-	69,068
<u>5,897</u>	<u>-</u>	<u>-</u>	<u>5,897</u>
<u>1,419,190</u>	<u>-</u>	<u>-</u>	<u>1,419,190</u>
<u>2,046,447</u>	<u>29,465</u>	<u>-</u>	<u>2,075,912</u>
947,580	-	-	947,580
224,283	-	-	224,283
462,777	-	-	462,777
51,922	-	-	51,922
242,806	-	-	242,806
611,405	-	-	611,405
195,640	-	-	195,640
<u>208,369</u>	<u>-</u>	<u>-</u>	<u>208,369</u>
<u>2,944,782</u>	<u>-</u>	<u>-</u>	<u>2,944,782</u>
(898,335)	29,465	-	(868,870)
<u>(266,882)</u>	<u>-</u>	<u>-</u>	<u>(266,882)</u>
<u>(1,165,217)</u>	<u>29,465</u>	<u>-</u>	<u>(1,135,752)</u>
(41,735)	-	-	(41,735)
6,854,056	-	-	6,854,056
<u>53,427</u>	<u>(53,427)</u>	<u>-</u>	<u>-</u>
<u>6,865,748</u>	<u>(53,427)</u>	<u>-</u>	<u>6,812,321</u>
5,700,531	(23,962)	-	5,676,569
<u>10,024,453</u>	<u>264,885</u>	<u>200,059</u>	<u>10,489,397</u>
<u>\$15,724,984</u>	<u>\$ 240,923</u>	<u>\$ 200,059</u>	<u>\$16,165,966</u>

**Living History Farms Foundation
STATEMENTS OF CASH FLOWS**

	Year ended December 31	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 998,297	\$5,676,569
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	260,504	266,882
(Gain) on sale of property and equipment	-	(6,854,056)
Contributions restricted for investment in property, equipment and program expenses	(5,841)	(29,465)
Change in unrealized and realized gains on investments	(353,378)	(7,228)
Adjustment to exhibit and planning costs	5,771	119,332
Change in assets and liabilities		
Decrease in accounts and contributions receivable	98,535	144,448
(Increase) decrease in inventories	(25,300)	25,688
(Increase) in prepaid expenses	(2,887)	(15,407)
(Increase) in wetlands mitigation/drainage escrow account	-	(190,000)
(Decrease) increase in accounts payable and accrued expenses	(81,459)	92,652
Net cash provided by (used in) operating activities	894,242	(770,585)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(17,798)	(19,829)
Proceeds from maturities of investments and certificates of deposit	2,360,697	1,023,079
Purchase of investments and certificates of deposit	(3,373,657)	(6,170,734)
Proceeds from sale of land, net of expenses	-	7,009,056
Net cash (used in) provided by investing activities	(1,030,758)	1,841,572
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in property, equipment and program expenses	5,841	29,465
Proceeds from notes payable	285,000	430,000
Principal payments on notes payable	(250,000)	(1,530,000)
Principal payments on capital leases	(9,386)	(6,222)
Net cash provided by (used in) financing activities	31,455	(1,076,757)
NET (DECREASE) IN CASH	(105,061)	(5,770)
CASH		
Beginning	125,970	131,740
Ending	\$ 20,909	\$ 125,970
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 5,575	\$ 42,533
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired by capital leases	\$ -	\$ 17,300

See Notes to Financial Statements.

**Living History Farms Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Living History Farms Foundation (the Foundation) is a nonprofit corporation organized under the laws of the state of Iowa for the purpose of establishing farms of the past and future to be used for education, historical and scientific purposes in central Iowa.

Unrestricted, Temporarily Restricted and Permanently Restricted Net Assets

Unrestricted net assets are those assets which are neither temporarily or permanently restricted by donor-imposed stipulations and represent the portion of expendable assets available for support of Foundation operations.

Temporarily restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation pursuant to those stipulations. As donor-imposed stipulations expire, temporarily restricted net assets are reclassified as unrestricted net assets.

Permanently restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash consists of deposits held in checking and savings accounts, and does not include cash held in the escrow account. Money market funds held in brokerage accounts are classified as investments.

