Financial Reports

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MUSEUM OF CONTEMPORARY ART JACKSONVILLE, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE NINE MONTHS ENDED JUNE 30, 2009 AND
THE YEAR ENDED SEPTEMBER 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Museum of Contemporary Art Jacksonville, Inc.
Jacksonville, Florida

We have audited the accompanying statements of financial position of Museum of Contemporary Art Jacksonville, Inc. (a nonprofit corporation) as of June 30, 2009 and September 30, 2008 and the related statements of activities and cash flows for the nine-months and twelve-months then ended. These financial statements are the responsibility of the Organization'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 and the standards applicable to financial audits contained in *Government Auditing Standards* , issued by the Comptroller General of the United States. 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.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Museum of Contemporary Art Jacksonville, Inc. as of June 30, 2009 and September 30, 2008, and the changes in its net assets and its cash flows for the nine-months and twelve-months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* , we have also issued our report dated _____,2009 on our consideration of Museum of Contemporary Art Jacksonville, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Bushnell & Company, P.A.
Jacksonville, Florida
_____, 2009

MUSEUM OF CONTEMPORARY ART JACKSONVILLE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND SEPTEMBER 30, 2008

ASSETS

	2009	2008
Current Assets:		
Cash	$ 250,105	$ 190,492
Accounts receivable - other	1,668	-
Pledges receivable - current	47,500	245,000
Inventory of gift shop merchandise	22,268	32,882
Prepaid expense	10,361	21,139
Total Current Assets	331,902	489,513
Property and equipment, net	4,234,142	4,483,448
Other assets:		
Pledges receivable - noncurrent	200,929	175,371
Collections (Note 13)	-	-
Investments restricted for fine arts endowment	605,000	605,000
Total Other Assets	805,929	780,371
Total Assets	**$ 5,371,973**	**$ 5,753,332**

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LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$ 165,706	$ 196,619
Deferred revenue	4,045	6,493
Short-term notes payable	843,154	478,154
Current portion long-term debt	317,209	23,468
Total Current Liabilities	1,330,114	704,734
Long-term debt	-	317,209
Total Liabilities	1,330,114	1,021,943
Net Assets:		
Unrestricted:		
Operations	2,994,746	3,676,455
Board designated for endowment	301,000	291,500
Temporarily restricted	141,113	158,434
Permanently restricted	605,000	605,000
Total Net Assets	4,041,859	4,731,389
Total Liabilities and Net Assets	**$ 5,371,973**	**$ 5,753,332**

See Notes to Financial Statements.

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MUSEUM OF CONTEMPORARY ART JACKSONVILLE, INC.

STATEMENTS OF ACTIVITIES
FOR THE NINE-MONTHS ENDED JUNE 30, 2009 AND THE TWELVE-MONTHS ENDED SEPTEMBER 30, 2008

	Nine-Months Ended June 30, 2009				Twelve-Months Ended September 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Gifts and donations	$ 272,172	$ 25,325	$ -	$ 297,497	$ 1,003,295	$ 218,400	$ -	$ 1,221,695
Government grants	149,919	-	-	149,919	218,196	-	-	218,196
Special events	154,869	-	-	154,869	-	-	-	-
In-kind contributions	114,533	-	-	114,533	144,075	-	-	144,075
Memberships	57,660	-	-	57,660	118,411	-	-	118,411
Program revenue	45,526	-	-	45,526	50,589	-	-	50,589
Gift shop sales, net of cost of goods sold of $23,055 and $72,110 for 2009 and 2008, respectively.	18,703	-	-	18,703	59,428	-	-	59,428
Cafe Nola sales, net of cost of goods sold of $98,095 and $153,270 for 2009 and 2008, respectively.	250,684	-	-	250,684	376,129	-	-	376,129
Admissions	45,732	-	-	45,732	77,769	-	-	77,769
Museum and exhibit rentals	16,057	-	-	16,057	58,596	-	-	58,596
Other income	4,689	-	-	4,689	73	-	-	73
Interest income	14,798	-	-	14,798	23,528	-	-	23,528
Unrealized/realized gain (loss) on investment	(51,785)	-	-	(51,785)	(94,545)	-	-	(94,545)
Gain (loss) on disposal of fixed assets	-	-	-	-	(9,331)	-	-	(9,331)
TOTAL SUPPORT AND REVENUE	1,093,557	25,325	-	1,118,882	2,026,213	218,400	-	2,244,613
Net assets released from restrictions	42,646	(42,646)	-	-	326,466	(326,466)	-	-
TOTAL SUPPORT, REVENUE AND RECLASSIFICATIONS	**1,136,203**	**(17,321)**	-	**1,118,882**	**2,352,679**	**(108,066)**	-	**2,244,613**
EXPENSES:								
General and Administrative Expenses	1,804,912	-	-	1,804,912	2,568,521	-	-	2,568,521
Purchase of Art Work	3,500	-	-	3,500	42,000	-	-	42,000
	1,808,412	-	-	1,808,412	2,610,521	-	-	2,610,521
Change in Net Assets	(672,209)	(17,321)	-	(689,530)	(257,842)	(108,066)	-	(365,908)
NET ASSETS, BEGINNING OF YEAR	3,967,955	158,434	605,000	4,731,389	4,225,797	266,500	605,000	5,097,297
NET ASSETS, END OF YEAR	**$ 3,295,746**	**$ 141,113**	**$ 605,000**	**$ 4,041,859**	**$ 3,967,955**	**$ 158,434**	**$ 605,000**	**$ 4,731,389**

