

COUNTRY MUSIC FOUNDATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

COUNTRY MUSIC FOUNDATION, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7-16

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Country Music Foundation, Inc.

We have audited the accompanying statements of financial position of the Country Music Foundation, Inc. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Country Music Foundation, Inc. as of December 31, 2009 and 2008, 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.

Dempsey Vantrease & Follis PLLC

Murfreesboro, Tennessee
March 17, 2010

COUNTRY MUSIC FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2009	2008
ASSETS		
Cash and cash equivalents	\$ 598,188	\$ 904,105
Accounts receivable (less allowance of \$29,392 for 2009 and \$11,923 for 2008)	275,273	322,053
Prepaid expenses	59,424	44,970
Inventories	629,740	819,217
Contributions and grants receivable	836,973	1,675,351
Investments	1,601,787	1,082,797
Property, equipment and exhibits	29,538,910	30,476,289
General library	971,414	962,076
Bond financing costs, net of amortization of \$258,272 in 2009 and \$234,059 in 2008	298,635	322,848
TOTAL ASSETS	\$ 34,810,344	\$ 36,609,706
 LIABILITIES		
Accounts payable and accrued expenses	1,437,084	1,603,216
Accrual for McLean settlement	-	750,000
Note payable - line of credit	1,219,995	999,995
Deferred revenue	300,628	360,311
Notes payable	785,490	932,594
Bonds payable	23,035,000	23,535,000
Swap contract	691,250	950,940
TOTAL LIABILITIES	27,469,447	29,132,056
 NET ASSETS		
Unrestricted	4,752,785	4,498,640
Temporarily Restricted	387,612	788,510
Permanently Restricted	2,200,500	2,190,500
TOTAL NET ASSETS	7,340,897	7,477,650
 TOTAL LIABILITIES AND NET ASSETS	\$ 34,810,344	\$ 36,609,706

See accompanying notes to financial statements.

COUNTRY MUSIC FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

	December 31,	
	2009	2008
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Admission fees	\$ 4,730,315	\$ 4,425,330
Museum store sales	2,196,667	2,469,043
Merchandise sales	855,552	874,350
Event revenue	896,256	1,288,702
Royalties	168,016	97,316
Contributions, grants and memberships	2,160,072	1,638,579
Special fundraising events	794,575	239,700
Restaurant/catering	806,548	167,046
Interest	1,203	17,989
Other	53,231	66,319
In-kind donations	130,599	108,502
Gains on investments	160,940	-
Total Unrestricted Support and Revenue	12,953,974	11,392,876
Net assets released from donor restrictions	548,510	1,022,903
TOTAL SUPPORT AND REVENUE	13,502,484	12,415,779
 EXPENSES		
Program services	8,996,225	9,285,104
Administrative	2,080,581	1,988,608
Fundraising	629,134	634,434
Cost of museum store sales	1,032,479	1,201,855
Cost of merchandise sales	266,717	182,553
Cost of restaurant/catering sales	290,361	-
Cost of direct benefits to donors of special event	62,532	57,003
Change in value of interest rate swap	(259,690)	562,604
Settlement	150,000	750,000
Losses on investments	-	160,940
TOTAL EXPENSES	13,248,339	14,823,101
NET INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	254,145	(2,407,322)
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	131,610	272,488
Net assets released from donor restrictions	(548,510)	(1,022,903)
Investment (losses)gains	16,002	(160,247)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(400,898)	(910,662)
 PERMANENTLY RESTRICTED NET ASSETS		
Contributions	10,000	1,050,000
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	10,000	1,050,000
NET DECREASE IN NET ASSETS	(136,753)	(2,267,984)
 NET ASSETS, Beginning of year	7,477,650	9,745,634
 NET ASSETS, End of year	\$ 7,340,897	\$ 7,477,650

See accompanying notes to financial statements.

