

THE CHURCHILL CENTRE

FINANCIAL REPORT

DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Churchill Centre
Chicago, Illinois

We have audited the accompanying statements of financial position of The Churchill Centre as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Centre'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 The Churchill Centre as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Michael D. Sisk & Company, PC

Baltimore, Maryland
February 23, 2011

THE CHURCHILL CENTRE

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 53,026	\$ 43,009
Pledges receivable, less allowance for uncollectible pledges in the amount of \$0	15,000	65,000
Grants receivable	-	155,575
Accounts receivable, no allowance necessary	-	1,762
Prepaid expenses	<u>3,493</u>	<u>17,642</u>
 Total current assets	 <u>71,519</u>	 <u>282,988</u>
 Board-Designated Endowment Fund Investments, at market value (Note 4)		
Churchill Centre United States	1,006,078	1,048,046
Churchill Centre Canada	<u>64,407</u>	<u>59,281</u>
	<u>1,070,485</u>	<u>1,107,327</u>
 LONG TERM ASSETS		
Website development costs, at amortized cost	13,200	17,600
Long-term pledges receivable, less allowance for uncollectible pledges in the amount of \$0	<u>14,700</u>	<u>28,500</u>
	<u>27,900</u>	<u>46,100</u>
 Total assets	 <u>1,169,904</u>	 <u>1,436,415</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	-	1,479
Deferred revenue	23,838	-
Funds held for others	<u>4,764</u>	<u>5,808</u>
Total current liabilities	<u>28,602</u>	<u>7,287</u>
 NET ASSETS		
Unrestricted net assets		
Operations	70,817	321,801
Board-Designated Endowment Fund (Note 4)	<u>1,070,485</u>	<u>1,107,327</u>
	<u>1,141,302</u>	<u>1,429,128</u>
 Total liabilities and net assets	 <u>\$ 1,169,904</u>	 <u>\$ 1,436,415</u>

The Notes to Financial Statements are an integral part of these statements.

THE CHURCHILL CENTRE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2010 and 2009

	2010	2009
UNRESTRICTED SUPPORT AND REVENUE		
Support		
Contributions	\$ 321,212	\$ 375,000
Grants	-	155,575
Fundraising events, net of direct costs of \$26,592 in 2010 and \$173,089 in 2009	25,736	468,011
Seminars, book and other sales	22,837	148,119
Other revenue		
Investment income, net of investment fees	15,573	17,024
Total unrestricted support and revenue	<u>385,358</u>	<u>1,163,729</u>
UNRESTRICTED EXPENSES		
Programs	444,724	715,322
Fundraising	117,556	122,631
Administrative	209,704	172,719
Total expenses	<u>771,984</u>	<u>1,010,672</u>
Change in net assets before unrealized gain on investments	(386,626)	153,057
Unrealized gains	<u>98,800</u>	<u>109,628</u>
Change in unrestricted net assets	<u>(287,826)</u>	<u>262,685</u>
Net assets, beginning of year	<u>1,429,128</u>	<u>1,166,443</u>
Net assets, end of year	<u>\$ 1,141,302</u>	<u>\$ 1,429,128</u>

The Notes to Financial Statements are an integral part of these statements.

THE CHURCHILL CENTRE

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	----- 2010 -----			
	Programs	Fundraising	Administrative	Total
Accounting and auditing	\$ -	\$ -	\$ 8,104	\$ 8,104
Affiliate support	1,335	-	-	1,335
Awards	86	-	-	86
Chairman Academic Advisers expenses	6,000	-	-	6,000
Credit card and bank fees	4,166	-	-	4,166
Conference and events	14,368	8,742	-	23,110
Consultant	-	105,411	-	105,411
Depreciation	-	-	4,400	4,400
Educational programs	183,870	-	-	183,870
Finest Hour editorial services	88,000	-	-	88,000
Finest Hour printing and postage	59,023	-	-	59,023
Governance	-	-	35,904	35,904
Heritage Fund printing	-	3,403	-	3,403
Insurance	-	-	3,004	3,004
Internet services	37,397	-	-	37,397
Legal fees	-	-	4,327	4,327
Membership	1,949	-	-	1,949
Miscellaneous	-	-	4,945	4,945
Outside services	3,362	-	1,200	4,562
Payroll taxes	-	-	4,574	4,574
Postage and shipping	9,682	-	643	10,325
Publications Gilbert	15,486	-	-	15,486
Staff compensation	20,000	-	122,790	142,790
Stationary and office expenses	-	-	2,661	2,661
Telephone and faxes	-	-	3,240	3,240
Travel and meetings	-	-	13,912	13,912
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Total expenses	\$ 444,724	\$ 117,556	\$ 209,704	\$ 771,984

The Notes to Financial Statements are an integral part of these statements.

