

THE CORNING MUSEUM OF GLASS

**Financial Statements
as of December 31, 2011 and 2010
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

March 19, 2012

To the Board of Trustees of
The Corning Museum of Glass:

We have audited the accompanying statements of financial position of The Corning Museum of Glass (a New York not-for-profit corporation) as of December 31, 2011 and 2010, and the related statements of activities and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Museum'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. Those standards require that we plan and perform the audits 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 Corning Museum of Glass as of December 31, 2011 and 2010, 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Note 19, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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THE CORNING MUSEUM OF GLASS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

(Dollars in Thousands)

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 6,657	\$ 5,186
Accounts receivable, net of allowance of \$1 for 2011 and 2010	188	176
Other receivable - Rockwell Museum	53	52
Inventories, net of reserve of \$35 and \$25 for 2011 and 2010, respectively	815	659
Contributions receivable	177	39
Other assets	<u>212</u>	<u>174</u>
Total current assets	<u>8,102</u>	<u>6,286</u>
INVESTMENTS	23,360	22,913
FIXED ASSETS, net	2,331	2,395
COLLECTIONS (Note 2)	<u>-</u>	<u>-</u>
	<u>25,691</u>	<u>25,308</u>
	<u>\$ 33,793</u>	<u>\$ 31,594</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 393	\$ 565
Accrued liabilities	614	520
Deferred revenue	225	174
Current portion of capital lease obligations	60	55
Current portion of postretirement benefits other than pension	<u>14</u>	<u>10</u>
Total current liabilities	1,306	1,324
CAPITAL LEASE OBLIGATIONS, net of current portion	337	398
ACCRUED PENSION LIABILITY	1,575	847
POSTRETIREMENT BENEFITS OTHER THAN PENSION, net of current portion	<u>835</u>	<u>807</u>
Total liabilities	<u>4,053</u>	<u>3,376</u>
NET ASSETS:		
Unrestricted	27,166	25,995
Temporarily restricted	1,073	734
Permanently restricted	<u>1,501</u>	<u>1,489</u>
Total net assets	<u>29,740</u>	<u>28,218</u>
	<u>\$ 33,793</u>	<u>\$ 31,594</u>

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011

(Dollars in Thousands) (With Comparative Totals for 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
SUPPORT AND REVENUE:					
Contributions from Corning Incorporated	\$ 26,217	\$ -	\$ -	\$ 26,217	\$ 25,082
Admissions	2,599	-	-	2,599	2,504
Sales from merchandising and food service	6,424	-	-	6,424	5,693
Studio, education, and outreach	2,872	-	-	2,872	2,838
Other revenues and contributions	546	954	1	1,501	1,016
Interest and dividends	505	24	7	536	509
Net appreciation of investments	(8)	13	4	9	1,642
Net assets released from restrictions	652	(652)	-	-	-
Total support and revenue	39,807	339	12	40,158	39,284
EXPENSES:					
Program services -					
Curatorial, exhibitions, and research	5,433	-	-	5,433	5,210
Studio, education, and outreach	6,538	-	-	6,538	6,317
Library services	1,843	-	-	1,843	1,831
Publications	321	-	-	321	366
Visitor services	2,270	-	-	2,270	2,173
Merchandising and food service	4,039	-	-	4,039	3,738
Cost of sales from merchandising and food service	3,038	-	-	3,038	2,722
Total program services	23,482	-	-	23,482	22,357
Support services -					
General administration	8,646	-	-	8,646	7,816
Marketing and public relations	2,428	-	-	2,428	2,237
Information services	1,287	-	-	1,287	1,196
Total support services	12,361	-	-	12,361	11,249
Acquisitions -					
Purchases for the Glass Collection	1,715	-	-	1,715	893
Purchases for the Library Collection	252	-	-	252	261
Total acquisitions	1,967	-	-	1,967	1,154
Total expenses	37,810	-	-	37,810	34,760
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES	1,997	339	12	2,348	4,524
OTHER CHANGES IN NET ASSETS:					
Change in funded status of pension plan (Note 10)	(694)	-	-	(694)	(464)
Change in funded status of postretirement benefit plan (Note 10)	(132)	-	-	(132)	(129)
CHANGE IN NET ASSETS	1,171	339	12	1,522	3,931
NET ASSETS - beginning of year	25,995	734	1,489	28,218	24,287
NET ASSETS - end of year	\$ 27,166	\$ 1,073	\$ 1,501	\$ 29,740	\$ 28,218