See Notes to Financial Statements.

MUSEUM OF CONTEMPORARY ART JACKSONVILLE, INC.

STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTHS ENDED JUNE 30, 2009 AND THE TWELVE-MONTHS ENDED SEPTEMBER 30, 2008

	Nine-Months Ended June 30, 2009	Twelve-Months Ended September 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES :		
Change in net assets	$ (689,530)	$ (365,908)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt	7,834	50,000
Depreciation	251,594	366,673
Discount on pledges receivable	(2,892)	(6,960)
Donated equities	(21,951)	-
Loss on disposal of fixed assets	-	9,331
Realized and unrealized (gain) loss on investments	51,785	94,545
Change in cash held in fine arts endowment	(20,545)	(36,742)
(Increase) decrease in:		
Accounts receivable	(1,668)	-
Pledges receivable	132,500	(337,500)
Prepaid assets	10,778	(14,418)
Merchandise inventory	10,615	32,116
Increase (decrease) in:		
Accounts payable and accrued expenses	(30,915)	34,158
Deferred revenue	(2,448)	(4,564)
Net cash (used in) provided by operating activities	(304,843)	(179,269)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,289)	(239,700)
Purchase of investments	(227,103)	-
Sale of investments	217,815	-
Net cash used in investing activities	(11,577)	(239,700)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections of contributions restricted - Capital Campaign	34,500	88,988
Principal payment	(23,468)	(69,468)
Short-term debt increase (decrease), net	365,000	233,154
Net cash provided by financing activities	376,032	252,674
NET CHANGE IN CASH	59,612	(166,295)
CASH AND CASH EQUIVALENTS - BEGINNING	190,492	356,787
CASH AND CASH EQUIVALENTS - ENDING	$ 250,104	$ 190,492
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions:		
Cash paid during the year for interest	$ 11,096	$ 28,294

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See Notes to Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Museum of Contemporary Art Jacksonville, Inc. (the "Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Activities

Museum of Contemporary Art Jacksonville, Inc. (the "Organization") is a nonprofit corporation that explores diverse cultural themes and fosters community spirit through art exhibitions and educational programs designed to enhance awareness and understanding of our contemporary world. Effective May 15, 2009, the Organization entered into an agreement to operate as a direct support organization of the University of North Florida (the "University").

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

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Financial Statement Presentation

Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Contributions and Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions are recognized when the donor makes a promise to give to the Organization; that is, in substance, unconditional. Contributions that are received subject to certain donor stipulations are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the Statement s of Cash Flows, cash represents all demand deposits with commercial banks and cash funds with investment brokers .