Contributions Receivable

Unconditional contributions receivable are recorded as receivables and contributions in the year received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

Contributions

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Gifts of land, buildings and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Foundation's activities).

**Living History Farms Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated equipment at the date of gift is similarly capitalized. Assets acquired for operating use are being depreciated primarily by the straight-line method over their estimated useful lives ranging from 3 to 39 years. Amortization of equipment under capital lease is provided for over the estimated useful life of the equipment using the straight-line method. Assets considered to be of historical significance and nonexhaustible are reflected elsewhere as historical property, antiques and artifacts.

Historical Property, Antiques and Artifacts

Expenditures for the acquisition of historical property, antiques and artifacts are capitalized at cost. The fair value of donated antiques and artifacts at the date of gift is similarly capitalized. Depreciation is not provided on these assets as they are considered to be of historical significance and nonexhaustible.

Donated Services, Materials, and Equipment

Donated materials and equipment are recorded in the financial statements at their estimated fair values at the date of receipt. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as donated services.

Reclassifications

Certain amounts have been reclassified in the 2008 financial statements to conform with the 2009 presentation with no effect on the increase in net assets.

NOTE 2 CONTRIBUTIONS RECEIVABLE

At December 31, 2009 contributions receivable consisted of unconditional promises to give and are discounted at 5%.

A summary of the activity in contributions receivable for the periods ended December 31, 2009 and December 31, 2008, is as follows:

	December 31	
	2009	2008
Contributions receivable, beginning of period	\$ 197,802	\$ 333,150
New contributions	160,335	-
Payments received	(247,585)	(102,400)
Receivables written off	(9,802)	(60,110)
Change in discount of future payments receivable	<u>10,000</u>	<u>27,162</u>
Contributions receivable, end of period	<u>\$ 110,750</u>	<u>\$ 197,802</u>

Living History Farms Foundation
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable at December 31, 2009, are expected to be received as follows:

Year ending December 31,	
2010	\$ 87,250
2011	16,500
2012	<u>15,000</u>
	118,750
Less discounts on contributions receivable	<u>(8,000)</u>
Total	<u>\$ 110,750</u>

NOTE 3 INVESTMENTS AND INVESTMENT RETURN

Investments are recorded at fair value. Fair value is determined by the quoted market value of the securities. Investments as of December 31, 2009 and 2008 are as follows:

	<u>Fair value</u>	<u>Cost</u>	<u>Unrealized gain</u>	<u>Fair value</u>	<u>Cost</u>	<u>Unrealized gain</u>
Money market funds	\$ 178,492	\$ 178,492	\$ -	\$ 405,510	\$ 405,510	\$ -
Common stocks	328,467	316,249	12,218	-	-	-
Corporate and U.S. government securities	6,227,187	5,950,162	277,025	4,749,896	4,743,555	6,341
Mutual funds	<u>3,598</u>	<u>3,483</u>	<u>115</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$6,737,744</u>	<u>\$6,448,386</u>	<u>\$ 289,358</u>	<u>\$5,155,406</u>	<u>\$5,149,065</u>	<u>\$ 6,341</u>

Investment return for the years ended December 31, 2009 and 2008 is summarized as follows:

	<u>2009</u>	<u>2008</u>
Unrealized gains on investments	\$ 283,017	\$ 6,341
Realized gains	70,361	887
Interest and dividend income	<u>275,480</u>	<u>73,962</u>
Totals	<u>\$ 628,858</u>	<u>\$ 81,190</u>

Fair Value of Financial Instruments

The Foundation measures the fair value of financial instruments as required by the Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*, using a fair value hierarchy consisting of three input levels, generally ranging from the most objective to the most subjective. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

**Living History Farms Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 INVESTMENTS AND INVESTMENT RETURN (continued)

Fair Value of Financial Instruments (continued)

The following schedule provides information regarding the fair value hierarchy of the Foundation's investments at December 31, 2009.

