

DISCIPLES OF CHRIST HISTORICAL SOCIETY

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2008 and 2007

DISCIPLES OF CHRIST HISTORICAL SOCIETY

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FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Disciples of Christ Historical Society
Nashville, Tennessee

We have audited the accompanying statements of financial position of Disciples of Christ Historical Society (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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.

Because of the lack of available historical records, we were unable to satisfy ourselves regarding the nature and classification of certain net assets received in years prior to our engagement as auditors.

As more fully described in Note 1 to the financial statements, certain property and equipment are stated at estimated appraisal value in the accompanying statements of financial position. Additionally, no depreciation expense is reported. In our opinion, property and equipment should be recorded at cost, if purchased, or at fair value, if donated or contributed, to conform with accounting principles generally accepted in the United States of America, and those amounts should be depreciated over the estimated useful lives of the assets. The effects on the financial statements of the preceding practices are not reasonably determinable.

In our opinion, except for the effects of the matters discussed in the preceding paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Disciples of Christ Historical Society as of December 31, 2008 and 2007, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 13 – 14 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, except for the effects of lack of historical records relating to classification of net assets and property and equipment stated at estimated appraisal values as explained in the second and third preceding paragraphs, respectively, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

February 26, 2009

DISCIPLES OF CHRIST HISTORICAL SOCIETY
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 114,745	\$ 306,919
Investments	2,640,927	4,299,065
Pledges receivable	9,804	6,557
Property and equipment	4,574,865	4,571,864
Beneficial interest in trust	63,830	47,722
Other	225	10,157
	<u> </u>	<u> </u>
Total assets	<u>\$ 7,404,396</u>	<u>\$ 9,242,284</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	<u>\$ 10,317</u>	<u>\$ 25,981</u>
	<u> </u>	<u> </u>
Total liabilities	<u>10,317</u>	<u>25,981</u>
Net assets:		
Unrestricted		
Undesignated	6,325,488	7,599,870
Board designated	154,447	261,306
Temporarily restricted	128,286	569,269
Permanently restricted	785,858	785,858
	<u> </u>	<u> </u>
Total net assets	<u>7,394,079</u>	<u>9,216,303</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 7,404,396</u>	<u>\$ 9,242,284</u>

See accompanying notes.

DISCIPLES OF CHRIST HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and public support:				
Gifts and donations	\$ 259,364	\$ 14,566	\$ -	\$ 273,930
Miscellaneous revenue	21,460	-	-	21,460
Sales and service	8,407	-	-	8,407
Memberships	945	-	-	945
Investment loss	(945,266)	(278,953)	-	(1,224,219)
Net assets released from restrictions	176,596	(176,596)	-	-
Total revenue and public support	<u>(478,494)</u>	<u>(440,983)</u>	<u>-</u>	<u>(919,477)</u>
Expenses:				
Salaries	217,314	-	-	217,314
Museum and library	109,459	-	-	109,459
Repairs and maintenance	74,048	-	-	74,048
Benefits	73,918	-	-	73,918
Technology enhancement	63,822	-	-	63,822
Publications	60,302	-	-	60,302
Other	49,553	-	-	49,553
Professional fees	43,599	-	-	43,599
Travel	41,525	-	-	41,525
Housing	38,216	-	-	38,216
Office	36,611	-	-	36,611
Marketing and advertising	27,272	-	-	27,272
Utilities	21,974	-	-	21,974
Payroll taxes	16,868	-	-	16,868
Insurance	13,607	-	-	13,607
Seminars	10,868	-	-	10,868
Postage and handling	3,791	-	-	3,791
Total expenses	<u>902,747</u>	<u>-</u>	<u>-</u>	<u>902,747</u>
Change in net assets	(1,381,241)	(440,983)	-	(1,822,224)
Net assets, beginning of year	<u>7,861,176</u>	<u>569,269</u>	<u>785,858</u>	<u>9,216,303</u>
Net assets, end of year	<u>\$ 6,479,935</u>	<u>\$ 128,286</u>	<u>\$ 785,858</u>	<u>\$ 7,394,079</u>

See accompanying notes.