COUNTRY MUSIC FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	December 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (136,753)	\$ (2,267,984)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,494,710	1,450,044
Contributions restricted for long term purposes	(212,500)	(1,050,000)
Loss on disposal of fixed asset	(15,913)	-
Losses(gains) on restricted investments	(116,942)	328,674
(Increase) decrease in:		
Accounts receivable	46,780	64,773
Pledges receivable	438,378	383,048
Inventories	189,477	(72,323)
Prepaid expenses	(14,454)	(8,571)
Increase (decrease) in:		
Accounts payable and accrued expenses	(916,132)	949,618
Deferred revenue	(59,683)	18,064
Swap contract	(259,690)	562,604
Net Cash Provided by Operating Activities	437,278	357,947
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(526,543)	(1,058,280)
Purchase of investments	(402,048)	(53,398)
Net Cash Used in Investing Activities	(928,591)	(1,111,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	220,000	364,995
Collection of pledges restricted for long-term endowment	410,000	50,000
Contributions received restricted for capital improvements	202,500	-
Principal payments on long-term obligations	(647,104)	(62,233)
Net Cash Provided by Financing Activities	185,396	352,762
NET DECREASE IN CASH	(305,917)	(400,969)
CASH AND CASH EQUIVALENTS, Beginning of Year	904,105	1,305,074
CASH AND CASH EQUIVALENTS, End of Year	\$ 598,188	\$ 904,105
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 805,059	\$ 885,546

See accompanying notes to financial statements.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Country Music Foundation, Inc. is a not-for-profit corporation, formed to identify and to preserve the evolving history and traditions of country music and to educate its audiences. Functioning as a local history museum and as an international arts organization, the Foundation serves visiting and non-visiting audiences including fans, students, scholars, members of the music industry, and the general public – in the Nashville area, the nation, and the world.

The sources of revenues are primarily admission fees, museum store sales, event sales, the sale of Country Music Foundation produced products and contributions. Since the Foundation's operations depend largely upon tourist trade, they are subject to seasonal fluctuations and other conditions common to this type of industry. Effective July 1, 2009, the Foundation formed a single member LLC known as "The Grill" to take over the operations of the restaurant in the museum which is provided for as a convenience to museum patrons. "The Grill" also provides catering services for events. All operations of "The Grill" are included in these financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with general accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at what management expects to collect. Management estimates for uncollectible accounts through a provision for bad debts. The provision is adjusted annually based upon an assessment of the current balances. Once management determines an account is not collectible, it is written off against the provision.

Inventories

Inventories are stated at the lower of cost or market using an average cost method.

Investments

The Foundation follows, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under, ASC 958-320 investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the unrestricted class of net assets unless a donor or law temporarily or permanently restricts the use of the income.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Substantially all of the building and improvement assets are depreciated using the straight-line method over an estimated life of forty years. The remaining assets, except General Library, are depreciated using the straight-line method over a five to ten year estimated life.

Costs of exhibits for display are capitalized and depreciated on a straight-line basis over estimated service lives ranging from two to twenty years.

The General Library's permanent collection is composed of records, tape recordings, books, photographs and magazines which have historical value and are presumed to appreciate with the passage of time. Accordingly, these assets are not depreciated.

Collection Items

In accordance with the provisions of ASC 958-605, *Accounting for Contributions Received and Contributions Made*, the Foundation does not capitalize donated or purchased artifacts or recognize them as revenues or gains. That Statement provides that such donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The estimated fair value of the donated artifacts is \$81,990 in 2009 and \$672,705 in 2008.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Contributions

Unconditional promises to give are recognized as revenue in the period the promise is received. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Foundation had permanently restricted net assets of \$2,200,500 at December 31, 2009 and \$2,190,500 at December 31, 2008. The Foundation had temporarily restricted net assets of \$387,612 at December 31, 2009 and \$788,510 at December 31, 2008.

Financial Instruments

The carrying value of the Foundation's financial instruments (cash, accounts receivable, investments, accounts payable and accrued expenses) approximate fair value due to their current availability or relatively short maturities. Long-term debt carrying amounts also approximate fair value due to the variable rate nature of the loans.

Expense Allocation

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

Endowments

The Foundation accounts for its endowment fund under FASB ASC 958-205, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds" (FASB ASC 958-205), which provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organization's endowment funds whether or not the organization is subject to UPMIFA.

NOTE B - RESTRICTED CASH

No restricted cash was included in cash or cash equivalents for the years ended 2009 and 2008.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

NOTE C – CONTRIBUTIONS RECEIVABLE

Unconditional promises to give at December 31, 2009, are as follows:

	2009	2008
Receivable in less than one year	\$ 205,500	\$ 971,253
Receivable in one to five years	689,000	800,000
Total unconditional promises to give	894,500	1,771,253
Less discounts to net present value	(41,757)	(79,004)
Less allowance for doubtful accounts	(15,770)	(16,898)
Contributions receivable	\$ 836,973	\$ 1,675,351

The discount rate used on long-term promises to give varies between 3.15% and 6.5%.

