2011 ANNUAL REPORT
The 2011 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, 2011.

Carla L. Rosati, CFRE, Editor
Donald Norwood Design, Design and Publication
Photos and images from the virtual museum and archive at www.sechistorical.org

SECURITIES AND EXCHANGE COMMISSION HISTORICAL SOCIETY

1101 Pennsylvania Avenue NW, Suite 600
Washington, D.C. 20004
202-756-5015
202-756-5014 (fax)

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Matinita A. Green, Office Manager – Bookkeeper

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Visit the virtual museum and archive at www.sechistorical.org.

On the cover: December 8, 1935 “Yes, business is much greater than before March 1933!” Clifford Berryman cartoon, courtesy Library of Congress
December 31, 2011

Dear Friends:

On behalf of my colleagues on the Board of Trustees of the Securities and Exchange Commission Historical Society, I am pleased to present the 2011 Annual Report, including a review of the Society’s accomplishments of the year, our audited financial statements, and a list of our donors in 2011.

The focus of the Society’s mission is the continued growth and outreach of the virtual museum and archive at www.sechistorical.org. Access to the museum, which is available free of charge and at all times, provides visitors with a "behind the scenes" view of significant events in the history of financial regulation in the United States through the words, voices and images of the people who have contributed to the development of our financial regulatory system. Highlights of the museum’s growth and new initiatives in 2011 are described in the Report from the Executive Director.

Speaking of Carla Rosati, our Executive Director, in May the trustees celebrated Carla’s 10th anniversary in that position. Among many other things, Carla raises funds, works with historians and other experts to determine which materials should be included in the museum collection, and produces programs that meet both the expectations of sponsors and the Society’s own high standards. She is a treasure and we thank her for all that she does.

The trustees also wish to thank the volunteer leaders on the Board of Advisors as well as the many individuals who have donated their time and knowledge as participants in the Society’s programs and have otherwise helped to build the museum collection.

Recognizing that 2011 was another challenging year for fundraising by non-profits, we are particularly grateful for the continued generosity of the many organizations and individuals whose gifts and grants are acknowledged in this Annual Report.

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

Sincerely,

Richard B. Nesson
2011-12 President
Report from the Executive Director

Bursting Bounds: The Virtual Museum and Archive in 2011

The virtual museum and archive of the history of financial regulation at www.sechistorical.org experienced phenomenal growth in 2011, accessioning a record 912 new primary materials into the collection.

The museum conducted 28 oral histories interviews, alphabetically from JT Ball, retired staff member of the Financial Accounting Standards Board, to Frank Zarb, former Chairman and Chief Executive Officer of NASD. Jerry Sullivan, former Chairman of the AICPA Auditing Standards Board, recorded his interview just a few months before his death.

Eight programs were broadcast on www.sechistorical.org during 2011, on topics ranging from...
protecting investors in securitization transactions (2011 Diane Sanger Memorial Lecture on March 28th); pay to play (Municipal Securities Rulemaking Board Fireside Chat on April 28th); the Supreme Court and the SEC (12th Annual Meeting program on June 2nd); economic issues in financial regulation under the Dodd–Frank Act (The Best of NERA 2011 on July 26th); enforcement after Dodd–Frank (Bingham Presents 2011 on September 13th); the role of the auditor (Deloitte Fireside Chat V on October 5th); to the SEC’s role in accounting standards setting (Deloitte Fireside Chat VI on October 18th). On November 1st, the museum presented Silver Screen, a unique look at how films shape public perception of financial regulation.

The Timeline, the “museum within the virtual museum,” linking financial regulatory developments with U.S. and world events from 1930 to the present, expanded to the 2010s, and was rebuilt for accessibility on mobile Internet devices.

Four Galleries were in production during 2011. Chasing the Devil Around the Stump: Securities Regulation, the SEC and the Courts, curated by Dr. Kurt Hohenstein, opened on December 1st. Curator George Fritz conducted research for the Richard C. Adkerson Gallery on the SEC Role in Accounting Standards Setting, which will open in the museum on December 1, 2012. Robert Colby and Dr. Kenneth Durr began curating a Gallery on financial scandals that advanced regulation, to open in the museum in May 2013. At the end of the year, Dr. Hohenstein entered into contract to curate a Gallery – his sixth for the museum – on federal legislation and financial regulation, for opening in December 2013.

The museum introduced a “Back to School” Feature in August, highlighting materials within the collection useful for the teaching and study of law, accounting, auditing and economics. In recognition of the 10th anniversary of the attacks of September 11th, the
museum provided a Feature in September recognizing significant materials in the collection on the impact of the attacks on the financial markets.