Allowance for Doubtful Accounts

An Allowance for uncollectible pledges is estimated and recorded based on management's judgment of the collectibility of pledges receivable in future years. At June 30, 2009 and September 30, 2008, the Organization considered all remaining pledges receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

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Merchandise Inventory

Merchandise inventory is stated at the lower of cost or market determined by the retail method.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost as of the date of acquisition. Contributed property, plant and equipment are recorded at fair value as of the date of receipt. If the donor stipulates how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property, plant and equipment are recorded as unrestricted support. Capitalization of assets received from the above sources is made only when the amount exceeds $500. Depreciation is computed using a straight-line method at rates which are sufficient to amortize costs over the estimated useful lives of the property (5 to 20 years).

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Financial Position. Gains and losses and investment income derived from investments are accounted for as unrestricted, temporarily restricted or permanently restricted based on restrictions, if any, imposed by donors. Realized and unrealized gains or losses on investments are reflected as an increase or decrease in net assets in the Statement of Activities. The value assigned to investments received by gift is the market value at the date of donation.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund raising, educational, and program services. No amounts have been recognized in the Statement of Activities because the criteria for recognition under FAS 116 have not been satisfied.

Tax Status

Under the provisions of the Internal Revenue Code, Section 501(c)(3), the Organization is exempt from taxes on income other than unrelated business income. Since the Organization had no net unrelated business income, no provision for income taxes was made. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Grant and Contract Revenue and Support

The Organization receives funding from government agencies. Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants/contracts.

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Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Collections

The collections, which were acquired through purchases and contributions since the Organization's inception, are not recognized as assets on the Statement of Financial Position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Information

Certain amounts in the September 30, 2008 financial statements have been reclassified to conform to the June 30, 2009 presentation. Such reclassifications have had no effect on the change in net assets as previously reported.

2. DONATED MATERIALS AND SERVICES

The value of donated materials and services and the corresponding expenditures included in the financial statements for the nine-months ended June 30, 2009 and the twelve-months ended September 30, 2008 are as follows:

	2009	2008
Support and Revenue		
In-Kind contributions	$ 114,533	$ 144,075
Expenses		
Advertising and design	$ 15,296	$ 18,750
Financial services	5,266	7,148
Professional fees	88,800	73,500
Art work	3,500	-
Marketing and publications	1,671	16,999
Broadcast services	-	1,350
Restoration services	-	25,000
Supplies	-	1,328
Total	$ 114,533	$ 144,075

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3. INVESTMENTS FINE ARTS ENDOWMENT

On January 28, 1991, the Organization entered into a trust agreement with the State of Florida, Department of State, creating a $600,000 fine arts endowment matching fund program. In managing the investments of the fine arts endowment fund, the Organization must comply with an established investment plan specified by the State of Florida, Department of State and requires the preservation of the $600,000 program fund. The Organization may expend funds generated from the endowment program fund only for operating costs incurred while engaged in programs directly related to fine arts activities.

(Continued)

3. INVESTMENTS FINE ARTS ENDOWMENT (Continued)

Long-term investments are stated at fair value and consist of money market funds and debt securities. Fair values and unrealized appreciation (depreciation) at June 30, 2009 and September 30, 2008, are summarized as follows:

June 30, 2009:	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Unrestricted:			
Money Market Fund	$ 9,564	$ 9,564	$ -
	9,564	9,564	-
Permanently Restricted:			
Endowment Fund:			
Cash	$ 328,719	$ 328,719	$ -
Corporate bonds	90,443	84,354	(6,089)
S&P Depository Receipts	239,125	191,927	(47,198)
	658,287	605,000	(53,287)
Total Investments	$ 667,851	$ 614,564	$ (53,287)

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September 30, 2008:	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Unrestricted:			
Money Market Fund	$ 30,109	$ 30,109	$ -
	30,109	30,109	-
Permanently Restricted:			
Endowment Fund:			
Cash	$ 61,181	$ 61,181	$ -
Corporate bonds	241,483	231,470	(10,013)
S&P Depository Receipts	302,457	312,349	9,892
	605,121	605,000	(121)
Total Investments	$ 635,230	$ 635,109	$ (121)

Components of investment return consist of the following:

June 30, 2009:	Unrestricted	Permanently Restricted	Total
Interest income	$ 14,798	$ -	$ 14,798
Net realized and unrealized gains (losses)	(51,785)	-	(51,785)
	$ (36,987)	$ -	$ (36,987)
September 30, 2008:			
Interest income	$ 23,528	$ -	$ 23,528
Net realized and unrealized gains (losses)	(94,545)	-	(94,545)
	$ (71,017)	$ -	$ (71,017)

