

**THE NEWARK MUSEUM ASSOCIATION**

**FINANCIAL STATEMENTS AND NEW JERSEY DEPARTMENT  
OF THE TREASURY CIRCULAR OMB 04-04 SUPPLEMENTARY  
FINANCIAL REPORT AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND 2008**

**THE NEWARK MUSEUM ASSOCIATION**

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FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Trustees of  
The Newark Museum Association  
Newark, New Jersey

We have audited the accompanying statements of financial position of The Newark Museum Association (the "Museum") (a New Jersey 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 and the schedule referred to below are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 Museum's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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 Museum 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2010 on our consideration of the Museum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audits.

The accompanying schedule of state financial assistance for the year ended December 31, 2009 is presented for purposes of additional analysis as required by the New Jersey Department of the Treasury Circular OMB 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, 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.

*Mills and DeFilippis*

Mills and DeFilippis  
Certified Public Accountants, LLP

Randolph, New Jersey  
March 15, 2010

**THE NEWARK MUSEUM ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2009**

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
<b>ASSETS:</b>				
Cash and Cash Equivalents (Notes 2 & 12)	\$ 8,904,749	\$ 687,540	\$ 15,000	\$ 9,607,289
Grants and Pledges Receivable (Notes 2 & 12)	1,321,221	744,238	449,922	2,515,381
Prepaid Expenses and Other Assets	740,718	0	0	740,718
Investments (Notes 2, 5 & 12)	26,615,446	0	11,466,617	38,082,063
Property, Plant and Equipment (Notes 2 & 6)	23,434,162	0	0	23,434,162
<b>TOTAL ASSETS</b>	<b><u>\$ 61,016,296</u></b>	<b><u>\$ 1,431,778</u></b>	<b><u>\$ 11,931,539</u></b>	<b><u>\$ 74,379,613</u></b>
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Expenses	\$ 1,117,350	\$ 0	\$ 0	\$ 1,117,350
Loans Payable (Notes 7 & 8)	20,249	0	0	20,249
Total Liabilities	1,137,599	0	0	1,137,599
<b>ADVANCES (Note 13)</b>	765,450	0	0	765,450
<b>NET ASSETS (Page 5) (Notes 2, 3 &amp; 4):</b>	<b><u>59,113,247</u></b>	<b><u>1,431,778</u></b>	<b><u>11,931,539</u></b>	<b><u>72,476,564</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 61,016,296</u></b>	<b><u>\$ 1,431,778</u></b>	<b><u>\$ 11,931,539</u></b>	<b><u>\$ 74,379,613</u></b>

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

*Subject to the comments in the "Report of Independent Certified Public Accountants".*

**THE NEWARK MUSEUM ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2008**

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
<b>ASSETS:</b>				
Cash and Cash Equivalents (Notes 2 & 12)	\$ 10,681,714	\$ 1,498,959	\$ 256,282	\$ 12,436,955
Grants and Pledges Receivable (Notes 2 & 12)	1,027,128	891,811	600,000	2,518,939
Prepaid Expenses and Other Assets	462,831	26,500	0	489,331
Investments (Notes 2, 5 & 12)	22,582,859	0	9,950,979	32,533,838
Property, Plant and Equipment (Notes 2 & 6)	22,332,142	0	0	22,332,142
<b>TOTAL ASSETS</b>	<b><u>\$ 57,086,674</u></b>	<b><u>\$ 2,417,270</u></b>	<b><u>\$ 10,807,261</u></b>	<b><u>\$ 70,311,205</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES:</b>				
Accounts Payable and Accrued Expenses	\$ 1,600,578	\$ 0	\$ 0	\$ 1,600,578
Loans Payable (Notes 7 & 8)	500,000	0	0	500,000
Total Liabilities	<u>2,100,578</u>	<u>0</u>	<u>0</u>	<u>2,100,578</u>
<b>ADVANCES (Note 13)</b>	<u>607,500</u>	<u>0</u>	<u>0</u>	<u>607,500</u>
<b>NET ASSETS (Page 6) (Notes 2, 3 &amp; 4):</b>	<u>54,378,596</u>	<u>2,417,270</u>	<u>10,807,261</u>	<u>67,603,127</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 57,086,674</u></b>	<b><u>\$ 2,417,270</u></b>	<b><u>\$ 10,807,261</u></b>	<b><u>\$ 70,311,205</u></b>