The virtual museum and archive enhanced its infrastructure in many ways in 2011 to facilitate visitor access. A double Feature, highlighting new materials and upcoming events, was instituted. Pagination was added to Papers and Photos, and will be added to other museum sections as they grow. Oral Histories and Programs introduced an expanded portal for audio playbacks. A more robust and comprehensive search function was built to ease visitor use of the more than 5,000 materials currently in the collection.

With these new materials and improvements, the virtual museum and archive enters into its 10th year better able fulfill its mission to share, preserve and advance knowledge of the history of financial regulation from the 20th century to the present.

**Funding Keeps Pace**

The SEC Historical Society achieved solid fundraising success in 2011, attracting generous support from both new and returning donors.

The notable contribution of the year was a combined $150,000 gift/grant from Richard C. Adkerson and Freeport-McMoRan Copper & Gold Foundation for sole sponsorship of the Gallery on the SEC role in accounting standards setting. This gift was the largest single contribution to the Society to date.

Restricted gifts and grants from individuals and institutions for the virtual museum and archive represented 48% of 2011 revenue, unrestricted grants from...
corporations and foundations were 28% of revenue, and unrestricted individual gifts were 24% of revenue for the year.

At the start of the year, the virtual museum and archive at www.sechistorical.org introduced an online Thanks to Donors, recognizing all association, corporation and foundation donors. At year’s end, the museum prepared to expand online recognition to friends of the museum, acknowledging those who designate their gifts to the museum’s growth and outreach.

WWW.SECHISTORICAL.ORG: 10 YEARS IN THE MAKING

Our virtual museum and archive will celebrate its 10th anniversary next June 1st. Back in 2002, as the digital age was born, the idea of a museum without walls, available at any place and at any time, seemed visionary, when a museum existed only within bricks and mortar.

Today, our museum is an unprecedented success. It has been able to harness the power of the Internet to share information and materials, never before accessible online, to nearly 1 million visitors, and to:

- Preserve history, through Papers, Photos, Oral Histories and Film, Radio and Television.
- Interpret history, through the Timeline and Galleries.
- Make history, through Programs.

Our vision a decade ago of a museum without borders, free and accessible worldwide 24/7, is now a reality. Thank you for all that you do to keep the virtual museum and archive current, independent and growing.

Carla L. Rosati, CFRE
December 31, 2011
The SEC Historical Society thanks the following individuals, associations, corporations and foundations that joined in support of our work from January 1, 2011 through December 31, 2011. Gifts and grants with $ were designated for the virtual museum and archive at www.sechistorical.org.

1934 Circle
Gifts and Grants of $25,000 and more
Richard C. Adkerson and Freeport-McMoRan Copper & Gold Foundation $
Bingham McCutchen LLP $
Deloitte LLP $
Federal Bar Association – Executive Council, Securities Law Section $
NYSE Euronext Foundation $

FDR Circle
Gifts and Grants of $10,000 to $24,999
American Institute of Certified Public Accountants (AICPA)
Center for Audit Quality
Charles Schwab Foundation $
Cleary Gottlieb Steen & Hamilton LLP
The Depository Trust & Clearing Corporation $
Edward D. Jones & Company Foundation $
Ernst & Young LLP $
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General Electric Company
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David B.H. Martin $
Municipal Securities Rulemaking Board $
NERA Economic Consulting $
Richard B. Nesson and Barbara N. Lucas
Family of Diane Sanger $

February 6, 1953 Supreme Court Justices visit President Dwight D. Eisenhower, courtesy Library of Congress
Chairmen Circle

Gifts and Grants of $5,000 to $9,999

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Skadden Arps Slate Meagher & Flom LLP
Larry Sonsini
Sullivan & Cromwell LLP
Mr. and Mrs. Leo Summergrad In memory of
Eric Summergrad’s 58th birthday, November 23, 2011 $
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June 2, 2011 Kurt Hohenstein, 2011 Annual Meeting

June 6th Circle

Gifts and Grants of $2,500 to $4,999

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Murphy & McGonigle P.C.
Richard M. Phillips
Carla L. Rosati $
Charles V. Senatore

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W. Scott Bayless
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Theodore A. Levine
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Herbert F. Janick III
Kenneth L. Josselyn

