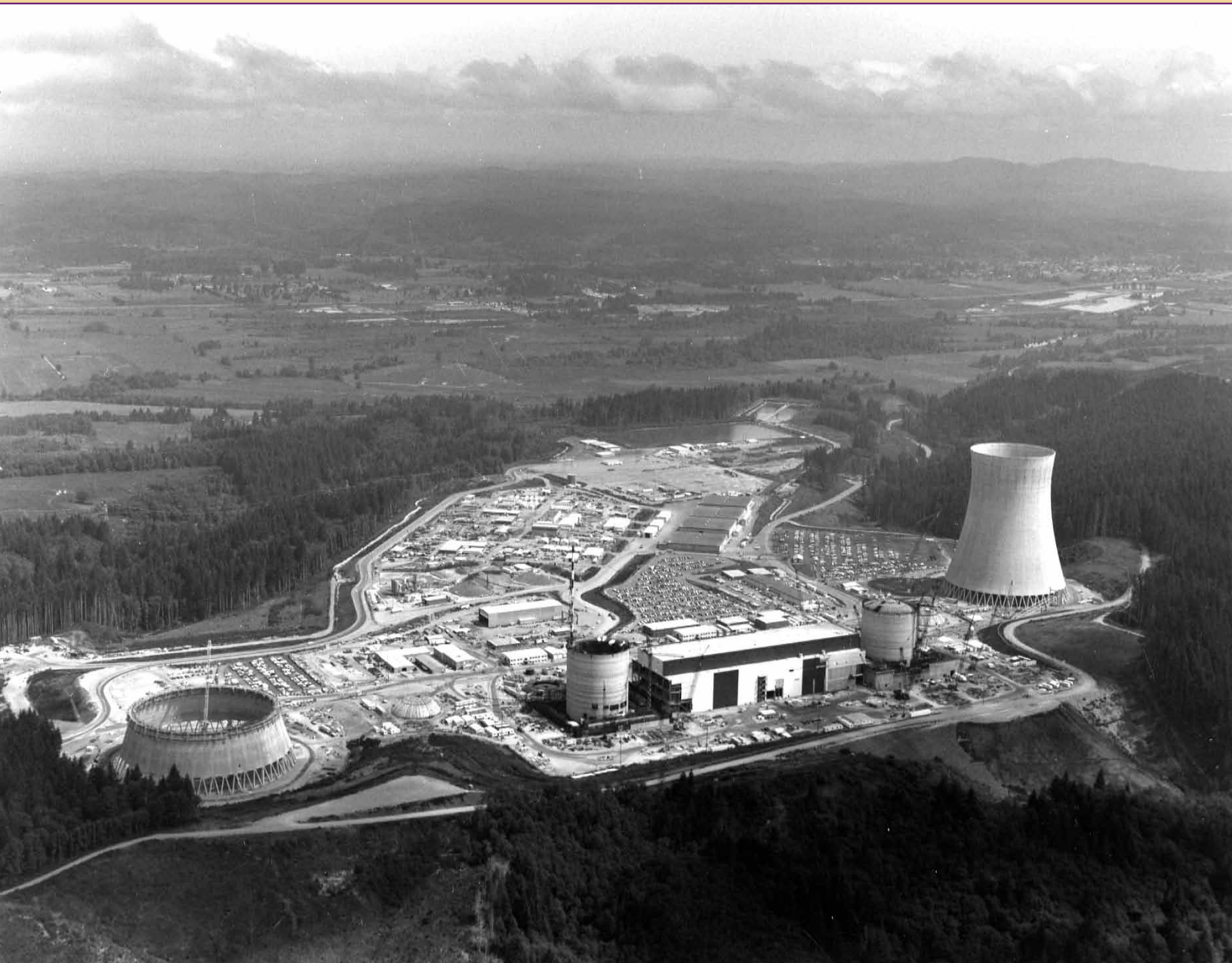


SECURITIES AND EXCHANGE COMMISSION HISTORICAL SOCIETY

www.sechistorical.org

The Virtual Museum and Archive of the History of Financial Regulation



2015

ANNUAL REPORT

2015 Annual Report

The 2015 Annual Report includes the narrative of activities, list of donors and audited financial statements of the Securities and Exchange Commission Historical Society from January 1 through December 31, 2015.