4. PROPERTY AND EQUIPMENT

As of June 30, 2009 and September 30, 2008 property and equipment consist of:

	2009	2008
Furniture and fixtures	$ 367,288	$ 366,719
Equipment	153,179	151,459
Building improvements	5,951,106	5,951,106
	6,471,573	6,469,284
Accumulated depreciation	(2,237,431)	(1,985,836)
Net	$ 4,234,142	$ 4,483,448

Depreciation expense for property and equipment was $251,594 and $366,673 for 2009 and 2008, respectively.

5. NET ASSETS RELEASED FROM RESTRICTIONS

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During the course of the year, net assets whose use by the Organization was subject to donor-imposed restrictions were fulfilled by actions of the Organization pursuant to those restrictions, the expiration of time, or the designation of law. These assets are shown in the Statements of Activities as a release of net assets from temporary restrictions. Net assets released from restrictions for the nine-months ended June 30, 2009 and the twelve months ended September 30, 2008 consisted of the following:

	2009	2008
Assets released for:		
Art acquisition	$ -	42,000
Arts education	800	$ -
Contemporary Music	1,187	8,567
Educational programming	2,753	-
Internship	250	-
Loft renovation	-	250,000
Marketing	37,406	25,899
Parking validation	250	-
Total temporarily restricted net assets released from restrictions.	$ 42,646	$ 326,466

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 and September 30 are available for the following purposes:

	2009	2008
Art acquisitions	$ 12,050	$ 9,100
Arts education	3,400	-
Contemporay music	40,246	41,433
Educational programming	40,247	41,800
Internship	1,725	-
Museum admissions	10,000	-
Marketing	28,695	66,101
Parking validation	4,750	-
	$ 141,113	$ 158,434

Cash temporarily restricted by donors was $136,113 and $150,934 as of June 30, 2009 and September 30, 2008, respectively.

7. PERMANENTLY RESTRICTED NET ASSETS

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Permanently restricted net assets are restricted to investment in perpetuity and consist of the following:

	2009	2008
Endowment funds restricted to fine arts activities	$ 600,000	$ 600,000
General endowment for the arts	5,000	5,000
	$ 605,000	$ 605,000

8. LEASES

The Organization entered into an agreement on April 20, 2000 with the City of Jacksonville, Florida to lease the land, building, and other improvements for use in operation of an art museum. The term of the lease is for ninety-nine (99) years ending on April 20, 2099, with rent of $10 payable annually. On May 15, 2009, the City of Jacksonville consented to the assignment of the lease by the Organization to the University of North Florida. Refer to Note 16.

The Organization has also entered into an agreement to lease certain office equipment. This lease is treated as operating lease and is renewable annually with monthly payments of $309. Total lease expense under this lease was $2,783 for the nine-months ended June 30, 2009 and $3,710 for the twelve-months ended September 30, 2008.

9. CONCENTRATIONS

The Organization maintains substantially all of its demand deposit cash balances in two banks that from time to time may exceed the Federally insured limits of $250,000. However, the Organization regularly monitors the demand deposit account balances to ensure that the balances are within the FDIC limits.

The Organization's operations are located in Jacksonville, Florida. The Organization received funding from the City of Jacksonville's Cultural Council representing 12.5% and 7%, respectively, of the Organization's support for the periods-ended June 30, 2009 and September 30, 2008. In addition, the Organization received 7% of its support from one major donor during the year ended September 30, 2008.

10. PLEDGES RECEIVABLE

Pledges receivable represent substantially all unconditional promises to give which have been made by donors but have not yet been received by the Organization. Unconditional promises to give due in more than one year are reflected at the present value of estimated cash flows. An allowance for uncollectible pledges has been provided based on management's judgment of the collectibility of pledges receivable.

Substantially all unconditional promises to give at year-end are from the Organization's Capital Campaign. Due to the nature of these pledges, significant increases and decreases in net assets may occur. These significant fluctuations can arise as contributions are recognized as support in the fiscal period in which they are pledged, but the expenses incurred with such contributions occur in a different fiscal period.

