

COUNTRY MUSIC FOUNDATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

COUNTRY MUSIC FOUNDATION, INC.

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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, 2010 and 2009, 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, 2010 and 2009, 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, 2011

COUNTRY MUSIC FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2010	2009
ASSETS		
Cash and cash equivalents	\$ 435,604	\$ 598,188
Trade accounts receivable (less allowance of \$94,445 for 2010 and \$29,392 for 2009)	306,215	275,273
Other receivables	376,823	-
Prepaid expenses	22,485	59,424
Inventories	541,613	629,740
Contributions and grants receivable	3,823,201	836,973
Investments	1,831,471	1,601,787
Property, equipment and exhibits	28,666,266	29,538,910
Collection items(Note A)	-	-
General library	983,352	971,414
Bond financing costs, net of amortization of \$282,485 in 2010 and \$258,272 in 2009	274,422	298,635
TOTAL ASSETS	\$ 37,261,452	\$ 34,810,344
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,564,744	\$ 1,437,084
Note payable - line of credit	540,000	1,219,995
Deferred revenue	215,634	300,628
Notes payable	-	785,490
Bonds payable	20,522,189	23,035,000
Swap contract	1,554,621	691,250
TOTAL LIABILITIES	24,397,188	27,469,447
NET ASSETS		
Unrestricted	7,182,533	4,752,785
Temporarily restricted	3,481,231	387,612
Permanently restricted	2,200,500	2,200,500
TOTAL NET ASSETS	12,864,264	7,340,897
TOTAL LIABILITIES AND NET ASSETS	\$ 37,261,452	\$ 34,810,344

See accompanying notes to financial statements.

COUNTRY MUSIC FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

	December 31,	
	2010	2009
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Admission fees	\$ 4,645,686	\$ 4,730,315
Museum store sales	2,030,314	2,196,667
Merchandise sales	852,230	855,552
Event revenue	1,031,681	896,256
Royalties	140,413	168,016
Contributions, grants and memberships	5,248,200	2,160,072
Special fundraising events	906,187	794,575
Restaurant/catering	1,872,779	806,548
Interest	1,206	1,203
Other revenues	152,247	53,231
In-kind donations	193,057	130,599
Insurance proceeds	589,102	-
Gains on investments	60,000	160,940
Total Unrestricted Support and Revenue	17,723,102	12,953,974
Net assets released from donor restrictions	186,857	548,510
TOTAL SUPPORT AND REVENUE	17,909,959	13,502,484
 EXPENSES		
Program services	9,575,053	8,996,225
Administrative	2,154,879	2,080,581
Fundraising	634,209	629,134
Cost of museum store sales	921,987	1,032,479
Cost of merchandise sales	247,502	266,717
Cost of restaurant/catering sales	633,262	290,361
Cost of direct benefits to donors of special event	106,448	82,532
Change in value of interest rate swap	863,371	(259,690)
Settlement	343,500	150,000
TOTAL EXPENSES	15,480,211	13,248,339
NET INCREASE IN UNRESTRICTED NET ASSETS	2,429,748	254,145
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	3,250,792	131,610
Net assets released from donor restrictions	(186,857)	(548,510)
Investment gains	29,684	16,002
INCREASE(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	3,093,619	(400,898)
 PERMANENTLY RESTRICTED NET ASSETS		
Contributions	-	10,000
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	-	10,000
NET INCREASE (DECREASE) IN NET ASSETS	5,523,367	(136,753)
 NET ASSETS, Beginning of year	7,340,897	7,477,650
 NET ASSETS, End of year	\$ 12,864,264	\$ 7,340,897

See accompanying notes to financial statements.

COUNTRY MUSIC FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase(decrease) in net assets	\$ 5,523,367	\$ (136,753)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,552,448	1,494,710
Contributions restricted for long term purposes	(3,250,000)	(212,500)
Gain(loss) on disposal of fixed assets	(85,735)	(15,913)
Gains on restricted investments	(29,684)	(116,942)
(Increase) decrease in:		
Trade accounts and other receivables	(407,765)	46,780
Pledges receivable	(3,186,228)	438,378
Inventories	88,127	189,477
Prepaid expenses	36,939	(14,454)
Increase (decrease) in:		
Accounts payable and accrued expenses	127,661	(916,132)
Deferred revenue	(84,994)	(59,683)
Swap contract	863,371	(259,690)
Net Cash Provided by Operating Activities	<u>1,147,507</u>	<u>437,278</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of fixed assets	197,807	-
Capital expenditures	(779,602)	(526,543)
Purchase of investments	(200,000)	(402,048)
Net Cash Used in Investing Activities	<u>(781,795)</u>	<u>(928,591)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Net repayments) borrowings on line of credit	(679,995)	220,000
Collection of pledges restricted for long-term endowment	200,000	410,000
Contributions received restricted for long-term purposes	3,250,000	202,500
Principal payments on long-term obligations	(3,298,301)	(647,104)
Net Cash(Used) Provided by Financing Activities	<u>(528,296)</u>	<u>185,396</u>
NET DECREASE IN CASH	(162,584)	(305,917)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>598,188</u>	<u>904,105</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 435,604</u>	<u>\$ 598,188</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 808,588</u>	<u>\$ 805,059</u>