NOTE D – INVENTORIES

Inventories consist of:

	2009	2008
Museum store	\$ 531,220	\$ 713,423
Foundation press and records	138,379	139,453
	669,599	852,876
Less valuation allowance	(39,859)	(33,659)
	\$ 629,740	\$ 819,217

NOTE E - PROPERTY, EQUIPMENT, AND EXHIBITS

Property, equipment and exhibits consist of:

	2009	2008
Land	\$ 932,700	\$ 932,700
Building and improvements	30,675,866	30,579,514
Furniture, fixtures, and equipment	2,167,828	1,806,154
Exhibits	8,855,546	9,196,712
Vehicles	29,197	29,197
	42,661,137	42,544,277
Less accumulated depreciation	(13,122,227)	(12,067,988)
	\$ 29,538,910	\$ 30,476,289

NOTE F - CONCENTRATION OF CREDIT RISK

Through its normal operations the Foundation will periodically have cash deposits at one financial institution that will exceed federally insured limits.

**COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE G – INVESTMENTS

At December 31, 2009 and 2008, investments consisted of the following:

	<u>2009</u>		<u>2008</u>	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 245,203	\$ 245,203	\$ 315,921	\$ 315,921
Certificates of deposit	40,754	40,754	160,000	160,000
Bonds	383,928	393,115	-	-
Common stocks	924,611	1,004,622	535,770	741,697
Miscellaneous	7,291	40,133	71,106	79,067
	<u>\$ 1,601,787</u>	<u>\$ 1,723,827</u>	<u>\$ 1,082,797</u>	<u>\$ 1,296,685</u>

Investment return on the Foundation's endowment fund is summarized as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 26,599	\$ 30,194
Investment management fees	(6,626)	(8,475)
Net realized and unrealized gains(losses)	156,969	(342,906)
	<u>\$ 176,942</u>	<u>\$ (321,187)</u>
Reported in the statement of activities as follows:		
Endowment income transfer	\$ 60,000	\$ -
Unrestricted gains(losses)	100,940	(160,940)
Temporarily restricted gains(losses)	16,002	(160,247)
	<u>\$ 176,942</u>	<u>\$ (321,187)</u>

NOTE H – ENDOWMENT FUND AND RELATED NET ASSETS

The Foundation's endowment fund consists of various funds established for the ongoing operations of the Foundation. Its endowment includes donor-restricted funds. As disclosed in note A, net assets associated with endowment funds are classified and reported in the Foundation's financial statements based on the existence or absence of specific donor-imposed restrictions. The Foundation classifies the following as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment plus (b) the original value of any subsequent gifts to the permanent endowment. Gains, losses, and other changes in value of the endowment funds are accounted for as temporarily restricted, unless specifically directed by the donor, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

**COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE H – ENDOWMENT FUND AND RELATED NET ASSETS (CONTINUED)

The investment objectives of the Endowment are to:

- 1) Enhance the financial stability of the Foundation.
- 2) Provide a reasonably predictable source of income to the Foundation.
- 3) The primary investment objective of the Endowment is to attain an average annual real total return, net of all fees and non-qualified distributions, of 5.0 percent annualized. A secondary objective of the Endowment is to earn a relative total return equal to or greater than a composite of market indices weighted between equities and fixed income in proportion to the Fund's weightings.
- 4) The Fund will be diversified in marketable securities. As a general rule, no single security should represent more than 10% of the Fund's assets (not applicable to U.S. Government and Agency issues), except that, if a contribution is made to the Fund of a security that represents in excess of 10%, the investment manager will advise the Investment Committee of its outlook for the security and recommend an appropriate period over which it will be diversified to the 10% threshold.
- 5) The Fund may invest in domestic and international equities, preferred and convertible issues, investment grade fixed income securities and ETFs (Exchange Traded Funds), and, in order to limit risk, may sell call options against securities owned.
- 6) The Fund has no defined targets regarding asset allocation between equities and fixed income securities, but the Investment Committee may establish an appropriate asset allocation range within which the investment manager will be expected to conform. The investment manager presents its strategy for achieving the Fund's objectives to the Investment Committee at least annually and communicates any substantive shifts in strategy to the Committee chairman in a timely manner.

The Foundation has spending policies which limit spending to 5% of the average Fund market value for the preceding three years ending December 31 of the most recent calendar year. Such distributions may be made throughout the year at such intervals as may be specified by the Board.