THE CHURCHILL CENTRE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2009

	----- 2009 -----			
	Programs	Fundraising	Administrative	Total
Accounting and auditing	\$ -	\$ -	\$ 8,666	\$ 8,666
Affiliate support	592	-	-	592
Awards	1,416	-	-	1,416
Chairman Academic Advisers expenses	6,000	-	-	6,000
Churchill Museum support	201,737	-	-	201,737
Credit card and bank fees	9,610	-	1,128	10,738
Conference and events	128,939	-	-	128,939
Depreciation and amortization	-	-	4,400	4,400
Education programs	80,682	-	-	80,682
Finest Hour editorial services	96,000	-	-	96,000
Finest Hour printing and postage	62,296	-	-	62,296
Heritage Fund printing	-	2,705	-	2,705
Insurance	-	-	3,001	3,001
Internet services	13,446	-	-	13,446
Legal fees and expenses	-	-	3,145	3,145
Membership	2,359	-	-	2,359
Miscellaneous	-	2,546	1,580	4,126
Outside services	-	-	1,200	1,200
Postage and shipping	15,445	-	-	15,445
Payroll taxes	-	-	7,013	7,013
Staff compensation	96,800	117,380	111,070	325,250
Stationary and office expenses	-	-	3,100	3,100
Telephone and faxes	-	-	3,644	3,644
Travel and meetings	-	-	24,772	24,772
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ 715,322	\$ 122,631	\$ 172,719	\$ 1,010,672

THE CHURCHILL CENTRE

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (287,826)	\$ 262,685
Depreciation and amortization	4,400	4,400
Unrealized loss (gain) in market value of investments	(98,800)	(109,628)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Decrease (increase) in pledges receivable	63,800	109,968
Decrease (increase) in grant receivable	155,575	(155,575)
Decrease (increase) in other receivables	1,762	(273)
Decrease (increase) in prepaid expenses	14,149	(6,968)
Increase (decrease) in accounts payable	(1,479)	(3,029)
Increase (decrease) in funds held for others	(1,044)	5,808
Increase (decrease) in deferred revenue	<u>23,838</u>	<u>(625)</u>
Net cash provided (used by) operating activities	<u>(125,625)</u>	<u>106,763</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for website development	-	(5,500)
Purchase of investments	(736,879)	(570,571)
Sale of investments	<u>872,521</u>	<u>502,555</u>
Net cash provided (used by) investing activities	<u>135,642</u>	<u>(73,516)</u>
Increase in cash and cash equivalents	10,017	33,247
Cash and cash equivalents, beginning of year	<u>43,009</u>	<u>9,762</u>
Cash and cash equivalents, end of year	<u>\$ 53,026</u>	<u>\$ 43,009</u>

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Nature of activity

The Churchill Centre was incorporated in the State of Illinois to conduct educational and charitable activities and to promote the study and appreciation of the life and thought of Sir Winston Spencer Churchill.

Tax status

The Centre is exempt from federal income taxation pursuant to Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for federal or state income tax has been provided in the accompanying financial statements.

Contributions

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give during the next year are reflected as current pledges receivable at their net realizable value. Unconditional promises to give during subsequent years are reflected as long-term pledges receivable at their net realizable value. Allowances for doubtful pledges are provided based on an estimate of potential uncollectible amounts at each year-end.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Centre considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Net assets

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (continued)

Fixed assets and depreciation

The fixed assets are recorded at cost and capitalized when in excess of \$500. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Donated services

The Organization receives a substantial amount of services from volunteers. No amounts have been recorded in the financial statements for these items since there is no objective basis to measure the value of such services.

Website development costs

Website development costs are being capitalized and depreciated over a five year period using the straight line method.