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

*Subject to the comments in the "Report of Independent Certified Public Accountants".*

**THE NEWARK MUSEUM ASSOCIATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**REVENUES, GAINS AND OTHER SUPPORT:**

Contributions and Pledges (Note 2)					
Governmental Grants (Note 2)					
Membership Dues (Note 2)					
Education and Membership Tours					
Investment Results (Notes 2 & 5)					
Other Revenues					
Total Revenues	\$ 1,671,356	\$ 1,573,731	\$ 1,112,638	\$ 4,357,725	
Net Assets Released from Restrictions (Notes 2 & 3)	11,527,486	0	11,640	11,539,126	
	674,128	0	0	674,128	
	1,008,736	0	0	1,008,736	
	6,205,145	0	0	6,205,145	
	697,116	0	0	697,116	
	<u>21,783,967</u>	<u>1,573,731</u>	<u>1,124,278</u>	<u>24,481,976</u>	
	2,559,223	(2,559,223)	0	0	
	<u>24,343,190</u>	<u>(985,492)</u>	<u>1,124,278</u>	<u>24,481,976</u>	

**TOTAL REVENUES, GAINS AND OTHER SUPPORT**

**EXPENSES:**

Salaries	8,229,712	0	0	8,229,712
Employee Benefits and Payroll Taxes	2,294,083	0	0	2,294,083
Building Operations	1,008,480	0	0	1,008,480
Electric, Gas and Water	856,706	0	0	856,706
Display and Programs	1,309,173	0	0	1,309,173
Interest Expense (Notes 7 & 8)	0	0	0	0
Other General and Administrative	3,804,503	0	0	3,804,503
Depreciation (Notes 2 & 6)	1,929,741	0	0	1,929,741
Total Expenses (Notes 2 & 9)	<u>19,432,398</u>	<u>0</u>	<u>0</u>	<u>19,432,398</u>
Excess (Deficit) of Revenues, Gains and Other Support Over Expenses	4,910,792	(985,492)	1,124,278	5,049,578

<b>CHANGES IN NET ASSETS RELATED TO COLLECTION ITEMS NOT CAPITALIZED:</b>				
Sale of Collection Items (Note 2)	909,434	0	0	909,434
Collection Items Purchased But Not Capitalized (Notes 2 & 9)	(1,085,575)	0	0	(1,085,575)
Net Changes Due to Collection Activities	<u>(176,141)</u>	<u>0</u>	<u>0</u>	<u>(176,141)</u>
<b>Changes in Net Assets</b>	4,734,651	(985,492)	1,124,278	4,873,437
<b>NET ASSETS, Beginning of the Year</b>	<u>54,378,596</u>	<u>2,417,270</u>	<u>10,807,261</u>	<u>67,603,127</u>
<b>NET ASSETS, End of the Year</b>	<u><b>\$ 59,113,247</b></u>	<u><b>\$ 1,431,778</b></u>	<u><b>\$ 11,931,539</b></u>	<u><b>\$ 72,476,564</b></u>

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

*Subject to the comments in the "Report of Independent Certified Public Accountants".*



THE NEWARK MUSEUM ASSOCIATION

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**REVENUES, GAINS AND OTHER SUPPORT:**

Contributions and Pledges (Note 2)	\$ 4,790,423	\$ 3,815,353	\$ 836,714	\$ 9,442,490
Governmental Grants (Note 2)	11,549,363	0	28,130	11,577,493
Membership Dues (Note 2)	757,993	0	0	757,993
Education and Membership Tours	1,158,707	0	0	1,158,707
Investment Results (Notes 2 & 5)	(9,520,798)	0	0	(9,520,798)
Other Revenues	832,518	0	0	832,518
Total Revenues	<u>9,568,206</u>	<u>3,815,353</u>	<u>864,844</u>	<u>14,248,403</u>
Net Assets Released from Restrictions (Notes 2 & 3)	<u>2,657,631</u>	<u>(2,657,631)</u>	<u>0</u>	<u>0</u>

**TOTAL REVENUES, GAINS AND OTHER SUPPORT**

	<u>12,225,837</u>	<u>1,157,722</u>	<u>864,844</u>	<u>14,248,403</u>
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**EXPENSES:**