Carla L. Rosati, CFRE, *Editor*

Donald Norwood Design, *Design and Publication*

Photos by Seavone Photography and from the virtual museum and archive at www.sechistorical.org

Securities and Exchange Commission Historical Society

The Securities and Exchange Commission Historical Society, through its virtual museum and archive at www.sechistorical.org, shares, preserves and advances knowledge of the history of financial regulation. The Society is a 501(c)(3) non-profit organization, independent of the U.S. Securities and Exchange Commission.

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VISIT THE VIRTUAL MUSEUM AND ARCHIVE AT WWW.SECHISTORICAL.ORG.

ON THE COVER: *Washington Public Power Supply System Power Plants 3 and 5 (courtesy Washington State Archives), part of The Municipal Securities Rulemaking Board Gallery on Municipal Securities Regulation*



June 4, 2015 Linda Chatman Thomsen

Letter from the President

December 31, 2015

Dear Friends:

On behalf of all of the Trustees of the SEC Historical Society, it is my very great privilege and pleasure to present the 2015 Annual Report.

With this report, we pause to thank the many people and organizations who make the mission of the SEC Historical Society, including the development and expansion of our wonderful virtual museum and archive of the history of financial regulation at www.sechistorical.org, possible. To the thousands of museum visitors each and every day, the generous and steadfast donors, the sponsors and contributors to museum exhibits and materials, and the hardworking staff, advisors and trustees – our heartfelt thanks.

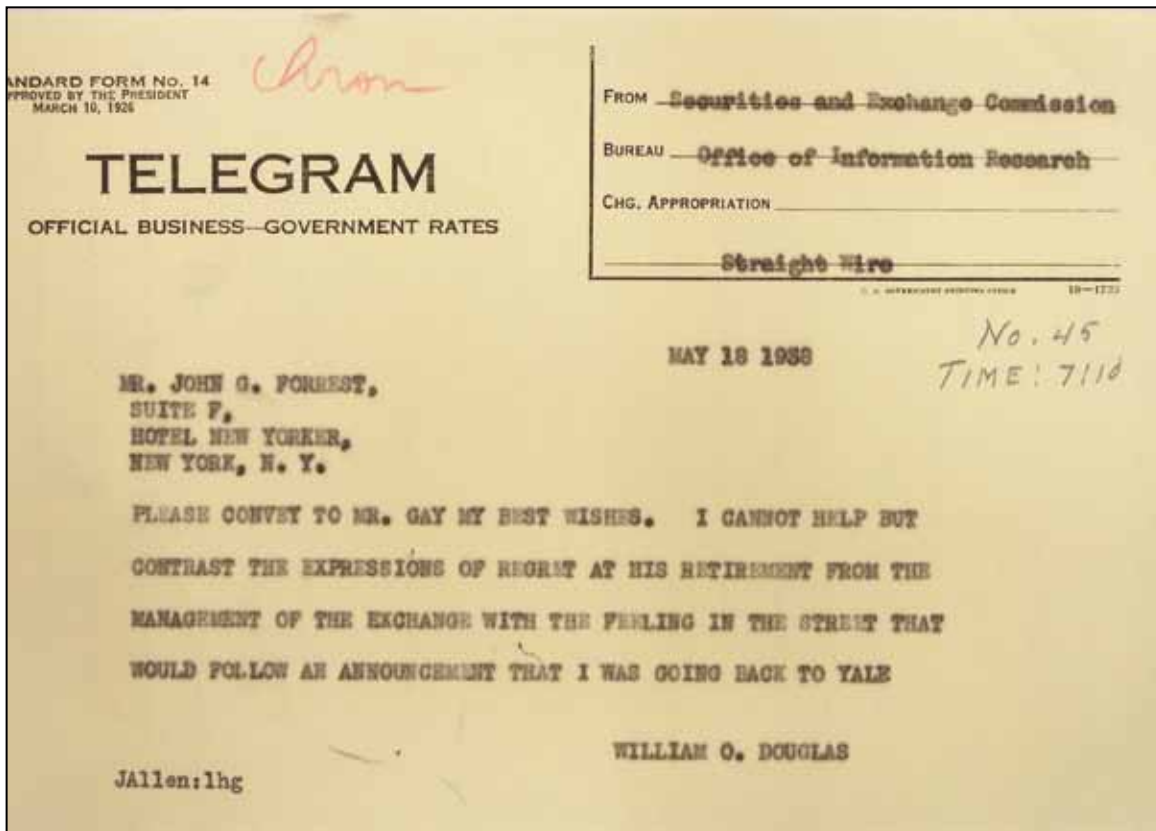
For an overview of the developments over this year, I commend the following report from Carla Rosati, the Society's Executive Director. I also urge you to visit the two Galleries that opened this year – one recognizing the roles and progressive participation of women at the SEC and at NASD/FINRA, and the other examining municipal securities regulation, made possible through the generous support of the Municipal Securities Rulemaking Board on its 40th anniversary.