See accompanying notes to financial statements.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

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 Two Twenty Two Grill & Catering("222") to take over the operations of the restaurant in the museum which is provided for as a convenience to museum patrons. "222" also provides catering services for events. All operations of "222" 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, 2010 and 2009

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 in \$192,425 in 2010 and \$81,990 in 2009.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

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, 2010 and \$2,200,500 at December 31, 2009. The Foundation had temporarily restricted net assets of \$3,481,231 at December 31, 2010 and \$387,612 at December 31, 2009.

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 2010 and 2009.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

NOTE C – CONTRIBUTIONS RECEIVABLE

Unconditional promises to give at December 31, 2010, are as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 3,455,500	\$ 205,500
Receivable in one to five years	405,500	689,000
Total unconditional promises to give	<u>3,861,000</u>	<u>894,500</u>
Less discounts to net present value	(12,029)	(41,757)
Less allowance for doubtful accounts	<u>(25,770)</u>	<u>(15,770)</u>
Contributions receivable	<u>\$ 3,823,201</u>	<u>\$ 836,973</u>

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

NOTE D – INVENTORIES

Inventories consist of:

	<u>2010</u>	<u>2009</u>
Museum store	\$ 426,539	\$ 531,220
Foundation press and records	159,144	138,379
	<u>585,683</u>	<u>669,599</u>
Less valuation allowance	<u>(44,070)</u>	<u>(39,859)</u>
	<u>\$ 541,613</u>	<u>\$ 629,740</u>

NOTE E - PROPERTY, EQUIPMENT, AND EXHIBITS

Property, equipment and exhibits consist of:

	<u>2010</u>	<u>2009</u>
Land	\$ 932,700	\$ 932,700
Building and improvements	30,817,157	30,675,866
Furniture, fixtures, and equipment	2,251,697	2,167,828
Exhibits	9,161,983	8,855,546
Vehicles	29,197	29,197
	<u>43,192,734</u>	<u>42,661,137</u>
Less accumulated depreciation	<u>(14,526,468)</u>	<u>(13,122,227)</u>
	<u>\$ 28,666,266</u>	<u>\$ 29,538,910</u>

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, 2010 and 2009

NOTE G – INVESTMENTS

At December 31, 2010 and 2009, investments consisted of the following:

	<u>2010</u>		<u>2009</u>	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 61,776	\$ 61,776	\$ 245,203	\$ 245,203
Certificates of deposit	-	-	40,754	40,754
Bonds	717,857	715,847	383,928	393,115
Common stocks	1,044,560	988,331	924,611	1,004,622
Miscellaneous	7,278	-	7,291	40,133
	<u>\$ 1,831,471</u>	<u>\$ 1,765,954</u>	<u>\$ 1,601,787</u>	<u>\$ 1,723,827</u>

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

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 33,207	\$ 26,599
Investment management fees	(11,322)	(6,626)
Net realized and unrealized gains	67,799	156,969
	<u>\$ 89,684</u>	<u>\$ 176,942</u>
Reported in the statement of activities as follows:		
Endowment income transfer	\$ 60,000	\$ 60,000
Unrestricted gains	-	100,940
Temporarily restricted gains	29,684	16,002
	<u>\$ 89,684</u>	<u>\$ 176,942</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, 2010 and 2009**

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, 2010 and 2009 is as follows:

	2010	2009
Endowment net assets, beginning of year	\$ 1,601,787	\$ 1,082,797
Contributions	200,000	410,000
Amounts appropriated for operations	(60,000)	(60,000)
Net realized and unrealized investment gains	67,799	156,968
Investment Income	21,885	12,022
Endowment net assets, end of year	<u>\$ 1,831,471</u>	<u>\$ 1,601,787</u>

As of December 31, 2010, \$1,785,785 of the endowment is part of permanently restricted net assets and \$45,686 is part of temporarily restricted net assets.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

NOTE I - LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Industrial revenue bonds	\$ 20,522,189	\$ 23,035,000
Note payable to individuals	-	358,690
Bridge loan payable	-	426,800
	<u>\$ 20,522,189</u>	<u>\$ 23,820,490</u>

During the year ending December 31, 2010, the Foundation refinanced the 1999 Series Bonds by issuing \$23,035,000 in Industrial Revenue Bonds through the Industrial Development Board of the Metropolitan Government of Nashville, Tennessee. The bonds are dated March 1, 2010. Interest on the bonds is payable monthly at a fixed rate of interest. The interest rate at December 31, 2010 and 2009 was 1.85% and .4%, respectively. The bonds are to be redeemed in two payments each year on August 19 and December 19 with final maturity on June 1, 2022. The bonds are secured by a negative pledge on the Foundation's assets, excluding artifacts, in favor of the bondholder and are subject to a credit and guaranty agreement between the Foundation and the bondholder. The agreement allows the bondholder to call the bonds on March 1, 2015 and on the fifth anniversary of each March 1 thereafter.