Salaries	8,490,389	0	0	8,490,389
Employee Benefits and Payroll Taxes	2,429,370	0	0	2,429,370
Building Operations	1,245,394	0	0	1,245,394
Electric, Gas and Water	1,061,731	0	0	1,061,731
Display and Programs	1,318,014	0	0	1,318,014
Interest Expense (Notes 7 & 8)	0	0	0	0
Other General and Administrative	3,529,005	0	0	3,529,005
Depreciation (Notes 2 & 6)	2,036,572	0	0	2,036,572
Total Expenses (Notes 2 & 9)	<u>20,110,475</u>	<u>0</u>	<u>0</u>	<u>20,110,475</u>

Excess (Deficit) of Revenues, Gains and Other Support Over Expenses

	<u>(7,884,638)</u>	<u>1,157,722</u>	<u>864,844</u>	<u>(5,862,072)</u>
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**CHANGES IN NET ASSETS RELATED TO  
COLLECTION ITEMS NOT CAPITALIZED:**

Sale of Collection Items (Note 2)  
Collection Items Purchased But Not Capitalized (Notes 2 & 9)  
Net Changes Due to Collection Activities

5,167	0	0	5,167
<u>(876,574)</u>	<u>0</u>	<u>0</u>	<u>(876,574)</u>
<u>(871,407)</u>	<u>0</u>	<u>0</u>	<u>(871,407)</u>

**Changes in Net Assets**

1,157,722	864,844	(6,733,479)
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**NET ASSETS, Beginning of the Year**

<u>1,259,548</u>	<u>9,942,417</u>	<u>74,336,606</u>
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**NET ASSETS, End of the Year**

<u>\$ 54,378,596</u>	<u>\$ 2,417,270</u>	<u>\$ 10,807,261</u>	<u>\$ 67,603,127</u>
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*Subject to the comments in the "Report of Independent Certified Public Accountants".*

**THE NEWARK MUSEUM ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets	\$ 4,873,437	\$ (6,733,479)
<b>Adjustments to Reconcile Changes in Net Assets to Net Cash (Used) Provided by Operating Activities:</b>		
Depreciation	1,929,741	2,036,572
Net Unrealized (Gain) Loss on Investments	(6,649,028)	9,829,320
Decrease (Increase) in Grants and Pledges Receivable	3,558	(916,276)
(Increase) Decrease in Prepaid Expenses and Other Assets	(251,387)	550,690
(Decrease) in Accounts Payable and Accrued Expenses	(483,228)	(140,342)
Acquisitions and Sales of Collection Items, net	176,141	871,407
	<u>(400,766)</u>	<u>5,497,892</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital Expenditures for Property, Plant and Equipment Purchases	(3,031,273)	(1,839,021)
Purchases of Investments	(20,351,875)	(50,154,424)
Proceeds from Sale of Investments	21,610,140	49,174,964
Acquisitions of Collection Items	(1,085,575)	(876,574)
Proceeds from Sale of Collection Items	909,434	5,167
	<u>(1,949,149)</u>	<u>(3,689,888)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Loan Payable	20,249	500,000
Principal Repayments of Loan Payable	(500,000)	0
	<u>(479,751)</u>	<u>500,000</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(2,829,666)	2,308,004
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>12,436,955</u>	<u>10,128,951</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u><b>\$ 9,607,289</b></u>	<u><b>\$ 12,436,955</b></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest Paid	<u>\$ 1,146</u>	<u>\$ 2,812</u>

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

*Subject to the comments in the "Report of Independent Certified Public Accountants".*

# THE NEWARK MUSEUM ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

### NOTE 1 - THE MUSEUM

Founded in 1909, The Newark Museum is the largest museum of art, science and education in the State of New Jersey. Through exhibitions, education programs, publications, and the educational loan collection, the Museum strives to be an accessible local, regional and national resource, actively encouraging the study, appreciation, understanding and enjoyment of the subjects represented by its collections to a broad audience. Serving more than one million visitors from the tri-state area and beyond on-site, off-site and through its web site, The Newark Museum is committed to meeting the educational and cultural needs of its vastly diverse constituency. In 2008, the Museum received its most recent reaccreditation by the American Association of Museums.

The Museum's goals and objectives are guided by the 2000-2009 Long Range Plan, *Toward the Centennial*, which mandates that:

The Newark Museum operates, as it has since its founding, in the public trust as a museum of service, a leader in connecting objects and ideas to the needs and wishes of its constituencies. We believe that our art and science collections have the power to educate, inspire and transform individuals of all ages, and the local, regional, national and international communities that we serve. In the words of founding director John Cotton Dana, "A good museum attracts, entertains, arouses curiosity, leads to questioning, and thus promotes learning."