November 1, 2011 David Lipton, Silver Screen
Sustainer

Gifts and Grants of $250 to $499
Natalie Bej
Bialkin Family Foundation
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Donald L. Calvin In memory of SEC Commissioner J. Carter Beese, Jr.
Marc Firestone
Robert C. Friesa
Greensfelder, Hemker & Gale P.C. $
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William M. Hegan
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Stuart J. Kaswell

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Pamela K. Cavness
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July 26, 2011 Robert Mackay, The Best of NERA 2011

Susan M. Koski-Grafer
Leonard M. Leiman
David A. Lipton
Martin E. Lybecker
Michael D. Mann
Carlos M. Morales
Mr. and Mrs. William G. Morton, Jr.
Phillip R. Pollock
Peter J. Romeo
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Erik Sirri
Storrow C. Sommer In memory of A.A. Sommer, Jr.
Stanley Sporkin
Cecile Srodes
Phillip L. Stern
Time Warner, Inc.
Martin S. Wilczynski

June 2, 2011 David Becker, 2011 Annual Meeting
Stephen J. Crimmins
Robert E. Curley In memory of Bill Toomey
Louis Dempsey
Howard Dicker
Andrew J. Donohue
Michael D. Donovan
James Draddy
Peter L. Dwares
Paul R. Eckert
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Larry Goldberg
Eugene I. Goldman In memory of the Honorable
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Thomas O. Gorman
K. Susan Grafton In honor of Professor David A. Lipton
Karl Groskaufmanis
Parveen P. Gupta
Jean C. Harris
Linda W. Hart
Allan Horwich
Victoria P. Hulick
Teresa E. Iannaconi
Jonathan G. Katz
Nelson Kibler
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Gregory T. Lawrence
Paul Leder
Randall R. Lee
Ezra G. Levin
Victoria A. Levin
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Donald N. Malawsky
Paul J. Mason
Kathryn B. McGrath
Alexander Duer Meehan
Pete Michaels
Morgan J. Miller
Sarah Miller
Charles R. Mills
Herbert E. Milstein

October 18, 2011 Mark Beasley, Deloitte
Fireside Chat VI

James J. Moylan
Robert H. Mundheim
Annette L. Nazareth
Donald T. Nicolaisen
William Nortman In memory of Stuart Pearlmutter
Anthony C. J. Nuland
William O’Neill
William D. Ostrow
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Irving H. Picard
Robert E. Plaze
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Irving M. Pollack
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Michael Pressman
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Frank C. Razzano
Matthew W. Rogers
Alex Rue
Robert J. Sack
George Schuler
Jayne L. Seidman
Fred Siesel
David Silver
David A. Sirignano
Marshall L. Small
Ira L. Sorkin
Kenneth S. Spiner In memory of John B. Manning, Jr.
Andrew P. Steffan
Diana K. Tani In memory of Linda Tai
Joseph Ucuzoglu
Paul Uhlenhop In memory of Jack A. Wing
Peter Unger
October 18, 2011 Arthur Wyatt, Deloitte
Fireside Chat VI

Thomas W. Van Dyke
Consuela Washington
Robert F. Watson In memory of James Sims
Charles R. Wenner In memory of Alan B. Levenson
Robert H. Werbel In memory of Alan B. Levenson
Gerald L. Werner
Michael K. Wolensky
Cindy Wong

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David M. Stuart
Roberto A. Tercero
Theodore W. Urban
Rhonda L. Wilson

OTHER GIFTS
Richard M. Hewitt
Orestes Mihaly

PLANNED GIFT COMMITMENTS
Anonymous
Carla L. Rosati $
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 2011:

- American Institute of Certified Public Accountants (AICPA)
- AICPA Collection, University of Mississippi
- JT Ball
- JT Ball Collection, University of Mississippi
- Mark Beasley
- David Becker
- J. Bradley Bennett
- Dennis Beresford
- Brandeis School of Law, University of Louisville
- Loretta Cangialosi
- Alger Chapman
- David Clapp
- Jill Considine
- William Dentzer
- The Depository Trust & Clearing Corporation
- Dennis Dirks
- Donald Donahue
- Frank Easterbrook
- Lisa Fairfax
- Fried Frank Harris Shriver & Jacobson LLP
- George Fritz
- Paul Gonson
- Eric Grossman
- Michael Halloran
- Donald Hayes
- Robert Herz
- Kurt Hohenstein
- William Jaenike
- Edmund Jenkins
- University of Kentucky
- Robert Khuzami
- F. Scott Kieff
- Donald Kirk
- Milton Kroll and Family
- Robert Kueppers
- James Leisenring
- Library of Congress
- David Lipton
- Robert Mackay
- Paul Mahoney
- Jeffrey Manns
- David Meister
- Susan Merrill
- Loren Miller
- Robert Moritz
- National Archives and Records Administration
- Newsfilm Library, University of South Carolina
- Shaun O’Malley
- James Overdahl
- Paul Pacter
- Mark Peccher
- Richard Posner
- Gary Previts
- Adam Pritchard
- Sheryl Rosenthal
- Eugene Rotberg
- Faten Sabry
- Robert Sack
- Steven Schwarz
- Mark Sissitsky
- Marianne Smythe
- Ronald Stack
- John Reed Stark
- Donald Strauber
- Jerry Sullivan
- Arthur Wyatt
- Frank Zarb