Of course, while this is an occasion to review the accomplishments during the year, it is also an occasion to look to the future. I vividly remember when both the Society and the virtual museum and archive were launched, 16 years and 13 years ago respectively. We look forward to an exciting future and the Board of Trustees, with the participation and support of the Board of Advisors and Trustees Emeritus, is acutely focused on that future.

Thank you for your steadfast support and participation.

Sincerely,

Linda Chatman Thomsen
2015-16 President, Board of Trustees



May 18, 1938 Telegram to John Forrest, New York Stock Exchange from SEC Chairman William O. Douglas

Report from the Executive Director

This year was a time of transition for our virtual museum and archive of the history of financial regulation at www.sechistorical.org. When the museum opened on June 1, 2002, it was built for use on desktop computers, the only computers available at the time. When tablet computers debuted, the museum infrastructure was re-adapted to facilitate access on both devices. Now, with the prevalence of smartphones, the museum has once again been re-adapted to allow for use on mobile devices, in addition to desktop and tablet computers.

Whatever the platform used, all visitors – regulators, self-regulators, practitioners and the academic community – can remain confident of the integrity and independence of www.sechistorical.org, of transparency and disclosure within its unique collection, and of its commitment to share, preserve and advance knowledge of the history of financial regulation.

The museum actions that began and ended 2015

highlight how the virtual museum and archive addresses the wide spectrum of financial regulation. On April 16th, the museum broadcast “COSO at Thirty Years,” commemorating the three decades of service of the Committee of Sponsoring Organizations of the Treadway Commission.

“The recommendations that were made back in ’87 pretty much paralleled what went into the Sarbanes-Oxley Act of 2002. The issues about public reporting on internal control over financial reporting, the issues related to tone at the top, the ethical commitment, again stronger audit committees, all became entrenched.”
– Larry Rittenberg, April 16, 2015 COSO at Thirty Years

The museum concluded the year with the opening of its 14th Gallery: The Municipal Securities Rulemaking Board Gallery on Municipal Securities Regulation. This Gallery was prompted by the building of the 2010 The Institution of Experience: Self-Regulatory Organizations in the Securities Industry Gallery. There wasn’t sufficient space in that Gallery to appropriately incor-

porate municipal securities regulation, but we understood that it remained an important subject for the museum to address. The building of the Gallery culminated with the June 4th broadcast of “The Remaking of the Municipal Market.”

“Greed is an amazing thing in the capital markets. Bond insurers had a cash machine. They would get an upfront premium and they would be able to assume they would not have to pay off the bonds. They may have to pay a debt service for one or two periods until there is a workout, and because a lot of municipal bonds were refinanced, they then accrue the entire premium to the bottom line. It was an amazing business, but they blew it up.”
 — W. Bartley Hildreth, June 4, 2015 The Remaking of the Municipal Market

Thanks to the generous support of The Municipal Securities Rulemaking Board, in recognition of its 40th anniversary, the Gallery opened on December 1st and — in the words of Society trustee David B.H. Martin — “for many people, this will become the first place they go to get grounded with an essential understanding of the muni market and its regulatory underpinnings.”