The Newark Museum's permanent art and natural science collections, which have achieved national and international renown, provide the foundation for all exhibitions and education programs. These collections include American painting and sculpture; decorative arts; the arts of Africa, the Americas and the Pacific; Asian art, Tibetan art; ancient art of Egypt, Greece and Rome; numismatics and the State's largest natural science collection.

Among the Museum's highest priorities is providing a full range of education enrichment programs for children and adults that are centered on the resources of the permanent collections. According to the Association of Art Museum Directors Annual Statistical Surveys of the 172 largest art museums in North America, The Newark Museum has consistently been ranked as one of the country's leading art museum educators for the past five years. The Museum offers a wealth of public education programs and events including lectures and symposiums, guided gallery tours, weekend art and science workshops, art courses, music, dance and theatre performances, and family festivals. The Museum also provides an exciting array of over 80 art and science programs to address the education needs of students and teachers throughout New Jersey. All educational programming is aligned with New Jersey Core Curriculum Content Standards in language arts, social studies, visual arts, and/or science.

In 2009, The Newark Museum celebrated its 100<sup>th</sup> Anniversary of providing the finest cultural and educational programs for its growing audience. As the Museum looks forward to a second century of public service, it will continue to strengthen its position as a national and international model for developing and implementing art and science education programs and exhibitions.

Operating activities of the Museum is supported by a diversified funding base, a significant portion of which is governmental funding from the City of Newark and the State of New Jersey. Consequently, decreases in governmental funding will have an adverse impact on the Museum. The Board of Trustees of The Newark Museum is working, as it has since its founding, to continue to assure that resources are available to carry out the mission of the Museum.

**THE NEWARK MUSEUM ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Museum have been prepared on the accrual basis. The significant accounting policies followed are described below:

**Net Assets**

The Museum's net assets have been presented and classified as unrestricted, temporarily restricted and permanently restricted based on the existence or absence of donor imposed restrictions.

**Unrestricted**

Unrestricted assets are available for use for activities within its charter and mission. Internal board designation of net assets have been included within the unrestricted net asset category.

**Temporarily Restricted**

A temporary restriction allows the Museum to use the donated asset as specified, and the restriction is satisfied by either the passage of time or the utilization of the assets as specified by the donor (Note 3).

**Permanently Restricted**

A permanent restriction stipulates that resources be maintained permanently in compliance with donor stipulation, but may allow the Museum to use all or part of the income derived from such assets for unrestricted purposes (Note 4).

**Expenses**

The expenses of the Museum have been classified by natural activities. See Note 9 for functional classifications.

**Use of Estimates**

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the reporting period. Actual results could differ from these estimates.

**Governmental Grants and Grants Receivable**

Grants Receivable are shown on the statement of financial position net of allowance for uncollected grants. As of December 31, 2009 and 2008, there were no allowances on grants receivable.

**THE NEWARK MUSEUM ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**Contributions, Pledges and Pledges Receivables**

The Museum follows the policy of reporting restricted contributions and pledges as permanently or temporarily restricted, as appropriate, in the statement of activities in the period received. When donor restrictions expire, as appropriate, the restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Investments and other non-cash assets are accounted for in the statement of activities as increases in unrestricted net assets unless the use of the asset is limited by donor imposed restrictions.

Pledges receivable are expected to be realized in the next six years:

2010	\$ 657,596
2011	215,000
2012	175,922
2013	76,000
2014	56,000
2015	<u>56,000</u>
	<u>\$ 1,236,518</u>

The allowance for uncollectible pledges receivable at December 31, 2009 and 2008 is \$42,356 and \$57,748, respectively.

**Contributed Services**

A substantial number of volunteers have made significant contributions of their time in support of the Museum's mission. The value of contributed services is not recorded in the accompanying financial statements as these services do not require specialized skills and are not susceptible to objective measurement or valuation.

**Property, Plant and Equipment**

The Organization capitalized all expenditures in excess of \$1,000 for property, plant and equipment which are recorded at cost unless they are contributed to the Museum, in which case they are recorded at fair value as of the date of contribution. Major renewals and betterments are capitalized. Maintenance and repairs which do not extend the lives of the respective assets are expensed. Depreciation is computed on a straight-line basis over the estimated useful life of the asset (Note 6).

