



The Barnes Foundation



Accounting for Fiscal Year Ended December 31, 2001

In connection with the 17 year accounting, the following information for fiscal year 2001 is respectfully submitted.

CASH

Exhibit A shows the monthly cash activity for The Barnes Foundation's general operating account, payroll account and Pew grant account. The total cash of \$139,842.65 agrees to the December 31, 2001 financial statement. Summarizing Exhibit A, the beginning general operating bank account balance is \$100,578.47 with \$2,961,859.61 being deposited during the year and checks in the amount of \$2,892,525.73 being written to show an ending balance in the general operating account of \$169,912.35. The beginning payroll bank account balance is \$4,716.32 with \$883,336.39 being deposited during the year and payroll checks in the amount of \$883,009.95 being written to show an ending balance in the payroll account of \$5,042.76. The beginning Pew grant account balance is \$0 with \$490,866 being deposited from Pew during the year and checks in the amount of \$390,779 being written to show an ending balance in the Pew grant account of \$100,087.

INVESTMENTS

We prepared a schedule of the activity in the investment accounts (Exhibit B) for the year from the investment statements, reconciling beginning and ending investments as well as investment income for the year to the financial statements. The investments totaled \$7,794,790 at January 1, 2001 and consisted mainly of US Treasury Bonds and Money Market accounts held in three Mellon Investment Management Accounts and a Merrill Lynch Account. During 2001 the investments were diversified to include equity positions. Investments at December 31, 2001 totaled \$6,373,189 and were held in seven Merrill Lynch accounts with the six restricted accounts being professionally managed by independent account managers.

WORLD TOUR FUNDS

From 1993 through 1995, the Foundation was granted permission by the court to allow a world tour of certain paintings. The majority of the proceeds from the tour were restricted by the court for gallery renovations. There were no funds released during the year from this account. The only activity in 2001 was investment results. We prepared a schedule of the activity in this restricted fund account for 2001 as follows:

Balance at January 1, 2001	\$4,816,876
Interest and Dividends	128,083
Realized and Unrealized Loss	<u>(530,451)</u>
Balance at December 31, 2001	<u>\$4,414,508</u>

SIGNIFICANT MANAGEMENT TRENDS FOR FISCAL 2001

The certified financial statement of The Foundation is attached as Exhibit C. The following are the material trends regarding performance based on the financial statements for fiscal 2001. During 2001 The Foundation saw an increase in both contributions and expenses. Grants were received for a collection assessment project, which also increased staff salaries. Expenses overall increased from \$3,158,000 in 2000 to \$4,054,000 in 2001. Salaries increased by approximately \$250,000 and professional fees increased by approximately \$350,000 from the previous year. The year 2001 also had an unrealized loss in investments of \$250,000 and a realized loss of \$272,000.

PROFESSIONAL FEES

Professional and consulting fees per the audited financial statements for 2001 were \$661,128 as follows:

Legal fees	\$440,699	(Exhibit D)
Website	10,172	
Computer consulting	29,112	
Casual wages	3,841	
Insurance consulting	13,500	
Project manager	32,292	
Art handlers and conservation consultants	59,131	
Public relations	7,871	
Other professional fees	<u>64,510</u>	
	<u>\$661,128</u>	

TRAVEL EXPENSE

Travel and transportation expense per the audited financial statements for 2001 was \$24,871. Exhibit E presents the travel expense in accordance with the general ledger accounts, except for individual expenses in excess of \$1,000.

SECURITY

Guards and Security expense per the audited financial statements for 2001 was \$424,995. See Exhibit F for detail. The Foundation used Allied Security for guard services for most of the year, switching from Foulke Associates who provided services in 2000. The Foundation also used Protection Bureau for cell and alarm monitoring.

INSURANCE

Insurance expense per the audited financial statements for 2001 was \$146,276. This includes workers' compensation coverage, umbrella, multi-peril, directors and officers, and fidelity bond. See Exhibit G.

STAFF SALARIES

Total wages per the audited financial statements for 2001 were \$1,246,721. Exhibit H details salaries by department, listing the positions within each department as well as those that are grant funded.

