



## 2014 Annual Report

The 2014 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, 2014.

Carla L. Rosati, CFRE, *Editor*

Donald Norwood Design, *Design and Publication*

Photos by Donovan Marks Photography, Scavone Photography and from the virtual museum and archive at [www.sechistorical.org](http://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](http://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](http://WWW.SECHISTORICAL.ORG).

ON THE COVER: Participants in programs broadcast on [www.sechistorical.org](http://www.sechistorical.org) during 2014: (top row) June 5, 2014 Jill Fisch; June 5, 2014 Kenneth Durr; July 24, 2014 William Thomas; June 5, 2014 Cynthia Fornelli; September 15, 2014 Andrew Ceresney; (second row) October 8, 2014 Joseph Ucuozglu; September 15, 2014 Eric Grossman; July 24, 2014 Angela Goelzer; November 6, 2014 Craig Lewis; June 5, 2014 Ann Yerger; (third row) July 24, 2014 Marianne Smythe; November 6, 2014 James Overdahl; (fourth row) June 5, 2014 Keith Higgins; September 15, 2014 Joaquin Sena; October 8, 2014 J. Michael Cook; November 6, 2014 Jason Kravitt; July 24, 2014 Stacy Chittick; (bottom row) November 8, 2014 Christopher Culp; September 15, 2014 Timothy Burke; September 15, 2014 Eric Roiter; October 8, 2014 Mark Peecher; June 5, 2014 John Olson



*June 5, 2014 W. Hardy Callcott*

## Letter from the President

December 31, 2014

Dear Friends:

My fellow trustees of the SEC Historical Society and I are proud to share with you this 2014 Annual Report, including a narrative of our work this year, the audited financial statements of our activities, and recognition of our donors in 2014.

I commend to you the following Report from Carla Rosati, our Executive Director and founder of the virtual museum and archive of the history of financial regulation at [www.sechistorical.org](http://www.sechistorical.org), on the phenomenal growth and outreach of the museum this year. The museum not only set new records in visitors and use, but also inaugurated important new sponsorships in programs, Features and Galleries; and laid the groundwork for exciting new initiatives for the coming years. In December, we launched The Center for Audit Quality Gallery on Corporate Governance, which is already getting strong and sustained attention from museum visitors. We continue to be mindful of the consistent, trusted and valued service that the museum offers to all of us.

This year marks the 15<sup>th</sup> anniversary of the founding of the Society in 1999. The Board of Trustees has begun to plan strategy for the Society going forward, to provide a sound future for both the organization and for the virtual museum and archive. In this effort, we thank the participation of the Board of Advisors and of the Trustees Emeritus – our former colleagues on the Board of Trustees – in helping to determine the next decades of our work.

In the midst of on-going financial challenges for many non-profit organizations, the Society continues to grow and thrive, thanks in large part to the continued generosity of the many individuals and organizations whose gifts and grants are acknowledged in this Annual Report. The audited financial statements are a witness to the care we take in stewardship of the funds we receive.

My fellow trustees and I remain grateful for your participation and support.

Sincerely,

A handwritten signature in black ink that reads "W. Hardy Callcott". The signature is written in a cursive style with a long, sweeping underline.

W. Hardy Callcott  
2014-15 President





*June 21, 1990 SEC Commission and staff outside the Budapest Stock Exchange: Gary Fendler, J. Carter Beese, William Hyman, Richard Breeden, Richard Ketchum, Michael Mann, James Doty and Linda Quinn (gift of Michael Mann)*

## Report from the Executive Director

Last year, the virtual museum and archive of the history of financial regulation at [www.sechistorical.org](http://www.sechistorical.org) attracted just under 600,000 visitors. This year, the museum welcomed the same number – and a million more!

[www.sechistorical.org](http://www.sechistorical.org) served a phenomenal **1,642,204** users in 2014, affirming – as the 2012 fair market value study found – that the virtual museum and archive is the premier, trusted and permanent online resource of the history of financial regulation. Just twelve years since its founding, the museum is now firmly established as the preeminent source for trusted and verified information and materials on the regulation of the capital markets.

Behind every statistic are persons like you. Museum visitors this year included regulators from federal, state and municipal agencies, with a growing number from

international agencies; self-regulators; practitioners from corporations and law, accounting and auditing, and financial services firms; and professors and students in law, business and economics. Each day, visitors accessed over 8,800 materials, well in excess of the museum collection’s current total of 7,000 materials.