**THE NEWARK MUSEUM ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**Property, Plant and Equipment (Cont.)**

When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected as an increase/decrease to unrestricted net assets.

**Cash and Cash Equivalents**

For the purposes of balance sheet classification and statement of cash flows presentation, the Museum considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

**Investments**

Investments are presented in the financial statements, in the aggregate, at market value. Gifts of equities are sold upon receipt and are not held as investments. Unrealized gains and losses are reflected in the statements of activities as increases or decreases in unrestricted net assets. Gains and losses on the sale of investments are determined based on cost and market value and reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations (Note 5).

The Museum's spending policy is based on average market value of the past twelve quarters. The annual spending percentage rate is set by the Investment Committee based on the recommendation of the Finance Committee and approved by the Executive Committee. The Museum's average annual spending rate has been between 3% and 4%. Industry average is 5% to 6%. For 2009, the approved spending rate is 5%.

**Collection Items**

In conformity with the practice followed by many museums, collections consisting of art objects and other display items (coin collections, antiques, etc.) purchased or donated are not included in the accompanying statements of financial position. The Museum's policy is to exclusively utilize restricted acquisition funds to acquire new objects for its collections. All acquisitions for the collections are expensed in the year purchased.

**Membership Dues**

Under the Museum's policy, membership dues are recognized on its fiscal calendar year basis.

**Tax Status**

The Museum is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

**THE NEWARK MUSEUM ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of December 31, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Signature Project	\$ 449,100	\$ 687,064
Program Services	882,678	566,988
Exhibitions	<u>100,000</u>	<u>1,163,218</u>
	<u>\$ 1,431,778</u>	<u>\$ 2,417,270</u>

Net assets released from donor restrictions in 2009 and 2008 by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors were as follows:

	<u>2009</u>	<u>2008</u>
Purpose restriction accomplished:		
Signature Project	\$ 719,590	\$ 1,689,504
Program Services	414,050	440,127
Exhibitions	<u>1,425,583</u>	<u>528,000</u>
Net Assets Released from Restrictions	<u>\$ 2,559,223</u>	<u>\$ 2,657,631</u>

**NOTE 4 - PERMANENTLY RESTRICTED NET ASSETS**

As of December 31, 2009 and 2008, the Museum has permanently restricted net assets of \$11,931,539 and \$10,807,261, respectively, for investment in perpetuity. The income is expendable to support the Museum's operating activities.

Of the permanently restricted net assets in the endowment, \$926,263 represents matching payments from the New Jersey Cultural Trust.

Permanently restricted net assets as of December 31, 2009 and 2008, are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Science and Humanities Programs	\$ 10,559,114	\$ 9,434,836
Operating - Trustee's Room Maintenance	772,425	772,425
Collections	<u>600,000</u>	<u>600,000</u>
	<u>\$ 11,931,539</u>	<u>\$ 10,807,261</u>



**THE NEWARK MUSEUM ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 5 - INVESTMENTS**

The Museum's investments, at fair market value, consist of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Equity Securities	\$ 23,136,593	\$ 24,675,455
U.S. Treasury Securities	4,084,715	7,426,640
Corporate Debt Securities	10,563,113	199,886
Other	<u>297,642</u>	<u>231,857</u>
	<u>\$ 38,082,063</u>	<u>\$ 32,533,838</u>

The value of debt and equity securities is based on quoted market values.

The following schedule summarizes the Museum's investment results in the accompanying statements of activities for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Dividends and Interest	\$ 950,345	\$ 1,124,246
Net Realized and Unrealized Gain (Loss)	<u>5,254,800</u>	<u>(10,645,044)</u>
Total Investment Results	<u>\$ 6,205,145</u>	<u>\$ (9,520,798)</u>

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

At December 31, 2009 and 2008 property, plant and equipment consisted of the following:

	<u>2009</u>	<u>2008</u>	Useful Life	<u>2009 Depreciation</u>
Buildings and Improvements	\$ 37,320,085	\$ 37,257,735	15-25 years	\$ 1,442,181
Furniture, Fixtures and Automobiles	3,620,528	3,569,480	7 years	176,235
Victoria Hall of Science	7,783,136	7,783,136	25 years	311,325
Signature Project	<u>7,216,024</u>	<u>4,297,660</u>	25 years	<u>0</u>
	55,939,773	52,908,011		<u>\$ 1,929,741</u>
Less: Accumulated Depreciation	<u>32,050,611</u>	<u>30,575,869</u>		
	<u>\$ 23,434,162</u>	<u>\$ 22,332,142</u>		

There was no impairment of fixed assets as of December 31, 2009.