December 9, 1933 “Tell me confidentially, Uncle, how do you do it?” Clifford Berryman cartoon, courtesy Library of Congress

February 8, 1935 “What are the findings?” Joseph Parrish cartoon, courtesy Library of Congress
Independent Auditors’ Report

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

We have audited the accompanying statement of financial position of the Securities and Exchange Commission Historical Society (the Society) as of December 31, 2011, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Society’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Society’s 2010 financial statements and, in our report dated March 16, 2011, we expressed an unqualified opinion on those statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Society as of December 31, 2011, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman
March 21, 2012

Financial Statements
Securities and Exchange Commission
Historical Society
For The Year Ended December 31, 2011

Statement of Financial Position
as of December 31, 2011 with summarized financial information for 2010

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$519,142</td>
<td>$490,779</td>
</tr>
<tr>
<td>Investments (Notes 2, 3 and 10)</td>
<td>922,612</td>
<td>910,539</td>
</tr>
<tr>
<td>Grants and contributions receivable, current</td>
<td>25,000</td>
<td>47,500</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>19,785</td>
<td>15,507</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$1,486,539</td>
<td>$1,466,325</td>
</tr>
<tr>
<td>OTHER ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virtual museum collection (Note 6)</td>
<td>$1,234,925</td>
<td>$975,912</td>
</tr>
<tr>
<td>Donated artwork</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Security deposit (Note 5)</td>
<td>7,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Grants and contributions receivable, net of current portion</td>
<td>—</td>
<td>25,000</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td>$1,266,925</td>
<td>$1,032,912</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$2,753,464</td>
<td>$2,499,237</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 9) | $39,424 | $31,001 |
| Current portion of deferred rent abatement (Note 5) | 1,314 | — |
| **Total current liabilities** | $40,738 | $31,001 |
| LONG-TERM LIABILITIES | | |
| Long-term portion of deferred rent abatement (Note 5) | 4,266 | 1,386 |
| **Total liabilities** | $44,984 | $32,387 |

NET ASSETS

Unrestricted:
- Undesignated | $428,443 | $475,523 |
- Investment in virtual museum and archive collections (Note 6) | $1,234,925 | $975,912 |
- Board designated reserve fund (Note 8) | 922,612 | 915,415 |
| **Total unrestricted net assets** | $2,585,980 | $2,366,850 |
| Temporarily restricted (Note 3) | 122,500 | 100,000 |
| **Total net assets** | $2,708,480 | $2,466,850 |

**TOTAL LIABILITIES AND NET ASSETS** | $2,753,464 | $2,499,237 |
**Statement of Activities and Change in Net Assets**

*For the year ended December 31, 2011 with summarized financial information for 2010*

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>$ 599,488</td>
<td>$ 195,000</td>
</tr>
<tr>
<td>Interest and investment income (Note 2)</td>
<td>3,985</td>
<td>—</td>
</tr>
<tr>
<td>Other income</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net assets released from donor restrictions (Note 4)</td>
<td>172,500</td>
<td>(172,500)</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>$ 775,973</td>
<td>$ 22,500</td>
</tr>
</tbody>
</table>

**EXPENSES**

Program Services:

Virtual Museum and Archive | 486,530 | — | 486,530 | 463,592 |

Supporting Services:

General and Administrative | 16,552 | — | 16,552 | 18,795 |
Development and Fundraising | 53,761 | — | 53,761 | 60,134 |

**Total supporting services** | 70,313 | — | 70,313 | 78,929 |

**Total expenses** | 556,843 | — | 556,843 | 542,521 |

Change in net assets | 219,130 | 22,500 | 241,630 | 237,134 |

Net assets at beginning of year | $2,366,850 | $100,000 | $2,466,850 | $2,229,716 |