DISCIPLES OF CHRIST HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and public support:				
Gifts and donations	\$ 431,443	\$ 1,789	\$ 400	\$ 433,632
Investment income	185,273	50,607	-	235,880
Miscellaneous revenue	23,683	-	-	23,683
Sales and service	9,174	-	-	9,174
Memberships	555	-	-	555
Net assets released from restrictions	132,442	(132,442)	-	-
Total revenue and public support	<u>782,570</u>	<u>(80,046)</u>	<u>400</u>	<u>702,924</u>
Expenses:				
Salaries	207,836	-	-	207,836
Repairs and maintenance	90,331	-	-	90,331
Publications	70,857	-	-	70,857
Benefits	69,467	-	-	69,467
Museum and library	49,070	-	-	49,070
Technology enhancement	46,214	-	-	46,214
Other	39,080	-	-	39,080
Travel	36,437	-	-	36,437
Professional fees	36,033	-	-	36,033
Marketing and advertising	34,452	-	-	34,452
Office	29,488	-	-	29,488
Housing	23,700	-	-	23,700
Utilities	19,955	-	-	19,955
Payroll taxes	15,776	-	-	15,776
Insurance	11,469	-	-	11,469
Seminars	10,000	-	-	10,000
Postage and handling	4,840	-	-	4,840
Total expenses	<u>795,005</u>	<u>-</u>	<u>-</u>	<u>795,005</u>
Change in net assets	(12,435)	(80,046)	400	(92,081)
Net assets, beginning of year	<u>7,873,611</u>	<u>649,315</u>	<u>785,458</u>	<u>9,308,384</u>
Net assets, end of year	<u>\$ 7,861,176</u>	<u>\$ 569,269</u>	<u>\$ 785,858</u>	<u>\$ 9,216,303</u>

See accompanying notes.

DISCIPLES OF CHRIST HISTORICAL SOCIETY
STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,822,224)	\$ (92,081)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized loss on investments	1,640,138	101,363
Changes in operating assets and liabilities:		
Pledges and accounts receivable	(3,247)	74,022
Beneficial interest in trust	1,892	(47,722)
Other	9,932	447
Accounts payable	(15,664)	21,783
Net cash (used in) provided by operating activities	<u>(189,173)</u>	<u>57,812</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(3,001)</u>	<u>(661)</u>
Net cash used in investing activities	<u>(3,001)</u>	<u>(661)</u>
Net (decrease) increase in cash and cash equivalents	(192,174)	57,151
Cash and cash equivalents, beginning of year	<u>306,919</u>	<u>249,768</u>
Cash and cash equivalents, end of year	<u>\$ 114,745</u>	<u>\$ 306,919</u>

See accompanying notes.

DISCIPLES OF CHRIST HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Disciples of Christ Historical Society (“the Society”) was established in 1953 to gather, preserve, and make accessible the historical documents of the Stone-Campbell religious movement. In doing so, the Society maintains and furthers the interest in the religious heritage, background, origin, development and general history of Disciples of Christ, Christian Churches, Churches of Christ and related groups. The Society is a not-for-profit, Tennessee corporation located in Nashville, Tennessee.

Financial Statement Presentation

The Society follows the standards of accounting and reporting prescribed for nonprofit organizations using the accrual basis of accounting.

The Society’s net assets and its support, revenue, expenses, gains, and losses are classified into three classes of net assets based on the existence of donor-imposed restrictions. Net assets of the Society and changes therein are classified as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Such assets may be however, designated by the Society’s board of directors for certain activities.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by 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 statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

Contributions

The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

DISCIPLES OF CHRIST HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Additionally, the Society receives contributed time from volunteers which does not meet the recognition criteria described above. Accordingly, the value of this contributed time, including time contributed by the Society's board of directors, is not reflected in the accompanying financial statements.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Society considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are reported at quoted market values. Gains or losses in the value of such investments are reported in the statements of activities and changes in net assets in the period they occur.

Property and Equipment

Land and buildings are recorded at estimated appraisal value. Furniture and equipment is recorded at cost. Contributions of property and equipment are reported at their fair value. The Society does not record depreciation.

Values attributable to historic collections are only recognized in the financial statements if the values attributable to such historical treasures are measurable in monetary terms.

Concentrations

The Society maintains cash deposits and investments in excess of federally insured limits. Credit risk is managed by maintaining all deposits in high quality financial institutions and by maintaining diversification of investments.

Advertising Costs

The Society expenses advertising costs as incurred.