<u>December 31, 2009</u>	<u>Fair value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Money market funds	\$ 178,492	\$ 178,492	\$ —	\$ —
Common stocks	328,467	328,467	—	—
Corporate and U.S. government securities	6,227,187	—	6,227,187	—
Mutual funds	<u>3,598</u>	<u>3,598</u>	<u>—</u>	<u>—</u>
Totals	<u>\$6,737,744</u>	<u>\$ 510,557</u>	<u>\$6,227,187</u>	<u>\$ —</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Land	\$1,825,804	\$1,825,804
Buildings	4,308,945	4,308,945
Improvements	1,086,953	1,083,088
Equipment	695,954	682,020
Exhibits	<u>660,289</u>	<u>660,289</u>
	8,577,945	8,560,146
Less accumulated depreciation and amortization	<u>3,720,668</u>	<u>3,460,163</u>
Totals	<u>\$4,857,277</u>	<u>\$5,099,983</u>

The Foundation sold approximately 43 acres of land in 2008 for approximately \$7,200,000. This resulted in a gain on the sale of the land of \$6,854,056 net of expenses of the sale. In addition, an escrow account was established in the amount of \$190,000 related to wetlands mitigation and drainage issues. These funds are anticipated to be returned to the Foundation upon completion of those projects.

**Living History Farms Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 HISTORICAL PROPERTY, ANTIQUES AND ARTIFACTS

Historical property, antiques and artifacts consisted of the following:

	December 31	
	2009	2008
Historical property		
Buildings	\$2,809,618	\$2,809,618
Improvements	1,077,654	1,077,654
Historical breeds, livestock	<u>20,065</u>	<u>25,836</u>
	<u>3,907,337</u>	<u>3,913,108</u>
Antiques and artifacts	<u>1,401,188</u>	<u>1,401,188</u>
Totals	<u>\$5,308,525</u>	<u>\$5,314,296</u>

NOTE 6 NOTE PAYABLE, BANK

The Foundation has a line of credit available with a bank for \$500,000. Interest on any borrowings will be computed based upon the lender's variable prime rate which was 3.25% at December 31, 2009. All borrowings and unpaid interest are due on June 30, 2010. The line of credit is unsecured. As of December 31, 2009 and 2008 there was \$35,000 and \$-0- outstanding, respectively.

NOTE 7 LONG-TERM DEBT

The Foundation has capital lease obligations with respect to three copiers. The cost of the equipment was \$40,550 at December 31, 2009. Accumulated amortization on the equipment was \$16,836 at December 31, 2009.

One lease is payable in 48 monthly installments of \$500, including interest at 10.32% through April 2011. The second lease is payable in 60 monthly installments of \$82 including interest at 13.35% through August 2012. The third lease is payable in 48 monthly installments of \$439 including interest at 10.08% through September 2012.

The future minimum lease payments of the combined leases at December 31, 2009 are as follows:

2010	\$ 12,257
2011	8,254
2012	<u>4,608</u>
	25,119
Less amount representing interest	<u>3,162</u>
Present value of minimum lease payments	<u>\$ 21,957</u>

Current maturities of the obligations under capital leases as of December 31, 2009 are as follows:

2010	\$ 10,413
2011	7,128
2012	<u>4,416</u>
Total	<u>\$ 21,957</u>

Living History Farms Foundation
NOTES TO FINANCIAL STATEMENTS

NOTE 8 INCOME TAXES

The Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code and does not pay income tax on exempt-purpose income.

Effective January 1, 2009, the Foundation has adopted the accounting for uncertainty in income tax requirements as required by the Income Tax Topic of the *FASB Accounting Standards Codification*. Management has evaluated their material tax positions and determined no income tax effects with respect to the financial statements. The Foundation's federal income tax returns since 2006 open by statute are subject to examination by the tax authorities. The Foundation has not been notified of any impending examinations by tax authorities, and no examinations are in process.

NOTE 9 UNRESTRICTED NET ASSETS

\$750,000 from the sales proceeds of the land sold in 2008 was used to fund operating expenses and the wetlands mitigation project related to the land sale, in lieu of being deposited into the board designated investment account. \$600,000 of this amount will be repaid, \$60,000 per year beginning January 2010, over a ten year period, or sooner, based on available funds. The remaining \$150,000 will be repaid when funds are released from the wetlands mitigation escrow account.

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2009 are available for improvements to various sites and for sponsored events.

NOTE 11 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$200,059 at December 31, 2009 and 2008, represent endowments requiring the income to be used for educational program expenditures relating to the operation of the Henry A. Wallace Exhibit Center. As of December 31, 2009, the amount is maintained in the Foundation's investment account.