These numbers demonstrate the necessity of keeping the museum collection accessible at all times. But it also requires us to build and enhance the information available each year. In 2014, the virtual museum and archive made significant additions to its collection and outreach.

This year marked the debut of The Experts Forum: FTI Consulting | Compass Lexecon, our new economics program series, with the November 6th inaugural broadcast, examining Dodd-Frank, derivatives and

structured finance. We are grateful for the generous support of FTI Consulting and Compass Lexecon in sponsoring this annual broadcast, discussing cutting edge issues at the intersection of finance, economics and regulation.

On October 8th, the tenth Deloitte Fireside Chat was broadcast, addressing financial reporting. Deloitte LLP has sustained its generous sponsorship since 2009 to make possible these interactive programs on current issues in financial regulation of interest to the accounting and auditing professions.

The Bingham Presents series has provided quality broadcasts on current issues in financial regulation of interest to the legal profession since 2009, and this year's program on September 15th – examining current issues in broker-dealer enforcement – was a strong addition to the series. We are grateful to Morgan Lewis & Bockius LLP for continuing sponsorship of the series for 2015, and look forward to the broadcast of Morgan Lewis Presents 2015 next September.

Oral Histories – always a well-used section of the museum – was enhanced this year with over a dozen interviews conducted for the building of The Municipal Securities Rulemaking Board Gallery on Municipal Securities Regulation, to open in 2015 in recognition of the MSRB's 40th anniversary. James Brigagliano was the subject of the inaugural Sidley Austin interview, as part of Sidley Austin LLP's multi-year sponsorship commitment to preserve the remembrances of persons significant to financial regulation.

Features, on the front page of [www.sechistorical.org](http://www.sechistorical.org) each month, are an important part of museum access and outreach, in highlighting materials on a subject or anniversary in financial regulation. Morrison & Foerster LLP debuted its sponsorship of the August Back to School Feature this year, and – following the Feature's success – renewed its sponsorship through 2016. The museum also provided Features on the 20th anniversary of "pay to play" regulation, the 75th anniversary of the founding of the National Association of Securities Dealers, Inc. (now FINRA), and the 80th anniversary of the Securities Exchange Act of 1934 and the establishment



*June 24, 1965 G. Keith Funston, New York Stock Exchange  
(All rights are owned exclusively by NYSE Euronext © 2007 NYSE Euronext, All Rights Reserved, courtesy New York Stock Exchange Archives)*

of the U.S. Securities and Exchange Commission.

2014 ended with the opening of The Center for Audit Quality Gallery on Corporate Governance, the museum's 12th permanent Gallery, bringing together materials from throughout the collection, linked together through the framework essay prepared by curators Dr. Kenneth Durr and Robert K.D. Colby of History Associates, Inc. This Gallery was made possible through the generous support of the Center for Audit Quality, honoring Robert J. Kueppers for his significant contributions to the public company auditing profession and for his leadership and dedication to the mission of the Center for Audit Quality.

We worked during the year to prepare two Galleries to open in 2015: The Open Door: Roles of Women in Securities Regulation Gallery in May, and The Municipal Securities Rulemaking Board Gallery on Municipal Securities Regulation in December. We began planning for the 2016 Gallery on the role of the executive branch of government in financial regulation, beginning with research within the newly-opened archives of the George W. Bush Presidential Library.

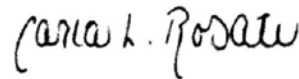
This year, we began preparations for new accession and activities in 2015 and beyond. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) will partner with the museum to commemorate

COSO's 30th anniversary next year, with a program broadcast on April 16th and with COSO materials added to the collection.

Board of Trustees President W. Hardy Callcott made the largest single trustee gift to date for the building of a Gallery on investment management for 2017. His gift commitment was in addition to his leadership in securing 100% personal giving from the Board of Trustees in 2014. The gifts of the Board of Trustees were significant in another way; for the first time, the total of their gifts fulfilled the necessary overhead costs of the organization. That meant that all contributions from individuals and institutions – whether designated for the museum or given in general support – went directly to enable the virtual museum and archive's access, building and outreach this year.

Soon after the founding of the virtual museum and archive in 2002, we recognized that it was fulfilling a need that we did not know existed: the need for 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 available worldwide at all times. The virtual museum and archive is now an integral agent of transparency and disclosure within financial regulation.