Investments

The Centre has adopted Financial Accounting Standards Board (FASB) ASC 820-10, formerly Statement of Financial Accounting Standards No. 157, Fair Value Measurements. ASC 820-10 defines fair value as the price that an organization would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes and requires disclosure of a fair value hierarchy, separately for each major category of assets and liabilities that segregates fair value measurements in levels (Levels 1, 2 and 3). Categorization of fair value measurements is determined by the nature of the inputs as follows: inputs using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). Valuation levels are not necessarily an indication of the risk associated with investing in those securities. For fair valuations using significant unobservable inputs, ASC 820-10 requires a reconciliation of the beginning to ending balances for reported market values that presents changes attributable to total realized and unrealized gains or losses, purchases, and sales, and transfers in/out of the Level 3 category during the period. There are no fair valuations using significant unobservable inputs (Level 3) for the years ended December 31, 2010 and 2009.

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments

Investments consist of the following and are carried at fair market value. Investment expense was \$7,516 and \$6,715 for the years ended December 31, 2010 and 2009, respectively.

	2010	2009
Money market funds	\$ 6,003	\$ 185,646
Equities	100,279	48,967
Mutual funds	<u>899,796</u>	<u>813,433</u>
	1,006,078	1,048,046
 Churchill Centre Canada - Savings	 <u>64,407</u>	 <u>59,281</u>
 Total	 <u>\$ 1,070,485</u>	 <u>\$ 1,107,327</u>

The Organization adopted Financial Accounting Standards Board (FASB) ASC 820-10, formerly Statement of Financial Accounting Standards No. 157, Fair Value Measurements, effective for financial statements issued for fiscal years beginning after November 15, 2007. In accordance with ASC 820-10, fair value is defined as the price the Organization would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. Various inputs are used in determining the fair value of the Organization's investments. ASC 820-10 established a three tier hierarchy of inputs to establish a classification of fair value measurements and disclosure. The three tier hierarchy of inputs is summarized below:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
- Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used, as of December 31, 2010 and 2009, in valuing the Organization's assets carried at fair value:

NOTES TO FINANCIAL STATEMENTS

Note 2. Investments (continued)

Valuation Inputs	Description	2010	2009
Level 1: Quoted Prices	Money market funds	\$ 6,003	\$ 185,646
	Equities	100,279	48,967
	Mutual funds	899,796	813,433
	Checking and savings accounts	64,407	59,281
Level 2: Other Significant Observable Inputs	None Held	-	-
Level 3: Significant Unobservable Inputs	None Held	-	-
	Total	<u>\$ 1,070,485</u>	<u>\$ 1,107,327</u>

Note 3. Pledges Receivable

Pledges receivable at December 31, 2010 and 2009 are as follows:

	2010	2009
Amounts due in less than one year	\$ 15,000	\$ 65,000
Amounts due in one to five years	<u>15,000</u>	<u>30,000</u>
	30,000	95,000
Discount to present value	<u>(300)</u>	<u>(1,500)</u>
Net realizable value	<u>29,700</u>	<u>93,500</u>
Classified as:		
Current	15,000	65,000
Long-term	<u>14,700</u>	<u>28,500</u>
Total	<u>\$ 29,700</u>	<u>\$ 93,500</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Board-Designated Endowment Net Assets

The Board of Trustees has designated an Endowment Fund consisting of certain contributions and the related earnings and appreciation from the investment of those contributions. The Board of Trustees may transfer from this Endowment Fund such sums as appropriate for the operations of the Centre; however, it is the current policy of the Board of Trustees to limit such transfers to no more than the accumulated interest, dividends and realized gains on the sale of assets derived from the investment of those contributions.

Note 5. Commitments

The Centre has entered into an agreement to retain a Director of Publications and Editorial Services at an annual cost of \$80,000, and an Academic Consultant for \$6,000. These agreements may be terminated by either party upon thirty days advance written notice.

The Centre has also entered into an agreement to retain an organization to provide event management services for the period of December 1, 2010 to November 30, 2011 for a fee of \$5,000 per month.

Note 6. Merger

On January 3, 2008, The Churchill Centre completed a transaction pursuant to which American Friends of the Churchill Museum, a non-profit corporation organized under the laws of the District of Columbia, transferred substantially all of its assets and certain liabilities to The Churchill Centre.

As part of the merger, The Churchill Centre pledged to support the Churchill Museum at the Cabinet War Rooms in London, England by donating \$200,000 per year to underwrite the cost of operating the museum. The payment of the commitment is subject to the availability of funds. No payment on this commitment was made during 2010.

Note 7. Subsequent Events

In preparing these financial statements, the Centre has evaluated events and transactions for potential recognition or disclosure through February 23, 2011, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.