2015 was also only the third time in the museum’s history that two Galleries opened during the same year. The Open Door: Roles of Women in Securities Regulation Gallery opened on May 1st, bringing together for the first time the unique voices, images and words of women at the U.S. Securities and Exchange Commission and NASD/FINRA from the 1930s to the present.

Programs continued to address cutting edge issues in financial regulation, thanks to the high caliber of the three sponsored programs broadcast during the fall. With the support of Morgan Lewis & Bockius LLP, Morgan Lewis Presents 2015: Burning Issues at the SEC broadcast on September 29th.

“I think broken windows has gotten a bad rap. I think maybe the moniker isn’t all that great, and on some level I have always regarded these kinds of cases as being really infrastructure cases. I see them not as wasting resources but as helping, it’s like a force multiplier, which is a phrase or term [SEC Chair] Mary Jo [White] has used on a number of occasions. If you’re picking the right areas and you can beef up compliance in particular areas, then you’re either going to stop problems from developing, or at least you’re going to make them easier to detect.”

— Andrew Calamari, September 29, 2015 Morgan Lewis Presents 2015: Burning Issues at the SEC



December 5, 1936 Telegram to Allen Throop, SEC from Howard Judy, SEC Regional Administrator

On October 22nd, the 11th program in the Deloitte Fireside Chats series, looking at disclosure effectiveness, broadcast live on www.sechistorical.org. Deloitte LLP has sustained its generous partnership for the series since 2009, and it has become the most visited program section in the museum, with over 37,000 visitors accessing one or more programs since its debut.

“I would tell you that from a preparer standpoint, I think the discussion we’re having today is really about the clarity point, both with using non-jargon language, more plain English where we can reorder things, try to put accounting policies next to the footnote that has the numbers, try to reduce redundancies between the forepart of the document and the back part of the document. I don’t think it’s as much if you look at our goals today around disclosure effectiveness, as much around timely, accurate or complete, but more about clarity.”

— Daniel Murdock, October 22, 2015 Deloitte Fireside Chat XI: Disclosure Effectiveness

The museum’s final broadcast of 2015 — the November 12th The Experts Forum: FTI Consulting | Compass

Lexecon program - became the program year's most prescient topic, addressing the impact of falling oil prices on financial reporting.

"The issues is any time you've got an industry going through challenges, whether it's the financial markets crisis that occurred that was so devastating in so many ways, or the decline in the price of oil, it results in the auditor being more sensitive and skeptical to the issues at hand. The risk of the accounting that Chris [Champion] talked about, the risk of overstatement of assets, the risk of not booking accruals for severance when you dismissed people, the risk of not booking assets held for sale at fair value; all those type of risk factors impact in the price of oil decline has on the company is important."

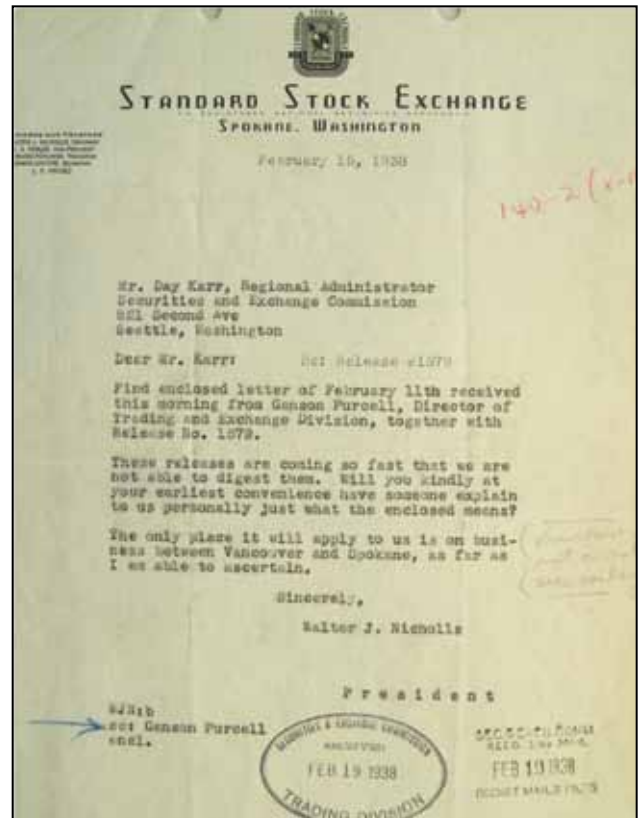
— Gary Goolsby, November 12, 2015 The Experts Forum: The Impact of Falling Oil Prices on Financial Reporting