The 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, 2010.

A promissory note payable to an individual was issued on August 4, 2004 and was payable in equal monthly payments of \$4,836 including interest at a fixed rate of 10% and matured on August 14, 2019. It was secured by a Gibson L-5 Guitar. The note was paid off during 2010.

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

<u>Year Ending December 31,</u>	
2011	\$ -
2012	-
2013	-
2014	1,200,000
2015	1,500,000
2016 and Thereafter	<u>17,822,189</u>
	<u>\$ 20,522,189</u>

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

NOTE J – LINE OF CREDIT

The Foundation has a \$1,500,000 line of credit, of which \$960,000 was unused as of December 31, 2010. Interest is payable on the credit line monthly at a variable rate of LIBOR plus 1.25% (1.51% at 12/31/10 and 1.48% at 12/31/09). This line of credit matures on June 24, 2011. The credit line is unsecured.

NOTE K- RESTRICTED NET ASSETS

Amounts released from restrictions were comprised of the following:

	<u>2010</u>	<u>2009</u>
Timing restrictions on gifts removed	\$ 100,000	\$ 505,000
Funds expended for restricted purpose	<u>86,857</u>	<u>43,510</u>
	<u>\$ 186,857</u>	<u>\$ 548,510</u>

Temporarily restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Gifts restricted by timing	\$ 3,350,000	\$ 200,000
Endowment income	45,686	16,002
Restricted for future operations/expansion	<u>85,545</u>	<u>171,610</u>
	<u>\$ 3,481,231</u>	<u>\$ 387,612</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 the taxes, if any, are not significant to the Foundation's operations.

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, 2010, the Foundation's tax returns related to fiscal years ended December 31, 2007 through December 31, 2010 remain open to examination by the tax authorities.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

NOTE M – DONATED SERVICES

The Foundation received services included as contributions and expenses in the financial statements valued at \$193,057 for 2010 and \$130,599 for 2009. 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 \$70,512 and \$63,312 in 2010 and 2009, 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 \$44,146 and \$40,259 and related bus rental expenses amounted to \$18,679 and \$18,679 for the years ended December 31, 2010 and 2009.

NOTE P – ADVERTISING

The Foundation uses advertising to promote its programs. The production costs of advertising are expensed as incurred. Advertising costs totaled \$952,924 in 2010 and \$869,691 in 2009.

NOTE Q – DERIVATIVE

The Foundation has an interest rate swap agreement effective March 1, 2007 and later amended on March 19, 2010 with a bank related to the bond issue to minimize the effects of changing interest rates. The swap requires the Foundation to pay interest on the notional amount 4.57% and receive interest at 67% of USD-LIBOR. The notional amount of the swap at December 31, 2010 was \$22,435,000 and at December 31, 2009 was \$7,206,667 and decreases on August 19 and December 19 of each year based on estimated principal payments per the agreement. The agreement expires March 19, 2015. The net settlement cost of the swap was \$473,173 in 2010 and \$436,055 in 2009. At December 31, 2010 the fair value of the swap was a liability of \$1,554,621 and is reported in the statement of net assets as a liability. In 2009 the liability for the prior swap and collar was \$691,250.

COUNTRY MUSIC FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

NOTE R – FAIR VALUE MEASUREMENTS

The fair values of assets measured on a recurring basis at December 31, 2010 are as follows:

	Quoted Prices in Active Markets for for Identical Assets (Level 1 inputs)	Significant Other Observable Inputs (Level 2)
Investments	\$ 1,831,471	
Interest rate swap agreement		1,554,621
	<u>\$ 1,831,471</u>	<u>\$ 1,554,621</u>

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 EVENTS

Subsequent events have been evaluated through March 17, 2011, which is the date the financial statements were available to be issued.

NOTE T – EXPANSION COMMITMENT

The Foundation has signed an agreement with the new City Convention Center Authority of the Metropolitan Government of Nashville and Davidson County("the Authority") to expand its facility by adding approximately 200,000 square feet to its existing facility which would tie into a new hotel development adjacent to the Museum. The projected cost of the expansion of the shell of the building is expected to be approximately \$28 million. The Authority has agreed to fund up to \$34 million. The Foundation's total exposure for the shell of the building is limited to \$750,000. The build out of the expansion is expected to cost \$15 million and is the responsibility of the Foundation. The Foundation is in the process of a capital campaign to retire debt and also fund its expansion plans.

NOTE U – FLOOD INSURANCE PROCEEDS

In May of 2010 the Museum suffered significant flood damage. Almost all repairs necessary were covered by insurance. In addition, the Museum had to close for four days and experienced a loss of revenue from this event. The Museum received approximately \$589,000 in insurance proceeds to cover this loss of revenue.