The Barnes Foundation
Monthly Schedule of Cash Activity
2001

	General Operating Checking Account			Payroll Checking Account			PEW Checking Account			Other Misc Accounts and Petty Cash		
	Beginning Balance	Deposits	End Balance	Beginning Balance	Deposits	End Balance	Beginning Balance	Deposits	End Balance	Beginning Balance	Deposits	End Balance
Balance per books 1/1/01	(3,947.35)			513.62								
Outstanding checks from prior year cleared in current year	(3,947.35)	111,926.45	107,979.10	513.62	4,202.70	4,716.32						
Outstanding deposits from prior year cleared in current year	107,979.10	(7,400.63)	100,578.47	4,716.32		4,716.32						
Balance per bank 1/1/01	100,578.47	132,508.72	7,827.64	4,716.32	54,500.00	56,676.91	2,539.41	2,539.41	250,000.00			250,000.00
Feb	7,827.64	217,448.40	69,067.55	2,539.41	57,530.00	58,940.99	1,128.42	1,128.42	877.00			250,877.00
Mar	69,067.55	152,973.49	33,613.53	1,128.42	66,506.39	62,247.42	5,387.39	5,387.39	1,078.00			242,736.00
Apr	33,613.53	249,865.31	28,689.80	5,387.39	58,000.00	61,644.03	1,743.36	1,743.36	978.00			228,731.00
May	28,689.80	301,684.35	86,174.68	1,743.36	92,000.00	91,063.08	2,680.28	2,680.28	813.00			185,445.00
Jun	86,174.68	284,909.53	55,987.37	2,680.28	61,000.00	59,671.30	4,008.98	4,008.98	599.00			169,146.00
Jul	55,987.37	232,035.71	38,054.97	4,008.98	88,000.00	68,969.89	3,039.09	3,039.09	189,146.00			116,178.00
Aug	38,054.97	255,057.47	40,527.27	3,039.09	75,000.00	76,977.15	1,061.94	1,061.94	116,178.00			87,567.00
Sept	40,527.27	216,942.07	68,810.78	1,061.94	71,600.00	71,861.37	800.57	800.57	87,567.00			60,045.00
Oct	68,810.78	342,577.08	69,255.46	800.57	119,200.00	78,794.14	41,206.43	41,206.43	60,045.00			37,123.00
Nov	69,255.46	91,818.20	76.62	41,206.43	80,000.00	115,331.21	5,875.22	5,875.22	37,123.00			247,378.00
Balance per bank 12/31/01	76.62	484,039.28	169,912.35	5,875.22	80,000.00	80,832.46	5,042.76	5,042.76	247,378.00			100,087.00
Outstanding checks in current year cleared in next year	169,912.35	(146,160.11)	23,752.24	5,042.76	(1,329.29)	3,713.47			100,087.00			98,809.00
Outstanding deposits in current year cleared in next year	23,752.24	100.00	23,852.24	3,713.47		3,713.47			98,809.00			98,809.00
Balance per books 12/31/01			23,852.24			3,713.47			98,809.00			98,809.00
												13,467.94
												139,842.65

**BARNES
INVESTMENT ANALYSIS
2001**

Investment Activity:

Balance @ 1/1/01	\$ 7,794,790
Transfers to operations	(1,174,217)
Loss on sale of investments	(272,095)
Interest and dividends, reinvested	319,344
Fees or expenses	(37,946)
Foreign taxes paid	(2,466)
Changes in market value	(254,221)
	<hr/>
Balance @ 12/31/01	<u>\$ 6,373,189</u>

Investments at market value consist of the following:

	December 31, 2001	December 31, 2000
	<hr/>	<hr/>
United States Treasury Obligations	\$ 149,616	\$ 2,202,978
Government Securities	1,067,280	-
Money Market Funds	1,647,669	5,581,812
Corporate Stock	3,230,444	10,000
Corporate Bonds	278,180	-
	<hr/>	<hr/>
	<u>\$ 6,373,189</u>	<u>\$ 7,794,790</u>

Investment income for the year ended December 31, 2001 is as follows:

Interest and dividends, reinvested	\$ 319,344
Interest receivable - 12/31/00	(88,209)
	<hr/>
	231,135
Miscellaneous dividends	1,377
Miscellaneous interest	389
Amortization of discount	(10,515)
	<hr/>
	222,386
Accrued interest	(16,305)
	<hr/>
	206,081
Miscellaneous variance	3,916
Interest and dividends, total	<hr/>
	209,997
Unrealized loss on investments	(254,221)
Loss on sale of securities	(272,095)
	<hr/>
	<u>\$ (316,319)</u>