Features, on the front page of www.sechistorical.org each month, remain an important part of museum access and outreach, highlighting materials on a subject or anniversary in financial regulation. Morrison & Foerster LLP continued its sponsorship of the August Back to School Feature. Also in August, the museum provided a Feature on the 75th anniversary that month of the enactment of the Investment Company Act and Investment Advisers Act, including a statement from President Franklin D. Roosevelt on his signing of the Acts:

"As the pressure of international affairs increase, we are ready for the emergency because of our fight to put our domestic affairs on a true democratic basis. We are cleaning house, putting our financial machinery in good order. This program is essential, not only because it results in necessary reforms, for the much more important reason that it will enable us to absorb the shock of any crisis."

— From October 18, 1940 The Sin of Perfectionism – Address of SEC Chairman Jerome Frank, in Papers in the museum

Looking forward to 2016, the virtual museum and archive will open its 15th Gallery on the executive branch and financial regulation, including the June 2nd live broadcast of "At the Crossroads of the White House and the SEC: A Conversation with Richard Breeden." It will begin accession of papers and oral histories interviews for the 2017 Gallery on investment company regulation. Features during the year will include Back to School and "Treasures in the Collection," highlighting significant primary and original materials on financial regulation only to be found in our museum.



February 15, 1938 Letter to Day Karr, SEC Seattle Regional Administrator from Walter Nicholls, Standard Stock Exchange

The virtual museum and archive is our unique and proudest achievement, providing trusted information and materials from verified sources, integrating knowledge from across the spectrum of financial regulation, and harnessing the power of the Internet to make it free and accessible worldwide at all times. Your investment ensures that the museum will remain an integral agent of transparency and disclosure within financial regulation. Thanks to you, we will continue to preserve the integrity and independence of www.sechistorical.org for all.

Carla L. Rosati

Carla L. Rosati, CFRE

December 31, 2015



1930s Wall Street Traders (courtesy of Library of Congress).

This photo represents the establishment of the U.S. Securities and Exchange Commission in the "American Enterprise" continuing exhibit at the National Museum of American History in Washington, D.C.

In Support of the Museum and Society in 2015

The SEC Historical Society thanks the following donors for their support of our work from January 1, 2015 through December 31, 2015. Donors with \$ designated their contributions for the virtual museum and archive at www.sechistorical.org.

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To the Board of Trustees
 Securities and Exchange Commission
 Historical Society
 Washington, D.C.

We have audited the accompanying financial statements of the Securities and Exchange Commission Historical Society (the Society), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2015, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Society's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman, Rosenberg & Freedman
 March 16, 2016

FINANCIAL STATEMENTS

Securities And Exchange Commission Historical Society

FOR THE YEAR ENDED DECEMBER 31, 2015

Statement of Financial Position

as of December 31, 2015 with summarized financial information for 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 835,768	\$ 690,119
Investments	626,567	733,747
Grants and contributions receivable	72,500	154,575
Prepaid expenses	23,366	23,738
Total current assets	1,558,201	1,602,179
EQUIPMENT AND SOFTWARE		
Equipment	4,250	4,250
Computer software	14,743	14,743
Less: Accumulated depreciation and amortization	(18,993)	(18,082)
Net equipment and software	—	911
OTHER ASSETS		
Virtual museum and archive collections	1,959,344	1,823,487
Donated artwork	25,000	25,000
Security deposit	7,000	7,000
Grants and contributions receivable, net of current portion	13,646	77,025
Total other assets	2,004,990	1,932,512
TOTAL ASSETS	\$ 3,563,191	\$ 3,535,602
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 26,962	\$ 26,041
Deferred rent abatement	2,524	410
Total current liabilities	29,486	26,451
LONG-TERM LIABILITIES		
Long-term portion of deferred rent abatement	3,888	5,083
Total liabilities	33,374	31,534
NET ASSETS		
Unrestricted:		
Undesignated	713,282	668,572
Investment in virtual museum and archive collections	1,959,344	1,823,487
Board designated reserve fund	723,545	734,984
Total unrestricted net assets	3,396,171	3,227,043
Temporarily restricted	133,646	277,025
Total net assets	3,529,817	3,504,068
TOTAL LIABILITIES AND NET ASSETS	\$ 3,563,191	\$ 3,535,602