NOTE 12 ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets during the years ended December 31, 2009 and 2008, were released from donor restrictions by incurring expenses satisfying the restricted purposes.

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Purpose restrictions accomplished		
Memorials, other designated gifts	\$ —	\$ 2,646
Nature trail	856	—
Flynn House Project	—	19,447
1900 Windmill	—	4,000
General Store Inventory	—	7,359
General Store Repairs	1,964	4,880
Implement Dealer Repairs	—	2,300
Day Camp Expenses	346	1,000
Day Camp Scholarship	1,530	2,245
Moberg Painting	—	1,500
Bee Kit 1850 Farm	—	1,550
Quilt Show	—	2,500
Education Survey Grant	—	2,500
PA System	—	1,500
	<u>—</u>	<u>1,500</u>
Totals	<u>\$ 4,696</u>	<u>\$ 53,427</u>

**Living History Farms Foundation
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 FUNCTIONAL EXPENSES

Expenses by function, including depreciation and amortization, for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Program services	\$1,937,079	\$2,196,250
General and administrative	564,635	611,405
Development	210,217	195,640
Marketing	<u>199,365</u>	<u>208,369</u>
Totals	<u>\$2,911,296</u>	<u>\$3,211,664</u>

NOTE 14 ENDOWMENT FUNDS

The Foundation's endowment funds consist of board designated endowment net assets, temporarily restricted net assets which are available for improvements to various sites and sponsored events, and permanently restricted net assets which provide that the principal be invested in perpetuity and the income only be used. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the accounting standards concerning endowment funds as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The changes in endowment funds for the year ended December 31, 2009 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, beginning of year	\$5,215,406	\$ 240,923	\$ 200,059	\$5,656,388
Contributions	1,308,343	4,272	-	1,312,615
Investment income	534,463	1,569	-	536,032
Expenses	<u>(320,468)</u>	<u>(4,696)</u>	<u>-</u>	<u>(325,164)</u>
Balance, end of year	<u>\$6,737,744</u>	<u>\$ 242,068</u>	<u>\$ 200,059</u>	<u>\$7,179,871</u>

Living History Farms Foundation
NOTES TO FINANCIAL STATEMENTS

NOTE 15 EMPLOYEE BENEFIT PLAN

The Foundation has a 401(k) plan for the benefit of eligible employees. The plan allows eligible employees to defer a portion of their annual compensation, pursuant to Section 401(k) of the Internal Revenue Code. Foundation contributions are determined as a percentage of compensation and totaled \$13,568 in 2009.

NOTE 16 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through February 26, 2010, the date which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Living History Farms Foundation
Urbandale, Iowa

Our report on our audits of the basic financial statements of Living History Farms Foundation appears on page 3. We conducted our audits for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
February 26, 2010

**Living History Farms Foundation
BRAVO ALLOCATIONS**

	<u>Year ended December 31</u>	
	<u>2009</u>	<u>2008</u>
Bravo	\$ <u>142,500</u>	\$ <u>132,500</u>

In an effort to stabilize funding for arts and cultural organizations, local governments have committed a portion of their hotel/motel tax revenues through the establishment of 28E agreements with Bravo. In 2009, over \$2 million was made available. The following cities and Polk County provide this critical financial support: Altoona, Ankeny, Clive, Des Moines, Johnston, Norwalk, Urbandale, and West Des Moines.

And, although the community of Windsor Heights collects no hotel/motel tax revenues, they have also shown their support with a financial contribution.

All funding received from the 28E agreements goes directly to support cultural organizations.

**Living History Farms Foundation
ADMINISTRATIVE EXPENSES**

	Year ended December 31	
	<u>2009</u>	<u>2008</u>
Salaries, payroll taxes and benefits	\$ 312,889	\$ 225,845
Supplies and information technology	44,300	48,199
Utilities	14,153	15,493
Telephone	22,363	21,203
Postage	3,932	6,507
Professional fees	6,750	6,150
Insurance	111,239	113,890
Other, including strategic planning expenses	<u>49,009</u>	<u>174,118</u>
Totals	<u>\$ 564,635</u>	<u>\$ 611,405</u>