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010

(Dollars in Thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions from Corning Incorporated	\$ 25,082	\$ -	\$ -	\$ 25,082
Admissions	2,504	-	-	2,504
Sales from merchandising and food service	5,693	-	-	5,693
Studio, education, and outreach	2,838	-	-	2,838
Other revenues and contributions	523	493	-	1,016
Interest and dividends	470	29	10	509
Net appreciation of investments	1,616	20	6	1,642
Net assets released from restrictions	513	(513)	-	-
	<u>39,239</u>	<u>29</u>	<u>16</u>	<u>39,284</u>
EXPENSES:				
Program services -				
Curatorial, exhibitions, and research	5,210	-	-	5,210
Studio, education, and outreach	6,317	-	-	6,317
Library services	1,831	-	-	1,831
Publications	366	-	-	366
Visitor services	2,173	-	-	2,173
Merchandising and food service	3,738	-	-	3,738
Cost of sales from merchandising and food service	2,722	-	-	2,722
	<u>22,357</u>	<u>-</u>	<u>-</u>	<u>22,357</u>
Support services -				
General administration	7,816	-	-	7,816
Marketing and public relations	2,237	-	-	2,237
Information services	1,196	-	-	1,196
	<u>11,249</u>	<u>-</u>	<u>-</u>	<u>11,249</u>
Acquisitions -				
Purchases for the Glass Collection	893	-	-	893
Purchases for the Library Collection	261	-	-	261
	<u>1,154</u>	<u>-</u>	<u>-</u>	<u>1,154</u>
	<u>34,760</u>	<u>-</u>	<u>-</u>	<u>34,760</u>
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES	4,479	29	16	4,524
OTHER CHANGES IN NET ASSETS:				
Change in funded status of pension plan (Note 11)	(464)	-	-	(464)
Change in funded status of postretirement benefit plan (Note 11)	(129)	-	-	(129)
CHANGE IN NET ASSETS	3,886	29	16	3,931
NET ASSETS - beginning of year	22,109	705	1,473	24,287
NET ASSETS - end of year	\$ 25,995	\$ 734	\$ 1,489	\$ 28,218

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(Dollars in Thousands)

	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,522	\$ 3,931
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	527	693
Loss on the sale of fixed assets	26	-
Net appreciation of investments	(9)	(1,642)
Interest and dividends restricted for reinvestment	(7)	(10)
Change in funded status of pension plan	694	464
Change in funded status of postretirement benefit plan	132	129
Acquisitions for the Museum collection	1,967	1,154
Changes in:		
Accounts receivable	(12)	(58)
Other receivable - Rockwell Museum	(1)	(2)
Inventories	(156)	(4)
Contributions receivable	(138)	1
Other assets	(38)	(69)
Accounts payable	(172)	259
Accrued liabilities	94	(7)
Deferred revenue	51	30
Accrued pension liability	34	(155)
Postretirement benefits other than pension	(100)	(90)
Net cash flow from operating activities	<u>4,414</u>	<u>4,624</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(489)	(533)
Purchases of investments	(1,788)	(2,999)
Proceeds from the sale of investments	1,350	1,402
Acquisitions for the Museum collection	(1,967)	(1,154)
Net cash flow from investing activities	<u>(2,894)</u>	<u>(3,284)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayments on capital leases	(56)	(51)
Interest and dividends restricted for reinvestment	7	10
Net cash flow from financing activities	<u>(49)</u>	<u>(41)</u>
CHANGE IN CASH AND EQUIVALENTS	1,471	1,299
CASH AND EQUIVALENTS - beginning of year	<u>5,186</u>	<u>3,887</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 6,657</u>	<u>\$ 5,186</u>