Statement of Activities and Change in Net Assets

For the year ended December 31, 2015 with summarized financial information for 2014

	2015			2014	
	Unrestricted	Temporarily Restricted	Total	Total	
REVENUE					
Grants and contributions	\$ 518,013	\$ 59,546	\$ 577,559	\$ 628,563	
Interest and investment income	4,723	—	4,723	20,470	
Net assets released from donor restrictions	202,925	(202,925)	—	—	
Total revenue	725,661	(143,379)	582,282	649,033	
EXPENSES					
Program Services:					
Virtual Museum and Archive	480,405	—	480,405	468,946	
Supporting Services:					
General and Administrative	69,967	—	69,967	74,960	
Development and Fundraising	6,161	—	6,161	7,616	
Total supporting services	76,128	—	76,128	82,576	
Total expenses	556,533	—	556,533	551,522	
Change in net assets	169,128	(143,379)	25,749	97,511	
Net assets at beginning of year	3,227,043	277,025	3,504,068	3,406,557	
NET ASSETS AT END OF YEAR	\$ 3,396,171	\$ 133,646	\$ 3,529,817	\$ 3,504,068	

Statement of Functional Expenses

For the year ended December 31, 2015 with summarized financial information for 2014

	2015				2014	
	Virtual Museum and Archive	Supporting Services General and Administrative	Development and Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 229,976	\$ 36,180	\$ —	\$ 36,180	\$ 266,156	\$ 263,400
Benefits	94,144	14,811	—	14,811	108,955	100,574
Printing and production	7,350	2,161	—	2,161	9,511	10,403
Professional fees	—	19,766	2,299	22,065	22,065	22,321
Occupancy	—	88,425	—	88,425	88,425	88,548
Depreciation and amortization	—	911	—	911	911	912
Telephone	8,689	7,496	1,365	8,861	17,550	19,582
Travel	3,246	—	—	—	3,246	7,729
Postage and delivery	1,462	3,536	1,375	4,911	6,373	5,429
Supplies	1,611	2,503	128	2,631	4,242	3,118
Events and meetings	3,999	—	—	—	3,999	5,025
Museum maintenance	9,316	—	—	—	9,316	9,486
Subscriptions and other fees	—	14,790	994	15,784	15,784	14,995
Sub-total	359,793	190,579	6,161	196,740	556,533	551,522
Allocation of general and administrative	120,612	(120,612)	—	(120,612)	—	—
TOTAL	\$ 480,405	\$ 69,967	\$ 6,161	\$ 76,128	\$ 556,533	\$ 551,522

Statement of Cash Flows

For the year ended December 31, 2015 with summarized financial information for 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 25,749	\$ 97,511
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	911	912
Unrealized loss (gain) on investments	7,975	(8,415)
(Increase) decrease in:		
Grants and contributions receivable	145,454	131,052
Prepaid expenses	372	(3,381)
Increase (decrease) in:		
Accounts payable and accrued liabilities	921	(7,420)
Deferred rent abatement	919	4,230
Net cash provided by operating activities	182,301	214,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(762,434)	(400,000)
Proceeds from maturity of investments	861,639	451,131
Accession of virtual museum and archive collections	(135,857)	(164,832)
Net cash used by investing activities	(36,652)	(113,701)
Net increase in cash and cash equivalents	145,649	100,788
Cash and cash equivalents at beginning of year	690,119	589,331
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 835,768	\$ 690,119

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization –

The Securities and Exchange Commission Historical Society (the Society) is a 501(c)(3) nonprofit organization, incorporated in the District of Columbia. The Society shares, preserves and advances knowledge of the history of financial regulation through its virtual museum and archive at www.sechistorical.org. The Society is independent of the U.S. Securities and Exchange Commission and receives no funding from the public sector. Significant accounting policies followed by the Society are presented below.