**THE NEWARK MUSEUM ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 7 – LINE OF CREDIT**

The Museum obtained a secured uncommitted line of credit in the aggregate amount of \$2,000,000 from JPMorgan Chase Bank, N.A. Borrowings under the line of credit are intended to be used to meet normal short term working capital needs and will bear interest at a rate of 175 basis points (1.75%) in excess of the LIBOR rate for the period. Unless renewed, this line of credit expires on July 31, 2010. As of December 31, 2009 and 2008, the outstanding balance on this line of credit was \$0 and \$500,000, respectively. During 2009 and 2008, interest expense of \$1,146 and \$2,812 was capitalized for the signature project.

**NOTE 8 – LOANS PAYABLE**

In 2009, the Museum purchased a vehicle in the amount of \$24,072. The Museum obtained financing from Lyon Financial Services Incorporated for the entire amount of \$24,072. At December 31, 2009, the outstanding balance on this loan is \$20,249. Of this amount, \$4,764 is considered current and \$15,485 is considered long term. The loan bears no interest with sixty (60) monthly payments of \$397. The loan is secured by a 2009 Dodge Caravan.

The future maturities of this note for the next five years are as follows:

<u>December 31,</u>	
2010	\$ 4,764
2011	4,764
2012	4,764
2013	4,764
2014	<u>1,193</u>
	<u>\$ 20,249</u>

**NOTE 9 - FUNCTIONAL EXPENSES**

The following summarizes the Museum's expenses on a functional basis:

	<u>2009</u>	<u>2008</u>
Exhibition	\$ 6,277,236	\$ 6,339,693
Education and Public Programs	5,758,570	5,815,867
Registrar and Curatorial (arts and sciences)	<u>5,277,953</u>	<u>5,330,467</u>
Total Program Expenses	17,313,759	17,486,027
Administration and Other	2,098,807	2,269,128
Fundraising, Including Cost of Direct Benefits to Donors	<u>1,105,407</u>	<u>1,231,894</u>
	<u>\$ 20,517,973</u>	<u>\$ 20,987,049</u>

## THE NEWARK MUSEUM ASSOCIATION

### NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

#### **NOTE 10 - PENSION PLAN**

On November 19, 1997, by action of the Executive Committee, the Board of Trustees of the Museum adopted the Cultural Institutions Pension Plan, the Cultural Institutions Savings Plan and Cultural Institutions Group Life and Welfare Plan (collectively "CIRS"), effective January 1, 1998. By this action, the Museum became one of 350 cultural institutions in the Mid-Atlantic cultural corridor that are participants in the CIRS plan.

The Museum's CIRS plan calls for mandatory participation by all eligible full-time employees. The pension plan and group life and welfare plan are fully paid by the Museum while a mandatory minimum 2% of salary must be contributed by employees into a 401(k) plan under the savings plan.

The Pension Protection Act of 2006 made major changes to pension funding rules. The Act was enacted when financial markets and economy were booming and the related changes were first applied to the Museum's multi-employer pension and employee welfare plan, Cultural Institutions Retirement System (CIRS) for the plan year ended June 30, 2009.

#### **Pension and Employee Welfare Plan Impact**

The Act significantly toughened the rules. The Act requires Annual Funding Notice and also established "zones" (i.e. Green Zone, Yellow Zone: Endangered and Red Zone: Critical) for multi-employer pension plans like CIRS. The Act's rules are very complex and application to the CIRS is unclear in some respects. For example, the Act is driven by terms of the collective bargaining agreement but for plans in the Yellow or Red zones, CIRS trustees must act to correct funding shortfalls:

- CIRS Plan still well-funded
  - Moody's latest survey ranks CIRS number 4 of 126 plans
  - CIRS is greater than 102% funded vs. 56% average
- But severe asset decline hurt
  - Assets went from \$1.014 billion on June 30, 2008 to \$776 million on June 30, 2009
  - Asset decline triggered projected deficiency in year ending June 30, 2014 and Pension Protection Act ("PPA") zone status went from Green Zone to Red Zone as a result
  - CIRS elected to "freeze" status as Green for current year (July 1, 2009 – June 30, 2010) pursuant to Section 204 of the Worker, Retiree and Employer Recovery Act ("WRERA")
- Things are stabilizing
  - Assets up to approximately \$863 million on December 31, 2009
  - CIRS' major collective bargaining agreement expired on December 31, 2009 and this agreement will have major impact

The Museum's contributions to the CIRS plan were \$639,930 and \$582,855 for 2009 and 2008, respectively.