**DISCIPLES OF CHRIST HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Society has qualified for tax exempt status under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

Investments consisting of various managed portfolios are stated at fair value and consist primarily of the following at December 31:

	<u>2008</u>	<u>2007</u>
Christian Church Foundation Beasley Fund	\$ 1,914,981	\$ 3,198,267
Christian Church Foundation Common Fund	<u>725,946</u>	<u>1,100,798</u>
	<u>\$ 2,640,927</u>	<u>\$ 4,299,065</u>

The Society's investment policy generally requires that 75% of its portfolio be invested in the Beasley Fund (a more aggressive fund) and 25% of the portfolio be invested in the Common Fund (a more conservative fund) of the Christian Church Foundation located in Indianapolis, Indiana.

Investment (loss) income totaled \$(1,224,219) and \$235,880 for the years ended December 31, 2008 and 2007, respectively.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2008</u>	<u>2007</u>
Building	\$ 4,000,000	\$ 4,000,000
Land	100,000	100,000
Furnishings and fixtures	112,454	109,453
Library and museum holdings	325,700	325,700
Office equipment	6,200	6,200
Automobile	<u>30,511</u>	<u>30,511</u>
	<u>\$ 4,574,865</u>	<u>\$ 4,571,864</u>

DISCIPLES OF CHRIST HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

As discussed in Note 1, and consistent with its previous practices, the Society has recorded property and equipment at management's estimate of appraised value for certain assets rather than at historical cost as required by U.S. generally accepted accounting principles. Also, the Society has not recorded depreciation on its property and equipment.

The Society conducts its operations on land conveyed to the Society by Vanderbilt University. Subject to the conveyance, Vanderbilt maintains a right of first refusal should the Society decide to sell its property.

NOTE 4 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2008</u>	<u>2007</u>
Lectureships and seminars	\$ 21,952	\$ 140,070
Building maintenance	39,198	159,742
Building repairs and updates	7,303	77,953
Publications	(26,040)	44,727
Life memberships	3,850	10,192
Internship salary	1,669	7,718
Care and preservation	5,712	25,595
Ph.D. candidate outreach	5,412	24,471
Society expansion	3,880	13,451
Other, including time restrictions	<u>65,350</u>	<u>65,350</u>
Total temporarily restricted net assets	<u>\$ 128,286</u>	<u>\$ 569,269</u>

Permanently restricted net assets consist of endowment funds subject to the restrictions of gift instruments generally requiring that the principal be invested in perpetuity, the income from which is expendable to support the following various purposes at December 31:

	<u>2008</u>	<u>2007</u>
General operations	\$ 417,200	\$ 417,200
Lectureships and seminars	210,576	210,576
Publications	61,160	61,160
Life memberships	11,100	11,100
Internship salary	10,000	10,000
Care and preservation	34,081	34,081
Ph.D. candidate outreach	25,000	25,000
Society expansion	<u>16,741</u>	<u>16,741</u>
Total permanently restricted net assets	<u>\$ 785,858</u>	<u>\$ 785,858</u>

DISCIPLES OF CHRIST HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE 5 – RETIREMENT PLAN

Employees of the Society are covered under a retirement plan as provided by the pension fund of the Christian Church (Disciples of Christ). Under the plan, the Society contributes 14% of covered salaries on behalf of eligible employees. Retirement expense totaled \$31,047 and \$30,209 for the years ended December 31, 2008 and 2007, respectively.