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

(Dollars in Thousands)

1. THE ORGANIZATION

The mission of The Corning Museum of Glass (the Museum) is to engage, educate, and inspire visitors and the community through the art, history, and science of glass. This involves building, preserving, and promoting the world's foremost collection of objects representing the art and history of glass, and the library of record on those subjects for a broad range of current and new museum visitors; displaying the best of the collection in a permanent exhibition and arranging temporary exhibitions illustrating particular aspects of the art and history of glass, and in doing so maintaining an international reputation for scholarship and research on glass; presenting exhibitions of glass science and technology that educate and involve visitors of all ages in historic innovations and future applications of glass and glass-related materials, and providing visitors with a unique opportunity to view and experience glassmaking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Museum have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

Classification of Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Museum, the accounts are reported in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into groups of net assets established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

Net assets of the Museum are classified and reported as follows:

- **Unrestricted Net Assets**

Unrestricted net assets include operating net assets, which are not subject to donor-imposed stipulations, and are generally available for support of Museum operations.

- **Temporarily Restricted Net Assets**

Temporarily restricted net assets include resources resulting from contributions of assets whose use by the Museum is limited by donor-imposed restrictions that either expire by passage of time or will be fulfilled by future actions of the Museum pursuant to those restrictions. When a donor 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. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as temporarily restricted until appropriated by the Museum's governing Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets (Continued)

- **Permanently Restricted Net Assets**

Permanently restricted net assets have been restricted by donors to be maintained by the Museum in perpetuity. Generally, the Museum is permitted to use or expend part or all of the income and gains derived from the donated assets, restricted only by the donors' wishes.

Cash and Equivalents

Cash and equivalents consist of amounts on deposit with financial institutions, short-term investments with maturities of three months or less at the time of purchase, and other highly liquid investments, primarily money market funds. At times, the balances in bank accounts may exceed federally insured limits. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and equivalents.

Accounts Receivable

Accounts receivable consist of amounts primarily due for educational outreach, group admission fees and facility rentals. The Museum records an allowance for doubtful accounts based on experience and a review of specific accounts outstanding.

Inventories

Inventories consist of items purchased for resale in the Museum's gift shops and are valued at the lower of cost, determined on the average-cost basis, or market. The cost of inventory produced by Museum staff is charged to expense as incurred, since the future recovery of such costs is uncertain.

Investments

Investments are stated at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the net assets of the Museum.

Fair Value Measurement

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Museum. Unobservable inputs are inputs that reflect the Museum's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement - (Continued)

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

All of the Museum's investments are valued utilizing Level 1 inputs. The Museum currently has no assets or liabilities valued utilizing Level 2 or 3 inputs.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fixed Assets

Fixed asset purchases are capitalized and recorded at cost or, in the case of gifts, at fair value at the date of donation. The Museum capitalizes all fixed assets with a cost of \$5 or more that have a useful life of greater than one year, with the exception of capital expenditures that are related to exhibits that will be in place for less than 2 years and are deemed to be temporary. Depreciation expense is computed using the straight-line method over the estimated useful life of the assets (ranging from 2 to 40 years).

Deferred Revenue

Deferred revenue represents cash received in advance of revenue recognition by the Museum.

Taxes

The Museum is a not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Museum has been classified by the Internal Revenue Service as a private foundation.

The Museum applied to the IRS to change its tax status from a private foundation to a public charity effective January 1, 2010. The Museum is permitted to operate as a public charity during the period when the application is under review.

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. As of December 31, 2011 and 2010, the Museum does not have a liability for unrecognized tax benefits. The Museum files returns in the U.S. federal jurisdiction and New York State. The Museum is no longer subject to U.S. federal and state tax examinations by tax authorities for years through 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Museum Collection

The collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets in the statement of financial position. Purchases of, or proceeds from the sale of, collection items are recorded as changes in unrestricted net assets in the year the transaction occurs. Donations of art objects and library materials are not recorded as income in the statement of activities and change in net assets.