A summary of the endowment activity for December 31, 2009 is as follows:

Endowment net assets, beginning of year	\$ 1,082,797
Contributions	410,000
Amounts appropriated for operations	(60,000)
Net realized and unrealized investment gains	156,968
Investment Income	12,022
Endowment net assets, end of year	<u>\$ 1,601,787</u>

As of December 31, 2009, \$1,585,785 of the endowment is part of permanently restricted net assets and \$16,002 is part of temporarily restricted net assets.

**COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE I - LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 2009 and 2008, consist of the following:

	<u>2009</u>	<u>2008</u>
Industrial revenue bonds	\$ 23,035,000	\$ 23,535,000
Note payable to individuals	358,690	379,694
Bridge loan payable	426,800	552,900
	<u>\$ 23,820,490</u>	<u>\$ 24,467,594</u>

\$27,000,000 in Industrial Revenue Bonds are issued through the Industrial Development Board of the Metropolitan Government of Nashville, Tennessee. The bonds are dated May 4, 1999. Interest on the bonds is payable monthly at variable rates of interest. The interest rate at December 31, 2009 and 2008 was 0.4% and 1.27%, respectively. The bonds are to be redeemed annually commencing June 1, 2002 and ending June 1, 2022. The bonds were secured by an irrevocable letter of credit issued by a bank in the original amount of \$27,399,452.

The letter of credit is currently for \$23,375,793 and expires October 15, 2011. The letter of credit is secured by the related real estate and substantially all assets within the related real estate of the Foundation excluding artifacts. The letter of credit agreement contains certain loan covenants, the most stringent of which require the Foundation to meet certain debt coverage requirements and liquidity requirements. The Foundation is in compliance for the year ended December 31, 2009.

A promissory note payable to an individual was issued on August 4, 2004 and is payable in equal monthly payments of \$4,836 including interest at a fixed rate of 10% and matures on August 14, 2019. It is secured by a Gibson L-5 Guitar. At December 31, 2009, the balance of the note totaled \$358,690.

The bridge loan note payable to SunTrust Bank matured August 2, 2008 and was refinanced on September 22, 2008 and renewed on September 22, 2009. The loan matures September 22, 2010. The monthly payment is \$9,700 principal plus interest at LIBOR plus 2.5 % (2.74% at 12/31/09 and 4.40% at 12/31/08). The unpaid principal balance of the loan at December 31, 2009 was \$426,800.

Principal maturities of all long-term debt are anticipated to be as follows:

<u>Year Ending December 31,</u>	
2010	\$ 1,050,004
2011	845,084
2012	1,028,318
2013	1,181,283
2014	1,234,559
2015 and Thereafter	<u>18,481,242</u>
	<u>\$ 23,820,490</u>

**COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

NOTE J – LINE OF CREDIT

The Foundation has a \$1,500,000 line of credit, of which \$280,005 was unused as of December 31, 2009. Interest is payable on the credit line monthly at a variable rate of LIBOR plus 1.25% (1.48% at 12/31/09 and 3.15% at 12/31/08). This line of credit matures on June 5, 2010. The credit line is unsecured.

NOTE K- RESTRICTED NET ASSETS

Amounts released from restrictions were comprised of the following:

	<u>2009</u>	<u>2008</u>
Timing restrictions on gifts removed	\$ 505,000	\$ 432,500
Funds expended for restricted purpose	<u>43,510</u>	<u>590,403</u>
	<u>\$ 548,510</u>	<u>\$ 1,022,903</u>

Temporarily restricted net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Gifts restricted by timing	\$ 200,000	\$ 705,000
Endowment income	16,002	-
Restricted for future operations	<u>171,610</u>	<u>83,510</u>
	<u>\$ 387,612</u>	<u>\$ 788,510</u>

NOTE L – FEDERAL INCOME TAXES

The Foundation is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Service Code. However, it does have unrelated income from the sale of certain museum store products and event venue rentals and is required to file Form 990-T and pay the applicable tax, if any. Generally, expenses related to these activities are sufficient to reduce taxable income to where no taxes were due in 2008 and none are expected to be due for 2009.