EXHIBIT B

THE BARNES FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2001
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR DECEMBER 31, 2000)

COGEN SKLAR LLP

Certified Public Accountants
Business Consultants

150 Monument Road . Suite 500
Bala Cynwyd . PA . 19004 . USA

EXHIBIT C

THE BARNES FOUNDATION

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COGEN SKLAR LLP

Certified Public Accountants
Business Consultants


INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Barnes Foundation
Merion, Pennsylvania

We have audited the accompanying statement of financial position of The Barnes Foundation as of December 31, 2001, and the related statements of activities and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Foundation's 2000 financial statements and, in our report dated May 12, 2001, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in 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 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 Barnes Foundation at December 31, 2001, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.



May 14, 2002

THE BARNES FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2001
(WITH FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2000)

	2001	2000
ASSETS		
Cash	\$ 139,844	\$ 49,890
Interest receivable	-	88,209
Accounts receivable	14,121	34,452
Contributions receivable	1,215,690	606,205
Gallery shop inventory	124,631	89,476
Prepaid and other assets	95,067	69,817
Investments	6,373,189	7,794,790
Objects of art	2,775,386	2,775,386
Property and equipment, net	11,347,041	11,561,146
TOTAL ASSETS	\$22,084,969	\$23,069,371
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 669,136	\$ 552,177
Accrued payroll	23,286	11,888
Note payable	11,015	13,614
TOTAL LIABILITIES	703,437	577,679
NET ASSETS		
UNRESTRICTED	15,312,910	17,059,522
TEMPORARILY RESTRICTED	6,068,622	5,432,170
TOTAL NET ASSETS	21,381,532	22,491,692
TOTAL LIABILITIES AND NET ASSETS	\$22,084,969	\$23,069,371

The accompanying notes are an integral part of these financial statements.

THE BARNES FOUNDATION
STATEMENT OF ACTIVITIES
DECEMBER 31, 2001
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2000)

	2001			2000 Total
	Unrestricted	Temporarily Restricted	Total	
OPERATING REVENUES AND GAINS (LOSS)				
Investment income (loss)	\$ 96,564	\$ (412,883)	\$ (316,319)	\$ 432,413
Licensing and merchandising	48,402	-	48,402	52,783
Education revenue	177,511	-	177,511	171,828
Admissions and audio rentals	513,567	-	513,567	459,378
Gift shop sales	352,695	-	352,695	353,847
Contributions	216,319	1,950,000	2,166,319	854,605
Other revenue	1,746	-	1,746	12,149
	<u>1,406,804</u>	<u>1,537,117</u>	<u>2,943,921</u>	<u>2,337,003</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>900,665</u>	<u>(900,665)</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES AND GAINS (LOSS)	<u>2,307,469</u>	<u>636,452</u>	<u>2,943,921</u>	<u>2,337,003</u>
OPERATING EXPENSES				
Salaries and wages	1,246,721	-	1,246,721	997,632
Payroll taxes and medical	221,517	-	221,517	157,606
Guards and security	424,995	-	424,995	333,837
Professional and consulting fees	661,128	-	661,128	337,576
Interest expense	1,124	-	1,124	1,348
Insurance	146,276	-	146,276	123,892
Repairs and maintenance	182,593	-	182,593	99,587
Occupancy costs	196,551	-	196,551	158,855
Travel and transportation	24,871	-	24,871	19,187
Office expenses and supplies	140,676	-	140,676	111,983
Miscellaneous	69,136	-	69,136	63,433
Publications	78,765	-	78,765	95,921
Cost of goods sold	118,778	-	118,778	142,863
Commissions to investment custodian	319	-	319	1,981
Conservation	46,957	-	46,957	35,156
Depreciation	493,674	-	493,674	477,205
	<u>4,054,081</u>	<u>-</u>	<u>4,054,081</u>	<u>3,158,062</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(1,746,612)</u>	<u>636,452</u>	<u>(1,110,160)</u>	<u>(821,059)</u>
PENSION REVERSION	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,730,710</u>
CHANGE IN NET ASSETS	<u>(1,746,612)</u>	<u>636,452</u>	<u>(1,110,160)</u>	<u>909,651</u>
NET ASSETS - BEGINNING OF YEAR	<u>17,059,522</u>	<u>5,432,170</u>	<u>22,491,692</u>	<u>21,582,041</u>
NET ASSETS - END OF YEAR	<u>\$ 15,312,910</u>	<u>\$ 6,068,622</u>	<u>\$ 21,381,532</u>	<u>\$ 22,491,692</u>

The accompanying notes are an integral part of these financial statements.