The Society operated the following program in 2015:

Virtual Museum and Archive:

The virtual museum and archive is the preeminent online source for trusted and verified information and material on the regulation of the capital markets. The museum is free and accessible worldwide at all times, and is built and exhibited independent of the U.S. Securities and Exchange Commission.

Basis of presentation –

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASBASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Cash and cash equivalents –

The Society considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank de-

posit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Society maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments –

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in interest and investment income in the Statement of Activities and Change in Net Assets.

Grants and contributions receivable –

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. All grants and contributions receivable are expected to be collected within two years.

Equipment and software –

Equipment and software in excess of \$1,500, which have been purchased, are stated at cost. Donated equipment and software are valued at their appraised value. Equipment and software are depreciated using the straight-line method. Provisions for depreciation and amortization are based on estimated useful lives of three years for software, five years for computer equipment and seven years for all other equipment. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes –

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Society is not a private foundation.

Uncertain tax positions –

For the year ended December 31, 2015, the Society has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification –

The net assets are reported in two self-balancing groups as follows:

• **Unrestricted net assets** include unrestricted grants and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Society and include both internally designated and undesignated resources.

• **Temporarily restricted net assets** include grants and contributions subject to donor-imposed stipulations that will be met by the 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 Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions –

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. If the donor stipulation for temporarily restricted grants and contributions are met in the year notification is received, grants and contributions are shown as unrestricted net assets in the accompanying financial statements. Funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses –

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

Risks and uncertainties –

The Society invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement –

The Society adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. The Society accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments, at their readily determinable fair value, consisted of the following at December 31, 2015:

	COST	FAIR VALUE
Certificates of Deposit	\$ 300,000	\$ 300,083
Corporate Bonds	206,168	210,503
Exchange-Traded Funds	99,657	115,981
TOTAL INVESTMENTS	\$ 605,825	\$ 626,567

Included in interest and investment income for the year ended December 31, 2015 are the following:

Interest	\$ 12,698
Unrealized loss	(7,975)
TOTAL INTEREST AND INVESTMENT INCOME	\$ 4,723

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2015, contributors to the Society have made written promises to give totaling \$87,075.

Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 3.25%.

Grants are due as follows at December 31, 2015:

Less than one year	\$ 72,500
One to five years	14,575
Total	87,075
Less: Allowance to discount balance to present value	(929)
GRANTS RECEIVABLE	\$ 86,146

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015:

W. Hardy Callcott	\$ 28,646
Deloitte LLP	25,000
FTI Consulting and Compass Lexecon	25,000
Federal Bar Association	25,000
Sidley Austin LLP	10,000
Other	15,000
Time restricted	5,000
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 133,646

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors or the passage of time:

Municipal Securities Rulemaking Board	\$ 50,000
Morgan Lewis & Bockius LLP	25,000
Committee of Sponsoring Organizations of the Treadway Commission	25,000
W. Hardy Callcott	15,425
Deloitte LLP	25,000
FTI Consulting and Compass Lexecon	25,000
Federal Bar Association	7,500
Sidley Austin LLP	10,000
Other	15,000
Passage of time	5,000

TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 202,925
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6. LEASE COMMITMENT

The Society entered into a 36-month lease that began on October 1, 2010, with a base rent of \$5,630 per month. The lease includes a pro-rata share of operating expenses and any increase in real estate taxes and assessments over amounts stipulated in the lease agreement, increasing by a factor of 8% per year. On June 17, 2013, the Society extended the lease for another 48 months, with a base rent of \$6,830 per month, increasing by a factor of 4% per year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as deferred rent abatement in the Statement of Financial Position.

Occupancy expense for the year ended December 31, 2015 totaled \$88,425. Total future minimum payments under the lease commitment are as follows:

Year Ending December 31,

2016	\$ 89,534
2017	69,145
	<u>\$ 158,679</u>

7. VIRTUAL MUSEUM AND ARCHIVE COLLECTION

The Society has capitalized the collection of the Virtual Museum and Archive since the museum's inception in March 2002.