Endowment

The Museum's endowment consists of three individual permanently restricted funds established for a variety of purposes by donors. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Contributions

Contributions received and unconditional promises to give are measured at their fair values at the date of the gift and are reported as an increase in net assets. The Museum reports gifts of cash and other assets as either temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

Contributions receivable represents the net present value of amounts pledged. The majority of pledges are to be received within one year.

Donated Services, Goods, and Facilities

Materials and other goods and services received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of receipt.

Volunteers have donated significant amounts of time in support of the Museum's activities. However, the value of these services is not reflected in the accompanying statements, as they do not meet the criteria for recognition as set forth under GAAP.

Advertising

Advertising costs are charged to expense as incurred.

Sales Tax

The Museum records sales net of tax collected.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. OTHER RECEIVABLE - ROCKWELL MUSEUM

Employees of the Museum provide services to the Rockwell Museum (the Rockwell) for which the Museum is reimbursed for the cost of salaries and benefits of the specific employees. In 2011 and 2010, the Museum provided services totaling \$791 and \$777, respectively, to the Rockwell. As of December 31, 2011 and 2010, respectively, the Museum recorded an amount due from the Rockwell for salaries, benefits, and other services of \$53 and \$52. There are no formal repayment terms for these balances.

4. INVESTMENTS

The Museum's investments consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Vanguard Short-Term Money Market Fund	\$ 2,088	\$ 2,039
Vanguard Total Bond Market Fund	8,394	8,287
Vanguard Short-Term Bond Fund	1,583	1,622
Vanguard Total Stock Market Index Fund	9,174	8,738
Vanguard International Growth Fund	1,687	1,694
Vanguard Emerging Stock Market Fund	<u>434</u>	<u>533</u>
	<u>\$ 23,360</u>	<u>\$ 22,913</u>

Net investment income generated from these investments and from cash and equivalents consisted of the following for the years ending December 31:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 536	\$ 509
Realized gain on investments, net	119	44
Unrealized gain (loss) on investments, net	<u>(110)</u>	<u>1,598</u>
	<u>\$ 545</u>	<u>\$ 2,151</u>

The following are measured at fair value on a recurring basis at December 31, 2011:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	\$ 23,360	\$ -	\$ -	\$ 23,360

The following are measured at fair value on a recurring basis at December 31, 2010:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	\$ 22,913	\$ -	\$ -	\$ 22,913

5. ENDOWMENT

Endowment net assets consisted of the following, based on the purpose for which the income is expendable as of December 31:

	<u>2011</u>	<u>2010</u>
Acquisitions of books for the Rakow Research Library	\$ 712	\$ 710
Annual award(s) for glass research and commissioned works of art	750	750
Other library	<u>39</u>	<u>29</u>
	<u>\$ 1,501</u>	<u>\$ 1,489</u>

5. ENDOWMENT (Continued)

Changes in the endowment net assets were as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Endowment net assets, beginning of year	\$ 1,489	\$ 1,473
Investment return:		
Investment income	7	10
Contributions	1	-
Net appreciation (realized and unrealized)	<u>4</u>	<u>6</u>
Endowment net assets, end of year	<u>\$ 1,501</u>	<u>\$ 1,489</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by New York Not-for-Profit Corporation Law. There were no such deficiencies as of December 31, 2011 and 2010.

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity. Under this policy, investments are consistent with the quality deemed appropriate in a fiduciary relationship and to which a prudent investor would adhere. All assets have readily ascertainable market values and are easily marketable.

Strategies Employed for Achieving Objectives

The Museum's strategy is to invest its endowment assets in mutual funds. This allows for diversity without the need to track individual securities. Only mutual funds that have been in existence for at least five years are used. Additionally, they have favorable risk adjusted performance records and low expense ratios over time relative to peer funds and their associated benchmarks.