THE BARNES FOUNDATION
STATEMENT OF CASH FLOWS
DECEMBER 31, 2001
(WITH FINANCIAL INFORMATION FOR
THE YEAR ENDED DECEMBER 31, 2000)

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(1,110,160)	\$ 909,651
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	493,674	477,205
Net unrealized (gain) loss on investments	254,221	(13,377)
(Gain) loss on sale of investments	272,095	(517)
Investment income restricted for reinvestment	(220,512)	(315,517)
Discount on contribution receivable	37,491	-
Amortization of discount on contribution receivable	(26,976)	(43,825)
Net amortization of premium/discount on investments	-	7,167
(Increase) decrease in assets		
Interest receivable	88,209	(71,209)
Accounts receivable	20,331	(25,114)
Contributions receivable	(620,000)	200,000
Gallery shop inventory	(35,155)	12,868
Prepaid and other assets	(25,250)	(1,549)
Increase (decrease) in liabilities		
Accounts payable	116,959	(92,348)
Accrued payroll	11,398	(6,574)
Net cash provided by (used in) operating activities	<u>(743,675)</u>	<u>1,036,861</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (purchases) of investments (net)	1,115,797	(1,016,431)
Purchase of property and equipment	<u>(279,569)</u>	<u>(19,881)</u>
Net cash provided by (used in) investing activities	<u>836,228</u>	<u>(1,036,312)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long term debt	-	15,991
Principal payments on long term debt	<u>(2,599)</u>	<u>(2,377)</u>
Net cash provided by (used in) financing activities	<u>(2,599)</u>	<u>13,614</u>
NET INCREASE IN CASH	89,954	14,163
CASH - BEGINNING OF YEAR	<u>49,890</u>	<u>35,727</u>
CASH - END OF YEAR	<u>\$ 139,844</u>	<u>\$ 49,890</u>
CASH PAID DURING THE YEAR FOR:		
Interest	<u>\$ 1,124</u>	<u>\$ 1,348</u>

The accompanying notes are an integral part of these financial statements.

THE BARNES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Barnes Foundation (the Foundation) was chartered in 1922 as a privately endowed nonprofit educational institution by the Commonwealth of Pennsylvania for the purpose of conducting classes in art appreciation and horticulture. The Foundation includes a gallery, a country estate and an arboretum which are open to the public at designated times.

Basis of Presentation

The Foundation follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* to prepare its financial statements. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Restricted and Unrestricted Support

The Foundation follows Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* in recording contributions received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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. There were no permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Accordingly, actual results could differ from those estimates.

Inventory

Gift shop inventory consists of purchased items and is stated at the lower of cost (determined by the first-in, first-out method) or market.

Contributions Receivable

Unconditional promises to give represents payments due in future periods for awards recorded as temporarily restricted support and revenue.

Investments

The Foundation follows Statement of Financial Accounting Standards Board (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." The Foundation carries its investments in marketable securities at market value.

Objects of Art

The Foundation is the owner of a collection of paintings, sculptures, antiques and other objects of art. Most of the collection objects were donated to the Foundation by its Founder and are recorded at a \$1 nominal value in accordance with a resolution of the Board of Trustees. Artwork contributed by others is valued at the fair market value on the date of the gift.

THE BARNES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Assets are stated at cost. The cost of the property and equipment is depreciated over the estimated useful lives of the related assets on a straight-line basis.

Tax Status

The Foundation is incorporated in the Commonwealth of Pennsylvania and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Prior Period Information

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 organization's financial statements for the year ended December 31, 2000 from which the summarized information was derived.

NOTE 2 – CONCENTRATION OF CREDIT RISK INVOLVING CASH

At December 31, 2001, the Foundation has deposits with major financial institutions which exceed Federal Depository Insurance limits. These financial institutions have strong credit ratings, and management believes the credit risk related to these deposits is minimal.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

At December 31, 2001, The Foundation recorded the promises of funding from various sources:

<u>YEARS ENDING DECEMBER 31,</u>	<u>TOTAL</u>
2002	\$ 720,000
2003	300,000
2004	150,000
2005	100,000
	<u>1,270,000</u>
Less: Discount to net present value	<u>(54,310)</u>
	<u><u>\$1,215,690</u></u>

The discount to net present value represents a discount for funding to be received in future years.