On December 31, 2015, the museum collection totaled 7,651 primary materials: papers; photos; oral histories; programs; film, radio and television media; Timeline developments; and Gallery essays. No materials were deaccessioned from the collection in 2015.

For the year ended December 31, 2015, the costs to utilize outside vendors in building the collection of the virtual museum and archive totaled \$135,857. As of December 31, 2015, the accumulated costs incurred in building the virtual museum and archive totaled \$1,959,344.

The fair market value of the virtual museum and archive, as of June 30, 2012, was in excess of the carrying value at December 31, 2015.

8. SAVINGS PLAN

The Society maintains a Savings Plan (the Plan) under Section 403(b) of the Internal Revenue Code for its employees. The Society makes matching contributions of 100% of elected employee deferrals up to the maximum limits as stipulated by the Internal Revenue Code. Employees are 100% vested upon entry into the Plan. For the year ended December 31, 2015, contributions to the Plan totaled \$41,550.

9. BOARD DESIGNATED NET ASSETS

The Board of Trustees of the Society established a \$500,000 Board designated fund to assure continuation of the Society. The value of this fund as of December 31, 2015 was \$723,545.

The fund is comprised of certificates of deposit, corporate bonds and exchange-traded funds totaling \$626,567 and cash and money funds totaling \$96,978, which are included in investments and cash and cash equivalents, respectively, in the accompanying Statement of Financial Position.

10. EXECUTIVE DIRECTOR'S ACCRUED TIME

The Executive Director currently has an accrued time balance of 350 hours, including 240 vacation hours carried over from previous years, and 110

hours granted by the Board of Trustees in 2009. For the year ended December 31, 2015, the value of the Executive Director's accrued time was \$26,962 and is included in the accompanying financial statements in accounts payable and accrued liabilities.

11. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Society has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Society has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2015:

• *Certificates of Deposit* – Generally valued at original cost plus accrued interest, which approximates fair value.

• *Corporate Bonds* – Valued at the closing price reported on the active market in which the individual securities are traded.

• *Exchange-Traded Funds* – The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, the Society's investments as of December 31, 2015:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Asset Class – Investments:				
Certificates of Deposit	\$ –	\$ 300,083	\$ –	\$ 300,083
Corporate Bonds	210,503	–	–	210,503
Exchange-Traded Funds	115,981	–	–	115,981
TOTAL	\$ 326,484	\$ 300,083	\$ –	\$ 626,567

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through March 16, 2016, the date the financial statements were issued.

Building the Museum Collection

The SEC Historical Society thanks the following donors of material to the collection of the virtual museum and archive at www.sechistorical.org in 2015:

Mark Beasley	Merri Jo Gillette
David Becker	Gary Goolsby
David Bergers	Shauna Guner
Timothy Burke	Ira Hammerman
George Bush Presidential Library and Museum	W. Bartley Hildreth
George W. Bush Presidential Library and Museum	Lynn Hume
Andrew Calamari	Isaac Hunt
California State Archives	Philip Khinda
Roel Campos	James Kroeker
Christopher Champion	David Landsittel
Committee of Sponsoring Organizations of the Treadway Commission	Arthur Levitt Papers, Columbia University in the City of New York
Peter Derby	Craig Lewis
Kenneth Durr	Library of Congress
Marcy Edwards	Juan Marcelino
Jill Fisch	David Martin
Edward Fleischman	James McConnell
FINRA	Kathryn McGrath
Jay Freedman and Sandra Sabel	James McKinney
George Fritz	Municipal Securities Rulemaking Board
Edward Bennett Williams Law Library, Georgetown University	Daniel Murdock
	National Archives and Records Administration
	Thomas Omberg
	Mauri Osheroff



Washington Public Power Supply Board of Directors in the Spotlight (courtesy Washington State Archives), part of The Municipal Securities Rulemaking Board Gallery on Municipal Securities Regulation

Troy Paredes	Robert Moses Papers, New York Public Library
Fiona Philip	Richard Walker
Gary Previts	Steven Wallman
Giovanni Prezioso	Washington State Archives
Larry Rittenberg	Harrison Williams Papers, Rutgers University Libraries
Richard Rowe	David Woodcock
David Ruder	
Erik Sirri	
Richard Steinberg	