Spending Policy and How the Investment Objectives Relate to Spending Policy

New York Not-for-Profit Corporation Law was amended to add a new article known as the "Prudent Management of Institutional Funds Act", which became effective in September 2010. The implementation had no effect on the classifications of net assets previously reported.

Earnings on the Museum's endowment are restricted for an award(s) for excellence in glass and for library acquisitions. The Museum's policy is to appropriate as much of the endowment earnings as considered necessary. Any unappropriated endowment earnings in any given year become part of the permanently restricted endowment as described in Note 6. The endowment is invested conservatively, so as to minimize losses that may occur in conjunction with market fluctuations.

The governing board of the Museum has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on its permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends).

6. DONOR-IMPOSED RESTRICTIONS ON UNSPENT EARNINGS

All permanently restricted investment earnings are temporarily restricted for an award(s) for excellence in glass and for library acquisitions. Per donor instructions, each year, any unappropriated earnings from these investments are to be maintained in permanently restricted investments. In 2011, there were unappropriated earnings of \$1 transferred to the permanently restricted investments. In 2010, the earnings available from these investments were completely appropriated for the restricted purpose and, accordingly, no amounts were transferred from temporarily restricted to permanently restricted net assets.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following as of December 31:

	<u>2011</u>	<u>2010</u>
Glass acquisitions	\$ 296	\$ 150
Library acquisitions	28	44
Scholarships and awards	664	471
Time restrictions	<u>85</u>	<u>69</u>
	<u>\$ 1,073</u>	<u>\$ 734</u>

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions, either by incurring expenses or, by the passage of time satisfying the restricted purposes, as follows:

	<u>2011</u>	<u>2010</u>
Glass acquisitions	\$ 411	\$ 284
Library acquisitions	52	57
Scholarships and awards	122	101
Time restrictions	<u>67</u>	<u>71</u>
	<u>\$ 652</u>	<u>\$ 513</u>

9. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Vehicles under capital lease	\$ 619	\$ 619
Buildings	7,322	7,474
Equipment	5,427	5,695
Construction in progress	<u>102</u>	<u>37</u>
	13,470	13,825
Less: Accumulated depreciation and amortization	<u>(11,139)</u>	<u>(11,430)</u>
	<u>\$ 2,331</u>	<u>\$ 2,395</u>

Accumulated amortization on vehicles under capital lease was \$279 and \$217 at December 31, 2011 and 2010, respectively.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Museum has a funded noncontributory defined benefit pension plan that covers all of its employees. The Museum also has other postretirement benefit plans that provide health care and life insurance benefits for eligible retirees and dependents. The health care plan is contributory, with participants' contributions determined by years of service. The life insurance plan is noncontributory.

Certain employees of the Museum provide services to the Rockwell Museum (the Rockwell). Therefore, pension costs are allocated by the Museum to the Rockwell based on the level of services provided to the Rockwell by the Museum's employees.

The postretirement benefit plan is limited to employees hired before January 1, 2007, with 15 years of service. The plan requires that medical contributions for current and future retirees be limited to amounts determined by the Benefits Committee and the retiree life insurance benefit is fixed at \$20. The plan also eliminates retiree medical insurance upon reaching age 65 for any employee who retired or will retire on or after January 1, 2007.

The Museum uses a December 31 measurement date for all of its plans.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Funded Status

Obligations and funded status of the plans are as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Projected benefit obligation	\$ 15,713	\$ 13,481	\$ 849	\$ 817
Fair value of plan assets at end of year	<u>14,138</u>	<u>12,634</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (1,575)</u>	<u>\$ (847)</u>	<u>\$ (849)</u>	<u>\$ (817)</u>
Accumulated benefit obligation	\$ 14,548	\$ 12,589	\$ -	\$ -
Employer contributions	\$ 765	\$ 722	\$ 14	\$ 10
Plan participants' contributions	\$ -	\$ -	\$ 17	\$ 15
Benefit payments and expenses	\$ (437)	\$ (441)	\$ (31)	\$ (25)