**NET ASSETS AT END OF YEAR** | $2,585,980 | $122,500 | $2,708,480 | $2,466,850 |

**Statement of Functional Expenses**

*For the year ended December 31, 2011 with summarized financial information for 2010*

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Virtual Museum and Archive</td>
<td>Supporting Services</td>
</tr>
<tr>
<td><strong>Salaries</strong></td>
<td>$ 190,281</td>
<td>$ 23,657</td>
</tr>
<tr>
<td><strong>Benefits (Note 7)</strong></td>
<td>69,065</td>
<td>8,587</td>
</tr>
<tr>
<td><strong>Printing and production</strong></td>
<td>9,320</td>
<td>4,621</td>
</tr>
<tr>
<td><strong>Professional fees</strong></td>
<td>43,477</td>
<td>20,389</td>
</tr>
<tr>
<td><strong>Occupancy (Note 5)</strong></td>
<td>—</td>
<td>76,380</td>
</tr>
<tr>
<td><strong>Telephone</strong></td>
<td>6,757</td>
<td>9,627</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>9,363</td>
<td>4,621</td>
</tr>
<tr>
<td><strong>Postage and delivery</strong></td>
<td>1,979</td>
<td>1,478</td>
</tr>
<tr>
<td><strong>Repairs and maintenance</strong></td>
<td>—</td>
<td>205</td>
</tr>
<tr>
<td><strong>Supplies</strong></td>
<td>1,638</td>
<td>843</td>
</tr>
<tr>
<td><strong>Events and meetings</strong></td>
<td>19,082</td>
<td>—</td>
</tr>
<tr>
<td><strong>Museum maintenance</strong></td>
<td>2,431</td>
<td>—</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>—</td>
<td>17,697</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>353,393</td>
<td>163,917</td>
</tr>
<tr>
<td><strong>Allocation of general and administrative</strong></td>
<td>133,137</td>
<td>(147,365)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$486,530</td>
<td>$16,552</td>
</tr>
</tbody>
</table>
Statement of Cash Flows
For the year ended December 31, 2011 with summarized financial information for 2010

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$241,630</td>
<td>$237,134</td>
</tr>
<tr>
<td>Adjustments to reconcile change in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized losses on investments</td>
<td>11,448</td>
<td>14,958</td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contributions receivable</td>
<td>47,500</td>
<td>16,900</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(2,278)</td>
<td>(6,308)</td>
</tr>
<tr>
<td>Increase in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>8,403</td>
<td>3,967</td>
</tr>
<tr>
<td>Deferred rent abatement</td>
<td>4,194</td>
<td>1,386</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>310,897</td>
<td>268,037</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investments</td>
<td>(820,525)</td>
<td>(823,040)</td>
</tr>
<tr>
<td>Proceeds from maturity of investments</td>
<td>797,004</td>
<td>212,644</td>
</tr>
<tr>
<td>Accession of virtual museum collections</td>
<td>(259,013)</td>
<td>(163,936)</td>
</tr>
<tr>
<td>Net cash used by investing activities</td>
<td>(282,534)</td>
<td>(774,332)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cash equivalents</td>
<td>28,363</td>
<td>(506,295)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>490,779</td>
<td>997,074</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH AND CASH EQUIVALENTS AT END OF YEAR</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$519,142</td>
<td>$490,779</td>
</tr>
</tbody>
</table>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization

The Society operated the following program in 2011:

VIRTUAL MUSEUM AND ARCHIVE: The virtual museum and archive at www.sechistorical.org shares, preserves and advances knowledge of the history of financial regulation from the 20th century to the present. The museum is free and accessible worldwide at all times. The museum collection includes papers; photos; oral histories; programs; film, radio and television media; a timeline of regulatory developments against U.S. and worldwide events; and galleries, permanent exhibits on specific regulatory subjects. The site also provides links to other Web sites with related materials. The museum is built and exhibited independent of any oversight from 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 FASB ASC 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, 2010, 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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) – insured depository institutions (the “Dodd-Frank Deposit Insurance Provision”). The Society maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by FDIC under this Act.

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 approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. All grants and contributions are expected to be collected within one year.

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 and web de-
development costs, five years for computer equipment and seven years for all other equipment. The cost of maintenance and repairs is recorded as expenses are incurred. As of December 31, 2011, all equipment and software were fully depreciated.