The Museum has not been informed of any impact of this situation on its Pension Plan obligation.

**THE NEWARK MUSEUM ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 11 - LEASE COMMITMENTS**

The Museum is committed to minimum future rentals under various operating leases.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2009 for each of the next three years are:

<u>December 31,</u>	
2010	\$ 81,037
2011	14,780
2012	<u>3,180</u>
	<u>\$ 98,997</u>

For the years ended December 31, 2009 and 2008, equipment leasing expense was \$141,427 and \$157,530, respectively.

**NOTE 12 - FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT AND MARKET RISK**

Financial instruments, which potentially subject the Museum to concentrations of credit and market risk, primarily include cash and cash equivalents and investments. Cash and cash equivalents are maintained within several financial institutions. At times during the years, the balances in these institutions exceed the FDIC insurance level. Generally, these deposits may be redeemed upon demand, therefore, bear minimal risk. The Museum monitors the financial strength of these institutions on an ongoing basis. The Museum places its investments in equity and debt securities at the direction of the Board of Trustees and limits the amount of credit exposure to any one entity.

Grants and pledges receivable are primarily with government agencies, corporations and individuals. Grants and pledges receivable are carried at estimated net realizable values. As of December 31, 2009 and 2008, the Museum had no significant concentrations of credit risk.

**NOTE 13 - ADVANCES**

As of December 31, 2009, the Museum received advanced payments from the New Jersey Council on the Arts (General Operating Support) for the grant period July 1, 2009 through June 30, 2010. The amount of \$765,450 will be recognized as income during 2010.

As of December 31, 2008, the Museum received advanced payments from the New Jersey Council on the Arts (General Operating Support) for the grant period July 1, 2008 through June 30, 2009. The amount of \$607,500 was recognized as income during 2009.

**THE NEWARK MUSEUM ASSOCIATION**

**SCHEDULE OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Grant Type	Grant #	CFDA #	Department	Program Title	Program Grant Period		Program Amount	2009 Program Expenditures
					From	To		
<b><u>MAJOR PROGRAMS</u></b>								
State	09COTA999ALI	N/A	New Jersey State Council on the Arts	General Operating Support	07/01/08	06/30/09	\$ 2,430,000	\$ 1,215,000
State	10COTA999ALI	N/A	New Jersey State Council on the Arts	General Operating Support	07/01/09	06/30/10	2,187,000	1,093,500
State	0905X010060	N/A	New Jersey State Council on the Arts	General Operating Support	07/01/08	06/30/09	358,053	179,027
State	1005X010047	N/A	New Jersey State Council on the Arts	General Operating Support	07/01/09	06/30/10	293,603	146,802
State	09CULT804ACD	N/A	New Jersey Cultural Trust	Cultural Endowment	Endowment		926,263	926,263
							<u>6,194,919</u>	<u>3,560,592</u>
							<u>0</u>	<u>0</u>
							<u>\$ 6,194,919</u>	<u>\$ 3,560,592</u>

**NON-MAJOR PROGRAMS**

Total Non-Major Programs

Total State Financial Assistance

*This schedule should be read in conjunction with the accompanying notes to schedule of state financial assistance.*

*Subject to the comments in the "Report of Independent Certified Public Accountants".*

**THE NEWARK MUSEUM ASSOCIATION**

**NOTES TO THE SCHEDULE OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**1. SCOPE OF AUDIT PURSUANT TO CIRCULAR OMB 04-04**

All State grant operations of The Newark Museum Association (the "Museum") are included in the scope of the New Jersey Department of the Treasury Circular OMB 04-04 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the State Grant Compliance Supplement (the "Compliance Supplement"). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. Testing of these programs ensures coverage of at least 50 percent of major State granted funds. Actual coverage is approximately 70 percent of total major State financial assistance expenditures.