Going forward, our goal is to preserve the integrity and independence of the virtual museum and archive for all. We look forward to your sustained friendship and support to make possible the lasting growth and outreach of [www.sechistorical.org](http://www.sechistorical.org).



Carla L. Rosati, CFRE

December 31, 2014



1939 SEC Women's Bowling League: Alice Ketsch, Public Utility Division (bottom row – far right); Mrs. Roy Long, Public Utility Division (bottom row – middle) – her twin sister (name unknown) is to her left; Martha Stuckel, Public Utility Division (second row – far right). Unidentified woman from Personnel next to Martha Stuckel – “One reported to her when arriving at the SEC for the day. I can recall her hospitality and her making one feel at ease.” (gift of and identification provided by Francis Trainor)





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*November 3, 1961 SEC Commission with Regional Administrators (gift of Mahlon and Joan Frankhauser)*

## In Support of the Museum and Society in 2014

The SEC Historical Society thanks the following donors for their support of our work from January 1, 2014 through December 31, 2014. Donors with § designated their contributions for the virtual museum and archive at [www.sechistorical.org](http://www.sechistorical.org).

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1943 SEC Chairman Ganson Purcell (right) at SEC War Loan Drive

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## PLANNED GIFT COMMITMENTS

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Anonymous  
Carla L. Rosati §

## INDEPENDENT AUDITOR'S REPORT

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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 19, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman, Rosenberg & Freedman  
March 18, 2015

# FINANCIAL STATEMENTS

## Securities And Exchange Commission Historical Society

FOR THE YEAR ENDED DECEMBER 31, 2014

### Statement of Financial Position

as of December 31, 2014 with summarized financial information for 2013

ASSETS	2014	2013
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 9)	\$ 690,119	\$ 589,331
Investments (Notes 2, 9 and 10)	733,747	776,463
Grants and contributions receivable, current (Note 3)	154,575	185,000
Prepaid expenses	23,738	20,357
Deferred rent abatement (Note 6)	—	4,230
<b>Total current assets</b>	<b>1,602,179</b>	<b>1,575,381</b>
<b>EQUIPMENT AND SOFTWARE</b>		
Equipment	4,250	4,250
Computer equipment	14,743	14,743
Less: Accumulated depreciation and amortization	(18,082)	(17,170)
<b>Net equipment and software</b>	<b>911</b>	<b>1,823</b>
<b>OTHER ASSETS</b>		
Virtual museum and archive collections (Note 7)	1,823,487	1,658,655
Donated artwork	25,000	25,000
Security deposit (Note 6)	7,000	7,000
Grants and contributions receivable, net of current portion (Note 3)	77,025	177,652
<b>Total other assets</b>	<b>1,932,512</b>	<b>1,868,307</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,535,602</b>	<b>\$ 3,445,511</b>
<b>LIABILITIES AND NET ASSETS</b>	<b>2014</b>	<b>2013</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 26,041	\$ 33,461
Deferred rent abatement (Note 6)	410	—
<b>Total current liabilities</b>	<b>26,451</b>	<b>33,461</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term portion of deferred rent abatement (Note 6)	5,083	5,493
<b>Total liabilities</b>	<b>31,534</b>	<b>38,954</b>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	668,572	554,780
Investment in virtual museum and archive collections (Note 7)	1,823,487	1,658,655
Board designated reserve fund (Note 9)	734,984	777,970
<b>Total unrestricted net assets</b>	<b>3,227,043</b>	<b>2,991,405</b>
Temporarily restricted (Note 4)	277,025	415,152
<b>Total net assets</b>	<b>3,504,068</b>	<b>3,406,557</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,535,602</b>	<b>\$ 3,445,511</b>