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At June 30, 2009 and September 30, 2008 total unconditional promises to give were as follows:

	2009	2008
Pledges receivable	$ 255,581	$ 430,415
Discount	(7,152)	(10,044)
Present value of pledges received	248,429	420,371
Allowance for uncollectible pledges	-	-
	$ 248,429	$ 420,371

	2009	2008
Receivable in less than one year	$ 47,500	$ 245,000
Receivable in one to five years	200,929	175,371
Total pledges receivable	$ 248,429	$ 420,371

11. NOTE PAYABLE

	2009	2008
A revolving credit facility of $1,800,000 was acquired from AmSouth Bank with interest payable monthly at the 30 day Libor plus 2.25% per annum, through October 2005, renewable annually. Upon renewal, a $750,000 non-revolving line of credit with interest payable monthly at the 30 day Libor plus 2.25% was executed. Principal due September 30, 2009. Loan collateralized by 80% of eligible grants and pledges receivable.	$ 317,209	$ 317,209
Unsecured note in the amount of $95,729 payable in four annual installments of $23,932 beginning June 1, 2005 with imputed interest of 1.98%. Final payment due December 15, 2008.	-	23,468
	317,209	340,677
Less current portion	317,209	23,468
Long-term portion	$ -	$ 317,209

Principal maturities of long-term debt are as follows:

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Year Ended September 30	2009	2008
2009	$ -	$ 340,667
2010	-	-
2011	-	-
2012	-	-
2013	-	-
Thereafter	-	-
	$ -	$ 340,667

12. SHORT-TERM NOTES PAYABLE

The Organization has a line of credit of $100,000 payable upon demand with interest payable monthly at the Prime Rate of the Bank in effect from time to time. The agreement expires September 30, 2009. The outstanding balance as of June 30, 2009 and September 30, 2008 was $99,375 and $94,375, respectively.

The Organization also has a short-term loan payable to a member of the Board of Directors bearing zero interest and payable on a mutually agreeable date. The outstanding balance as of June 30, 2009 and September 30, 2008 was $423,779 and $383,779, respectively.

Effective May 15, 2009 the Organization entered into a revolving credit line note with the University of North Florida in the amount of $500,000 payable upon demand. The credit line bears no interest except upon an event of default. The credit line may be repaid in whole or in part at any time without penalty. The outstanding balance as of June 30, 2009 was $320,000. Refer to Note 16.

13. COLLECTIONS

The Organization's collections are made up of art objects that are held for educational and curatorial purposes. Each of the items is cataloged, conserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

14. RELATED PARTY

The Organization entered into construction contracts with a member of the Board of Directors for renovation of Museum of Contemporary Art Jacksonville, Inc. For the year ended June 30, 2009 and September 30, 2008, costs incurred under the contracts in the amount of $72,854 and $72,854, respectively, are included in accounts payable. The Organization is also obligated under a short-term loan payable with a related party. Refer to Note 12.

15. FUNCTIONAL EXPENSE ALLOCATION

Expense by function for the nine-months ended June 30, 2009 and the twelve months ended September 30, 2009 were as follows:

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Expenses	2009	2008
Program services:		
Museum operations	$ 1,051,624	$ 1,611,085
Education programs	151,333	196,913
Supporting services:		
Management and general	322,306	465,999
Fund raising	279,649	294,524
Total Expenses	$ 1,804,912	$ 2,568,521

16. AGREEMENT WITH THE UNIVERISITY OF NORTH FLORIDA

Effective May 15, 2009 the Organization entered into an agreement with the University of North Florida (the "University") to operate as a direct support organization of the University as defined by and in compliance with applicable Florida Statutes and the University's regulation on direct support organizations. The purpose of the direct support organization (the Organizaition) is to operate a museum of contemporary art in support and furtherence of the mission of the the Organization and the University and its divisions and operations. The University shall support the operation of the Orgnization as a contemporary fine arts museum; however, the University may add its own educational and outreach programs, either independently or in conjunction with the Organization.