Financial Statement Recognition

As of December 31, 2011 and 2010, the following amounts were recognized in the balance sheet:

	<u>2011</u>	<u>2010</u>
As a current liability	\$ (14)	\$ (10)
As a non-current liability	\$ (2,410)	\$ (1,654)

Amounts recognized in the statements of activities and change in net assets consist of:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net periodic benefit cost (income)	\$ 799	\$ 567	\$ (87)	\$ (80)

As of December 31, 2011, the following items included in net assets had not yet been recognized as components of benefits expense:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>Prior Service Credit</u>	<u>Net Loss</u>	<u>Prior Service Credit</u>	<u>Net Loss</u>
Unrecognized amounts at December 31, 2011	\$ 757	\$ (5,015)	\$ 1,984	\$ (961)
Expected amortization of unrecognized items in next year's expense	\$ (84)	\$ 300	\$ (225)	\$ 58

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Assumptions

Weighted average assumptions used to determine benefit obligations at December 31, are as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Discount rate	4.75%	5.25%	4.75%	4.75%
Average annual increase in compensation	4.50%	4.50%	N/A	N/A
Expected long-term rate of return on plan assets	7.00%	7.25%	N/A	N/A

The expected rate of return on assets is based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

Assumed health care cost trend rates at December 31, are as follows:

	<u>2011</u>	<u>2010</u>
Health care cost trend rate assumed for next year	8%	8%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2015	2014

The health care cost trend is assumed to decline 1% per year until the ultimate rate is reached in 2015. The effect of a 1% increase or decrease in the health care cost trend rate would be immaterial to the Net Periodic Benefit Cost and APBO accumulated benefit obligation for 2011.

Plan Assets

The Museum has an investment policy for the pension plan with the primary objective of adequately providing for both the growth and liquidity needed to support all current and future benefit payment obligations. The investment strategy is to invest in a diversified portfolio of assets that are expected to satisfy the above objective and produce both absolute and risk adjusted returns competitive with a benchmark of 40% MSCI US Broad Market, 10% MSCI EAFE Index, 40% Barclays Long Gov/Credit Index, and 10% Barclays Inflation Note Index.

The Museum's pension plan had investments that consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Vanguard Prime Money Market Fund	\$ 75	\$ 35
Vanguard Inflation Protected Securities Fund	1,356	1,214
Vanguard Long-Term Bond Fund	5,667	4,805
Vanguard Total Stock Market Index Fund	5,778	5,205
Vanguard International Growth Fund	<u>1,262</u>	<u>1,375</u>
	<u>\$ 14,138</u>	<u>\$ 12,634</u>

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Plan Assets (Continued)

The fair value of the Museum's pension plan investments at December 31, 2011, was determined using the following input levels:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	\$ 14,138	\$ -	\$ -	\$ 14,138

The fair value of the Museum's pension plan investments at December 31, 2010, was determined using the following input levels:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	\$ 12,634	\$ -	\$ -	\$ 12,634

Contributions

The Museum expects to contribute \$832 and \$33 to its pension plan and postretirement benefit plan, respectively, in 2012.

Estimated Future Benefit Payments

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	<u>Pension Benefits</u>	<u>Postretirement Benefits</u>
2012	\$ 672	\$ 33
2013	\$ 714	\$ 43
2014	\$ 750	\$ 52
2015	\$ 775	\$ 63
2016	\$ 829	\$ 60
Thereafter	\$ 4,328	\$ 317

11. 403(b) DEFINED CONTRIBUTION RETIREMENT PLAN

Employees of the Museum are immediately eligible to participate in The Corning Museum of Glass Defined Contribution Retirement Plan, a 403(b) tax-deferred annuity program. Each employee determines whether participation in the program is appropriate and the percentage of compensation he or she wishes to defer. Employees may contribute any percentage of compensation up to the lesser of 75% of their compensation or the maximum allowed by law. The Museum makes matching contributions of 50% of each employee's contributions, up to a maximum of 4%. The total of an employee's and the Museum's matching contributions is not to exceed the maximum IRC Section 415 limitations of \$49 in 2011. In addition, employees age 50 or older were permitted to make catch-up contributions in 2011, not to exceed \$5. Matching contributions for 2011 and 2010 were \$155 and \$125, respectively.