## Statement of Activities and Change in Net Assets

For the year ended December 31, 2014 with summarized financial information for 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Grants and contributions	\$ 541,538	\$ 87,025	\$ 628,563	\$ 951,538
Interest and investment income (Note 2)	20,470	—	20,470	11,980
Net assets released from donor restrictions (Note 5)	225,152	(225,152)	—	—
<b>Total revenue</b>	<b>787,160</b>	<b>(138,127)</b>	<b>649,033</b>	<b>963,518</b>
<b>EXPENSES</b>				
Program Services:				
Virtual Museum and Archive	468,946	—	468,946	449,045
Supporting Services:				
General and Administrative	74,960	—	74,960	65,906
Development and Fundraising	7,616	—	7,616	29,399
<b>Total supporting services</b>	<b>82,576</b>	<b>—</b>	<b>82,576</b>	<b>95,305</b>
<b>Total expenses</b>	<b>551,522</b>	<b>—</b>	<b>551,522</b>	<b>544,350</b>
Change in net assets	235,638	(138,127)	97,511	419,168
Net assets at beginning of year	2,991,405	415,152	3,406,557	2,987,389
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 3,227,043</b>	<b>\$ 277,025</b>	<b>\$ 3,504,068</b>	<b>\$ 3,406,557</b>

## Statement of Functional Expenses

For the year ended December 31, 2014 with summarized financial information for 2013

	2014				2013	
	Virtual Museum and Archive	Supporting Services General and Administrative	Development and Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 224,134	\$ 39,266	\$ —	\$ 39,266	\$ 263,400	\$ 255,023
Benefits (Note 8)	85,581	14,993	—	14,993	100,574	92,167
Printing and production	6,937	3,466	—	3,466	10,403	13,129
Professional fees	—	18,598	3,723	22,321	22,321	22,340
Occupancy (Note 6)	—	88,548	—	88,548	88,548	78,636
Depreciation and amortization	—	912	—	912	912	912
Telephone	8,930	9,381	1,271	10,652	19,582	19,378
Travel	7,729	—	—	—	7,729	8,974
Postage and delivery	1,599	2,568	1,262	3,830	5,429	5,391
Supplies	1,366	1,752	—	1,752	3,118	4,751
Events and meetings	5,025	—	—	—	5,025	10,635
Museum maintenance	9,486	—	—	—	9,486	14,336
Equipment expenses	—	—	—	—	—	1,829
Subscriptions and other fees	—	13,635	1,360	14,995	14,995	16,849
Sub—total	350,787	193,119	7,616	200,735	551,522	544,350
Allocation of general and administrative	118,159	(118,159)	—	(118,159)	—	—
<b>TOTAL</b>	<b>\$ 468,946</b>	<b>\$ 74,960</b>	<b>\$ 7,616</b>	<b>\$ 82,576</b>	<b>\$ 551,522</b>	<b>\$ 544,350</b>



## Statement of Cash Flows

For the year ended December 31, 2014 with summarized financial information for 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 97,511	\$ 419,168
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	912	912
Unrealized (gain) loss on investments	(8,415)	786
(Increase) decrease in:		
Grants and contributions receivable	131,052	(212,652)
Prepaid expenses	(3,381)	1,190
Deferred rent abatement	4,230	(4,230)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(7,420)	(4,253)
Deferred rent abatement	—	1,227
Net cash provided by operating activities	214,489	202,148
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(400,000)	(499,656)
Proceeds from maturity of investments	451,131	600,000
Accession of virtual museum and archive collections	(164,832)	(216,084)
Net cash used by investing activities	(113,701)	(115,740)
Net increase in cash and cash equivalents	100,788	86,408
Cash and cash equivalents at beginning of year	589,331	502,923
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 690,119</b>	<b>\$ 589,331</b>

### 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](http://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 2014:

#### Virtual Museum and Archive:

The Virtual Museum and Archive serves as the premier, trusted and permanent resource of the history of financial regulation. The museum is built and exhibited independent of the U.S. Securities and Exchange Commission. It is free and accessible worldwide at all times, and welcomed 1,642,204 visitors in 2014.

#### 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, 2013, 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 deposit 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 its 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, 2014, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

### 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

Grants and contributions are recorded as revenue when notification of the gift is received from the donor. Donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donor-restricted grants and contributions received 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 consisted of the following at December 31, 2014:

	COST	MARKET VALUE
Certificates of Deposit	\$ 400,000	\$ 400,281
Corporate Bonds	209,291	215,594
Exchange-Traded Funds	99,657	117,872
<b>TOTAL INVESTMENTS</b>	<b>\$ 708,948</b>	<b>\$ 733,747</b>

Included in interest and investment income for the year ended December 31, 2014 are the following:

Interest	\$ 12,055
Unrealized gain	8,415
<b>TOTAL INTEREST AND INVESTMENT INCOME</b>	<b>\$ 20,470</b>

## 3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2014, contributors to the Society have made written promises to give totaling \$234,575. 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, 2014:

Less than one year	\$ 154,575
One to five years	80,000
Total	234,575
Less: Allowance to discount balance to present value	(2,975)
<b>GRANTS RECEIVABLE</b>	<b>\$ 231,600</b>

## 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2014:

Municipal Securities Rulemaking Board	\$ 50,000
Deloitte LLP	49,213
FTI Consulting	49,213
W. Hardy Callcott	43,599
Bingham McCutchen LLP (now Morgan, Lewis & Bockius LLP)	25,000
Committee of Sponsoring Organizations of Treadway Commission	25,000
Sidley Austin LLP	20,000
Morrison & Foerster LLP	10,000
Time restricted	5,000
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ 277,025</b>

## 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	\$ 48,426
Deloitte LLP	22,664
FTI Consulting	22,664
W. Hardy Callcott	5,000
Bingham McCutchen LLP (now Morgan, Lewis & Bockius LLP)	24,213
Sidley Austin LLP	9,685
Morrison & Foerster LLP	5,000
Center for Audit Quality	50,000
Ernst & Young LLP	30,000
Time restricted	7,500
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>\$ 225,152</b>

## 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, plus 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, 2014 totaled \$88,548. Total future minimum payments under the lease commitment are as follows:

Year Ending December 31,	
2015	\$ 86,091
2016	89,534
2017	69,145
	<b>\$ 244,770</b>

## 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, 2014, the museum collection totaled 7,004 primary materials: papers; photos; oral histories; programs; film, radio and television media; Timeline developments; and Gallery essays. No materials were de-accessioned from the collection in 2014.

For the year ended December 31, 2014, costs incurred in building the collection of the Virtual Museum and Archive totaled \$164,832. As of December 31, 2014, the accumulated costs incurred in building the Virtual Museum and Archive totaled \$1,823,487.

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, 2014.

## 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, 2014, contributions to the Plan totaled \$34,177.

## 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 at December 31, 2014 was \$734,984. The fund is comprised of certificates of deposit, corporate bonds and exchange-traded funds totaling \$733,747 and money funds totaling \$1,237, included in investments and cash and cash equivalents, respectively, in the accompanying Statement of Financial Position.

## 10. 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, 2014:

- *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, 2014:

ASSET CLASS INVESTMENTS:	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Certificates of Deposit	\$ —	\$ 400,281	\$ —	\$ 400,281
Corporate Bonds	215,594	—	—	215,594
Exchange-Traded Funds	117,872	—	—	117,872
<b>TOTAL</b>	<b>\$ 333,466</b>	<b>\$ 400,281</b>	<b>\$ —</b>	<b>\$ 733,747</b>

## 11. SUBSEQUENT EVENTS

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through March 18, 2015, 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](http://www.sechistorical.org) in 2014:

James Brigagliano	Angela Goelzer
Timothy Burke	Elaine Greenberg
George W. Bush Presidential Library	Eric Grossman
Jimmy Carter Presidential Library	Martha Mahan Haines
Andrew Ceresney	Margaret Henry
Stacy Chittick	Keith Higgins
David Clapp	Stuart Kaswell
William J. Clinton Presidential Library	Lynnette Kelly
J. Michael Cook	Jason Kravitt
Christopher Culp	Ernesto Lanza
Maud Smith Daudon	Craig Lewis
Thomas Doe	Library of Congress
Dorsey & Whitney LLP	Paul Maco
Kenneth Durr	David Martin
Financial Accounting Foundation Library	Municipal Securities Rulemaking Board
FINRA	National Archives and Records Administration
Jill Fisch	Lawrence Newman
Gerald R. Ford Presidential Library	Leslie Norwood
Cynthia Fornelli	NYSE Euronext Archives
Mahlon and Joan Frankhauser	John Okray
	John Olson
	James Overdahl
	Mark Peecher
	Robert Dean Pope
	Prelinger Archives



*June 5, 2014 Ice cream social celebrating the U.S. Securities and Exchange Commission's 80th anniversary*

Ronald Reagan Presidential Library	Christopher Taylor
Eric Roiter	William Thomas
Richard Roberts	Joseph Ucuzoglu
Peter Romeo	U.S. Securities and Exchange Commission
Franklin Delano Roosevelt Presidential Library	Elisse Walter
David Ruder	Washington State Archives
Joaquin Sena	Ann Yerger
Marianne Smythe	