<u>Major State Award Program Description</u>	<u>Fiscal 2009 Expenditures</u>
New Jersey Council on the Arts – GOS	<u>\$ 2,308,500</u>
New Jersey Council on the Arts – GOS	<u>\$ 325,829</u>
New Jersey Cultural Trust – Endowment	<u>\$ 926,263</u>

**2. BASIS OF PRESENTATION**

The accompanying Schedule of State Financial Assistance included all State grants to the Museum that had activity during the fiscal year ended December 31, 2009. This schedule has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Museum has met the qualifications for the respective grants.

**AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of  
The Newark Museum Association  
Newark, New Jersey

We have audited the financial statements of The Newark Museum Association (the "Museum") (a New Jersey nonprofit organization) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated March 15, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits, we considered the Museum's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control of over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Newark Museum Association's internal control over financial reporting.

A **control deficiency** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Museum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, the Museum's management, and the State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

*Mills and DeFilippis*

Mills and DeFilippis  
Certified Public Accountants, LLP

Randolph, New Jersey  
March 15, 2010



**AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH NEW JERSEY TREASURY CIRCULAR OMB 04-04**

To the Board of Trustees of  
The Newark Museum Association  
Newark, New Jersey

**COMPLIANCE**

We have audited the compliance of The Newark Museum Association (the "Museum") (a New Jersey nonprofit organization) with the types of compliance requirements described in the New Jersey OMB Circular 04-04 that are applicable to each of its major state programs for the years ended December 31, 2009 and 2008. The Museum's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Museum's management. Our responsibility is to express an opinion on the Museum's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the New Jersey OMB Circular 04-04. Those standards and New Jersey OMB Circular 04-04 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Museum's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination on the Museum's compliance with those requirements.

In our opinion, The Newark Museum Association complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the years ended December 31, 2009 and 2008.

## INTERNAL CONTROL OVER COMPLIANCE

The management of The Newark Museum Association is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the state program. In planning and performing our audits, we considered the Museum's internal control over compliance with the requirements that could have a direct and material effect on major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control over compliance.

A **control deficiency** in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a major state program on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, the Museum's management and the State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.



Mills and DeFilippis  
Certified Public Accountants, LLP

Randolph, New Jersey  
March 15, 2010

THE NEWARK MUSEUM ASSOCIATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of Auditors' Report issued: Unqualified  
Internal Control over financial reporting:  
Material weakness(es) identified?                    \_\_\_ yes    X no  
Reportable condition(s) identified that are not considered  
to be material weaknesses?                    \_\_\_ yes    X none reported  
Noncompliance material to financial statements noted                    \_\_\_ yes    X no

**State Awards:**

Noncompliance material to financial statements noted                    \_\_\_ yes    X no  
Internal control over the major programs:  
Material weakness(es) identified?                    \_\_\_ yes    X no  
Reportable condition(s) identified that are not considered  
to be material weakness(es)?                    \_\_\_ yes    X none reported

Type of auditors' report issued on compliance for the major program: Unqualified  
Any audit findings disclosed that are required to be reported in  
accordance with Treasury Circular OMB 04-04                    \_\_\_ yes    X no

Identification of major programs:

<u>State Agency Grantor/Program Title</u>	<u>Account Number</u>
NJ State Council on the Arts – General Operating Support	09COTA999ALI
NJ State Council on the Arts – General Operating Support	10COTA999ALI
NJ State Council on the Arts – General Operating Support	0905X010060
NJ State Council on the Arts – General Operating Support	1005X010047
NJ Cultural Trust – Cultural Endowment	09CULT804ACD

Dollar threshold used to distinguish between Type A and Type B programs                    \$300,000

Auditee qualified as low-risk auditee?                    X yes    \_\_\_ no

**THE NEWARK MUSEUM ASSOCIATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**SECTION II - FINDINGS AND QUESTIONED COSTS FOR STATE AWARDS –  
CURRENT YEAR**

There were no instances of noncompliance or questioned costs noted in connection with the Single Audit for the year ended December 31, 2009.

**THE NEWARK MUSEUM ASSOCIATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.)  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR STATE AWARDS –  
PRIOR YEAR**

There were no instances of noncompliance or questioned costs noted in connection with the Single Audit for the year ended December 31, 2008.

**THE NEWARK MUSEUM ASSOCIATION**

**GENERAL INFORMATION**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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Engagement Partner: Joseph Velocci, CPA  
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The Newark Museum Association  
49 Washington Street  
Newark, New Jersey 07101  
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The audit was performed through March 15, 2010 at the Museum in Newark, New Jersey.