The Foundation accounts for uncertainties in income tax law under Financial Accounting Standards Board (FASB) Accounting Standards Codification 740-10. ASC 740-10 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained by the taxing authority as of the reporting date. If the tax position is not considered "more-likely-than-not" to be sustained, then no benefits of the position are to be recognized. The Foundation has no unrecognized tax benefits for any of the periods presented. To the extent applicable in the future, interest and penalties related to income tax liabilities will be included in pre-tax income as interest expense and tax penalties. At December 31, 2009, the Foundation's tax returns related to fiscal years ended December 31, 2006 through December 31, 2009 remain open to examination by the tax authorities.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

NOTE M – DONATED SERVICES

The Foundation received services included as contributions and expenses in the financial statements valued at \$130,599 for 2009 and \$108,502 for 2008. In addition, numerous volunteers have donated significant time to the Foundation's mission. These amounts are not reflected in the financial statements since they do not meet the criteria for recognition under FASB ASC 958-310.

NOTE N – PROFIT-SHARING RETIREMENT PLAN

The Foundation has a 401-K profit-sharing retirement plan. Substantially all employees are eligible after completing one year of employment and 1,000 hours worked with the Foundation. Employees may contribute a portion of their salary subject to IRS limitations. Throughout the year the Foundation matches 50% of employee contributions with a maximum match of 3%. Related expense amounted to \$63,312 and \$62,463 in 2009 and 2008, respectively.

NOTE O – MINIMUM ANNUAL LEASE COMMITMENTS

The Foundation leases miscellaneous office equipment under operating leases and leases a bus under admissions cost of sales. The final lease terms expire March, 2010. Related office equipment rentals amounted to \$40,259 and \$42,588 and related bus rental expenses amounted to \$18,679 and \$18,679 for the years ended December 31, 2009 and 2008.

NOTE P – ADVERTISING

The Foundation uses advertising to promote its programs. The production costs of advertising are expensed as incurred. Advertising costs totaled \$869,691 in 2009 and \$973,111 in 2008.

NOTE Q – DERIVATIVE

The Foundation has an interest rate swap agreement effective March 1, 2007 with a bank related to the bond issue to minimize the effects of changing interest rates. The agreement contains an interest rate swap and an interest rate collar. The swap requires the Foundation to pay interest on the notional amount 3.49% and receive interest at 67% of USD-LIBOR. The interest rate collar has a cap strike rate of 4% and a floor strike rate of 2.84%. The floating rate under the collar is 67% of USD-LIBOR. The notional amount of the swap and collar at December 31, 2009 was \$7,206,667 and at December 31, 2008 was \$7,535,000 and decreases on June 1 of each year based on estimated principal payments per the agreement. The agreement expires March 1, 2012. The swap and collar are settled on the first day of each month. The net settlement cost of the swap was \$436,055 in 2009 and \$200,165 in 2008. At December 31, 2009 the fair value of the swap and collar was a liability of \$691,250 and is reported in the statement of net assets as a liability.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

NOTE R – FAIR VALUE MEASUREMENTS

The fair values of assets measured on a recurring basis at December 31, 2009 are as follows:

	Quoted Prices in Active Markets for for Identical Assets (Level 1 inputs)	Significant Other Observable Inputs (Level 2)
Investments	\$ 1,601,787	
Interest rate swap agreement	\$ 1,601,787	\$ 691,250
	\$ 1,601,787	\$ 691,250

Fair values for investments are based upon quoted market prices. The fair value of the interest rate swap contract is valued by using a cash flow model based upon anticipated interest rates and discounting the estimated future cash flow to its current present value.

NOTE S – SUBSEQUENT EVENT

Subsequent events have been evaluated through March 17, 2010, which is the date the financial statements were available to be issued. The Foundation has entered into a new interest rate swap agreement effective March 19, 2010 with a bank, which replaces the former swap agreement. The swap requires the Foundation to pay interest of 4.57% on the notional amount and receive 67% of USD-LIBOR. The notional amount of the swap on its effective date is \$23,035,000, and decreases on August 19 and December 19 each year based on estimated principal payments per the agreement. The agreement expires March 19, 2015.

The Foundation has a commitment from SunTrust Bank to refinance its Industrial Revenue bonds. Under the new agreement, the bonds will be converted from tax-exempt variable rate demand bonds to tax-exempt term loan bonds held exclusively by SunTrust Bank. The bonds will mature June 1, 2022. The bank has the option to "put" the bonds back to the Foundation every fifth anniversary from the date of closing. Interest on the bonds is payable monthly at variable rates of interest. The interest rate on the bonds has been fixed through the new interest rate swap agreement for the first five years. The bonds contain a negative pledge agreement on the real estate of the museum location. The bond agreement contains certain loan covenants which are substantially the same as under the prior letter of credit agreement.