12. CONTRIBUTIONS FROM CORNING INCORPORATED

Contributions from Corning Incorporated for the years ended December 31 were as follows:

	<u>2011</u>	<u>2010</u>
Expenses incurred on behalf of the Museum	\$ 12,317	\$ 12,132
Cash	<u>13,900</u>	<u>12,950</u>
	<u>\$ 26,217</u>	<u>\$ 25,082</u>

Cash contributions are unrestricted and available for the Museum's general operations and acquisitions. Expenses incurred by Corning Incorporated on behalf of the Museum consist primarily of facilities costs and salaries expense. These are reflected in the applicable program and support services categories in the statements of activities. The overall contribution from Corning Incorporated was approximately 65% and 67% of the Museum's total support and revenue (excluding net appreciation/depreciation of investments) for the years ended December 31, 2011 and 2010, respectively.

13. EXCISE TAXES

As described in Note 2, the Museum applied to the IRS to change its tax status from a private foundation to a public charity effective January 1, 2010. The Museum expects that the IRS will accept the public charity application, and therefore no excise taxes will be accrued or paid during the period when the application is under review. Prior to January 1, 2010, the Museum was subject to federal excise tax on net taxable investment income, as defined by the Internal Revenue Code. For tax purposes, such tax is determined, in part, based on net realized gains on sales of investments (the difference between the donor's basis of the investment, if contributed, or the cost of the investment, if purchased, and the proceeds of the sale). The Museum incurred tax expense of \$4 in 2010. The Museum did not incur any tax expense in 2011. The Museum did not pay excise tax in 2011. The Museum paid excise taxes of \$4 in 2010. The 2010 expense and payouts relate to the taxes owed with the 2009 tax return.

14. OPERATING LEASES

The Museum has several non-cancelable operating leases, primarily for office equipment, that expire through 2015. These leases generally require the Museum to pay all executory costs such as maintenance and insurance. The expense for operating leases for 2011 and 2010 was \$50 and \$49, respectively. The Museum's future minimum operating lease commitments are as follows:

2012	\$ 45
2013	40
2014	12
2015	<u>5</u>
	<u>\$ 102</u>

15. CAPITAL LEASES

In 2007, the Museum entered into a contract to lease two buses under a non-cancelable capital lease agreement with an interest rate of 9% and an expiration date in 2017. The lease requires the Museum to pay operating expenses related to the leased asset. Future minimum lease payments at December 31, 2011, are as follows:

2012	\$	94
2013		94
2014		94
2015		94
2016		94
Thereafter		<u>32</u>
Total minimum lease payments		502
Less: Amount representing interest		<u>(105)</u>
		397
Less: Current portion		<u>(60)</u>
	\$	<u><u>337</u></u>

Interest expense and interest paid on the capital lease was \$39 and \$43 for the years ended December 31, 2011 and 2010, respectively.

16. ADVERTISING COSTS

For the years ended December 31, 2011 and 2010, advertising costs for the Museum were \$840 and \$818, respectively.

17. FUNDRAISING COSTS

For the years ended December 31, 2011 and 2010, fundraising costs for the Museum were \$204 and \$131, respectively, and are included in general administration in the accompanying statements of activities and change in net assets.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 19, 2012, which is the date the financial statements were available to be issued.

19. GIFTS AND DONATIONS (UNAUDITED)

Gifts of art objects and library materials received during 2011 and 2010 were estimated by the Museum's curators to have a value of approximately \$3,369 and \$417, respectively.

A substantial number of volunteers donated 10,081 and 9,829 hours to the Museum's program services during 2011 and 2010, respectively; however, the value of these donated services is not reflected in the financial statements.