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
In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2011, the Society has documented its consideration of FASB ASC 740-10 and 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 revenue 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 revenue 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. 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 measurements
The Society adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. 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 measurements. The Society accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification
Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

2. INVESTMENTS
Investments consisted of the following at December 31, 2011:

<table>
<thead>
<tr>
<th>Investment Description</th>
<th>Cost</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Notes</td>
<td>$ 410,430</td>
<td>$ 400,247</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>117,204</td>
<td>117,077</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>400,000</td>
<td>404,488</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 927,634</strong></td>
<td><strong>$ 922,612</strong></td>
</tr>
</tbody>
</table>

Included in interest and investment income are the following at December 31, 2011:

- Interest: $15,433
- Net depreciation of investments: $(11,448)

**TOTAL INTEREST AND INVESTMENT INCOME: $3,985**

3. TEMPORARILY RESTRICTED NET ASSETS
Temporarily restricted net assets consisted of the following at December 31, 2011:

- Richard Adkerson and Freeport: $50,000
- McMoRan Copper & Gold Foundation: $25,000
- Bingham McCutchen LLP: $15,000
- Depository Trust & Clearing Corporation: $10,000
- Family of Diane Sanger: $10,000
- NERA Economic Consulting: $10,000
- Municipal Securities Rulemaking Board: $10,000
- Charles Schwab Foundation: $2,500

**TOTAL TEMPORARILY RESTRICTED NET ASSETS: $122,500**

4. 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:

- Richard Adkerson and Freeport: $100,000
- McMoRan Copper & Gold Foundation: $20,000
- Center for Audit Quality: $15,000
- Depository Trust & Clearing Corporation: $10,000
- Family of Diane Sanger: $10,000
- NERA Economic Consulting: $10,000
- Municipal Securities Rulemaking Board: $10,000
- Charles Schwab Foundation: $7,500

**TOTAL NET ASSETS RELEASED FROM RESTRICTIONS: $172,500**
5. 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 prorata 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 percent 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 a deferred rent liability on the Statement of Financial Position.

The deferred rent liability will be reduced as cash payments exceed rent expense. Total occupancy expense for the year ended December 31, 2011 was $76,380. Total future minimum payments under the lease commitment are as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>74,418</td>
<td>59,994</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$133,512</td>
<td></td>
</tr>
</tbody>
</table>

6. VIRTUAL MUSEUM AND ARCHIVE COLLECTION
The Society has capitalized the collection of the virtual museum and archive since the museum’s inception in June 2002.

On December 31, 2011, the museum collection totaled 5,251 primary materials, including 4,262 papers; 562 photos; 137 oral histories; 75 programs; 22 film, radio and television media; 185 Timeline developments; and 8 Gallery essays. No materials were de-accessioned from the collection in 2011.

For the year ended December 31, 2011, costs incurred in building the collection of the virtual museum and archive totaled $259,013. As of December 31, 2011, the accumulated costs incurred in building the virtual museum and archive totaled $1,234,925, which may not be reflective of fair value.

7. SAVINGS PLAN
The Society maintains a 403(b) Savings Plan (the Plan) for its employees. The Plan provides for employee contributions. The Society matches up to 100 percent of employee contributions. Employees are 100 percent vested upon entry into the Plan. For the year ended December 31, 2011, contributions to the Plan were $30,946.

8. 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, 2011 was $922,612.

9. FAIR VALUE MEASUREMENTS
In accordance with FASB ASC 820, Fair Value Measurements and Disclosures, 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.** 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, 2011:

- **Corporate bonds** — Valued at the closing price reported on the active market in which the individual securities are traded.
- **U.S. treasury notes** — Valued at the closing price reported on the active market in which the individual securities are traded.
- **Certificates of deposit** — Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, by level within the fair value hierarchy, the Society’s investments as of December 31, 2011:

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)</th>
<th>SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)</th>
<th>SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Notes</td>
<td>$400,247</td>
<td>$</td>
<td>$</td>
<td>$400,247</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>117,877</td>
<td></td>
<td></td>
<td>117,877</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td></td>
<td>404,488</td>
<td></td>
<td>404,488</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$518,124</td>
<td>$404,488</td>
<td>$</td>
<td>$922,612</td>
</tr>
</tbody>
</table>

10. SUBSEQUENT EVENTS
In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through March 21, 2012, the date the financial statements were issued.
January 12, 1939 U.S. Senate hearing for Felix Frankfurter nomination to U.S. Supreme Court — (left to right) Senator William King (Utah), Senator M.M. Neely (West Virginia), and Senator George Norris (Nebraska) facing Felix Frankfurter (back to camera), courtesy Library of Congress