SUPPLEMENTAL INFORMATION

DISCIPLES OF CHRIST HISTORICAL SOCIETY
SCHEDULE OF NET ASSETS BY FUND
December 31, 2008

Fund Name	Unrestricted		Temporarily Restricted	Permanently Restricted	Total Fund Balance
	Undesignated	Board Designated			
General Operations Fund	\$ 6,222,728	\$ -	-	-	\$ 6,222,728
Technology Endowment Fund	-	47,397	-	-	47,397
Equipment and Furnishing Endowment Fund	-	29,923	-	-	29,923
Museum Endowment Fund	-	8,602	-	-	8,602
Willis Jones Endowment Fund	-	26,505	-	-	26,505
Roland & Kitty Huff Endowment Fund	-	8,030	-	-	8,030
Peter & Lynn Morgan Endowment Fund	-	5,146	-	-	5,146
Continuing Education Fund	-	17,290	-	-	17,290
Historical Material Preservation Fund	-	11,554	-	-	11,554
Forrest H. Kirkpatrick Endowment Fund	-	-	16,933	171,374	188,307
Mildred W. Phillips Building Endowment Fund	-	-	39,198	-	39,198
James & Dudley Seale Publications Endowment Fund	-	-	3,128	-	3,128
Wade Rubick Endowment Fund	-	-	3,850	11,100	14,950
Stone-Campbell Publishing Fund	-	-	2,282	-	2,282
Watkins Reading Room Fund	-	-	7,303	-	7,303
Cannon-Benoit Internship Endowment Fund	-	-	1,669	10,000	11,669
Dietrich Bonhoeffer Confessing Church Endowment Fund	-	-	2,734	17,500	20,234
Edward G. Holley Book Endowment Fund	-	-	1,605	10,787	12,392
Carl Ketcherside Scholarship Endowment Fund	-	-	5,412	25,000	30,412
Land Acquisition & Insurance Endowment Fund	-	-	3,880	16,741	20,621
Forrest Reed Lecture Endowment Fund	-	-	3,085	26,452	29,537
Henry Barton Robison Endowment Fund	-	-	1,373	5,794	7,167
Howard E. Short Periodicals Endowment Fund	-	-	(31,450)	61,160	29,710
Joe A. & Nancy Vaughn Stalcup Seminar Endowment Fund	-	-	1,934	12,750	14,684
Eva Jean Wreather Endowment Fund	74,281	-	-	290,350	364,631
Lin & Inez Scott Cartwright Endowment Fund	23,136	-	-	99,000	122,136
Dale & Betty Fiers Endowment Fund	5,343	-	-	27,850	33,193
Brown-McAllister Annuity	-	-	65,350	-	65,350
Total	\$ 6,325,488	\$ 154,447	\$ 128,286	\$ 785,858	\$ 7,394,079

DISCIPLES OF CHRIST HISTORICAL SOCIETY
SCHEDULE OF NET ASSETS BY FUND
December 31, 2007

Fund Name	Unrestricted		Temporarily Restricted	Permanently Restricted	Total Fund Balance
	Undesignated	Board Designated			
General Operations Fund	\$ 7,248,991	\$ -	\$ -	\$ -	\$ 7,248,991
Technology Endowment Fund	-	99,120	-	-	99,120
Equipment and Furnishing Endowment Fund	-	61,120	-	-	61,120
Museum Endowment Fund	-	13,332	-	-	13,332
Willis Jones Endowment Fund	6,281	26,505	-	-	32,786
Roland & Kitty Huff Endowment Fund	2,366	8,030	-	-	10,396
Peter & Lynn Morgan Endowment Fund	1,568	5,146	-	-	6,714
Continuing Education Fund	-	29,040	-	-	29,040
Historical Material Preservation Fund	-	19,013	-	-	19,013
Forrest H. Kirkpatrick Endowment Fund	-	-	122,470	171,374	293,844
Mildred W. Phillips Building Endowment Fund	-	-	159,742	-	159,742
James & Dudley Seale Publications Endowment Fund	-	-	15,440	-	15,440
Wade Rubick Endowment Fund	-	-	10,192	11,100	21,292
Cannon-Benoit Internship Endowment Fund	-	-	7,718	10,000	17,718
Dietrich Bonhoeffer Confessing Church Endowment Fund	-	-	13,144	17,500	30,644
Edward G. Holley Book Endowment Fund	-	-	7,697	10,787	18,484
Carl Ketcherside Scholarship Endowment Fund	-	-	24,471	25,000	49,471
Land Acquisition & Insurance Endowment Fund	-	-	13,451	16,741	30,192
Forrest Reed Lecture Endowment Fund	-	-	18,437	26,452	44,889
Henry Barton Robison Endowment Fund	-	-	4,754	5,794	10,548
Howard E. Short Periodicals Endowment Fund	-	-	29,287	61,160	90,447
Joe A. & Nancy Vaughn Stalcup Seminar Endowment Fund	-	-	(837)	12,750	11,913
Eva Jean Wrather Endowment Fund	241,631	-	-	290,350	531,981
Lin & Inez Scott Cartwright Endowment Fund	80,208	-	-	99,000	179,208
Dale & Betty Fiers Endowment Fund	18,825	-	-	27,850	46,675
Brown-McAllister Annuity	-	-	65,350	-	65,350
Other - Beasley pledge	-	-	77,953	-	77,953
Total	\$ 7,599,870	\$ 261,306	\$ 569,269	\$ 785,858	\$ 9,216,303