17. CHANGE IN FISCAL YEAR-END

The Board of Trustees approved the change in fiscal year-end to June 30 in order to conform to the fiscal year-end of the University of North Florida.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Museum of Contemporary Art Jacksonville, Inc.
Jacksonville, Florida

We have audited the financial statements of Museum of Contemporary Art Jacksonville, Inc. (a nonprofit corporation) as of and for the nine-months ended June 30, 2009 and have issued our report thereon dated _____, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* , issued by the Comptroller General of the United States.

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered Museum of Contemporary Art Jacksonville, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum of Contemporary Art Jacksonville, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Internal Control Over Financial Reporting (continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Museum of Contemporary Art Jacksonville, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* .

We noted certain matters that we reported to management of the Museum of Contemporary Art Jacksovnille, Inc. in a separate letter dated _____, 2009.

This report is intended solely for the information of the board of directors, management, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

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Jacksonville, Florida
_____, 2009

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Board of Directors
Museum of Contemporary Art Jacksonville, Inc.
Jacksonville, Florida

Our report on our audits of the basic financial statements of Museum of Contemporary Art Jacksonville, Inc. as of and for the nine-months ended June 30, 2009 and the twelve-months ended September 30, 2008 appears on Page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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The schedule of source and status of funds received from the Cultural Council of Greater Jacksonville, Inc. was prepared on the cash receipts and disbursements basis of accounting prescribed by the Cultural Council of Greater Jacksonville, Inc., which is a comprehensive basis of accounting other than generally accepted accounting principles, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the financial statements referred to above; and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management and the Cultural Council of Greater Jacksonville, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Bushnell & Company, P.A.
Jacksonville, Florida
_____, 2009

MUSEUM OF CONTEMPORARY ART JACKSONVILLE, INC.

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE NINE-MONTHS ENDED JUNE 30, 2009 AND THE TWELVE-MONTHS ENDED SEPTEMBER 30, 2008

	Nine-Months Ended June 30, 2009	Twelve-Months Ended September 30, 2008
General and Administrative Expenses:		
Advertising and promotion	$ 75,264	$ 43,676
Bank charges	17,125	18,488
Conferences and meetings	3,016	13,580
Depreciation	251,594	366,673
Dues and subscriptions	4,161	3,430
Exhibition expense	29,000	18,403
Insurance	27,998	28,723
Interest	11,519	28,464
Leased equipment	24,539	25,182
Occupancy	153,760	178,924
Office supplies	4,012	12,650
Other expense	10,649	51,570
Postage	10,729	75,696
Professional fees	171,410	252,794
Reception and special events	22,726	39,060
Payroll taxes	57,894	94,543
Printing	18,039	87,554
Repairs and maintenance	14,636	57,981
Salaries	682,928	1,066,895
Employee benefits	50,336	96,256
Taxes and licenses	1,657	4,648
Supplies	33,659	56,889
Telephone	5,362	11,169
Travel	16,445	44,602
	1,698,458	2,677,850
Modern Art Council Special Events	106,454	167,441
Total General and Administrative Expenses	$ 1,804,912	$ 2,845,291

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MUSEUM OF CONTEMPORARY ART JACKSONVILLE, INC.

SCHEDULE OF THE SOURCE AND STATUS OF FUNDS RECEIVED FROM THE CULTURAL COUNCIL OF GREATER JACKSONVILLE, INC. FOR NINE-MONTHS ENDED JUNE 30, 2009

City of Jacksonville - Cultural Council of Greater Jacksonville, Inc.
Program: Cultural Services Grant Program - General Operating Support
Contract Period: October 1, 2008 - September 30, 2008

Receipt of City Funds

	City Fiscal Year 2008-2009
Amount of Award	$ 187,115
Actual Funds Received from the City in Last Audit Period	-
Actual Amount Received this Period	(140,336)
Amount Remaining to be Distributed	$ 46,779

Expenditure of City Funds:

City Fiscal Year 2008-2009
Grant $187,115

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	(Unaudited) Budget	Actual 10/01/08 - 6/30/09	Actual 7/01/09 - 9/30/09	Total Actual	(Unaudited) Budget Remaining
Item:					
Salaries and benefits	$ 187,115	$ 140,336	$ -	$ 140,336	$ -
Total	$ 187,115	$ 140,336	$ -	$ 140,336	$ -