THE BARNES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>Market Value</u>
United States Treasury Obligations	\$ 149,616
Government Securities	1,067,280
Money Market Funds	1,647,669
Corporate Stock	3,230,444
Corporate Bonds	278,180
	<u>\$6,373,189</u>

Investment loss for the year ended December 31, 2001 is as follows:

Interest and dividends	\$ 209,997
Unrealized loss on investments	(254,221)
Loss on sale of securities	<u>(272,095)</u>
	<u>\$ (316,319)</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 176,389
Gallery	11,869,650
Buildings and improvement	2,340,198
Trucks	15,990
Furniture and fixtures	50,946
Equipment	62,700
	<u>14,515,873</u>
Less: Accumulated depreciation	<u>3,168,832</u>
	<u>\$11,347,041</u>

THE BARNES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 6 – LONG TERM DEBT

Note payable to bank in monthly installments of \$338 including interest at 9.85% through February 2005. The truck is pledged as collateral.	\$11,015
Less: Current portion	<u>3,116</u>
	<u>\$ 7,899</u>

The minimum annual repayment requirements of long-term debt as of December 31, 2001 are as follows:

<u>YEARS ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2002	\$ 3,116
2003	3,437
2004	3,790
2005	<u>672</u>
	<u>\$ 11,015</u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Court restricted funds	\$4,414,508
Barnesian Art Education for years after December 31, 2001	433,180
Program support for years after December 31, 2001	<u>1,220,934</u>
Total temporarily restricted net assets	<u>\$6,068,622</u>

In accordance with the settlement agreement between the Foundation and the de Mazia Trust in 1996, the Foundation was entitled to receive \$2,750,000, payable over eight years according to a payment schedule as outlined in the settlement agreement. The money is to be used to support the Barnesian Art Education Program, and is therefore, temporarily restricted. As of December 31, 2001, \$450,000 was payable to the Foundation, discounted to its present value of \$433,180.

THE BARNES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

By Court decree, the Foundation was allowed a one-time international tour to exhibit its collection in order to raise the necessary funds to renovate the gallery, adjacent buildings and related structures. The amounts remaining as of December 31, 1998 that were received from these exhibitions have been restricted by the Court system. On February 3, 1999, the Orphan's Court authorized the release from this restriction of \$1,664,300 for qualifying expenditures as approved by the court. During 2000, \$671,560 was released from restriction to fund various specified projects under terms of the eighth petition to the court. The balance remaining in court restricted funds is \$4,414,508, net of any investment gains or losses.

NOTE 8 – COMMITMENTS

The Foundation leases audio tour equipment and other equipment under leases expiring through February 2006. At December 31, 2001, the Foundation was obligated under noncancelable operating lease arrangements as follows:

<u>YEARS ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
2002	\$55,035
2003	5,035
2004	4,335
2005	3,355
2006	<u>559</u>
	<u>\$68,319</u>

In November 1998, the Foundation entered into an employment contract with its Chief Executive Officer that provides for a guarantee of compensation for three years. The contract was automatically extended for one year through November 2002.

NOTE 9 – PENSION PLAN

The Foundation terminated a noncontributory defined benefit pension plan in 2000. Participants became fully vested at the time of termination and were offered annuity purchases or lump sum payments of their benefits. As a result of the termination, the Foundation recorded income from reversion of the pension plan in the year 2000 of \$1,730,710 which represents the excess of the plan's assets over the benefit obligations at the time of termination. The Foundation now has a 403(b) Elective Deferral Plan where eligible employees may elect to defer up to 6% of compensation and the Foundation will match up to 3%.

NOTE 10 – RELATED PARTY

The Barnes Society, a separate 501 c(3) entity, was formed in 1999. The Barnes Society collects membership fees and donations for the Foundation and remits the funds in pass through grants. There were no pass through grants for the year ended December 31, 2001.

THE BARNES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 11 – LITIGATION AND CONTINGENCIES

In January 1996, the Foundation filed suit against the Township of Lower Merion, its Commissioners and certain individually named neighbors of the Foundation alleging violations of its civil rights. A counterclaim was filed against the Foundation alleging that the civil rights claims constituted an abuse of process. On June 3, 1996, the neighbor defendants' motion to dismiss was granted. On September 26, 1997, the Court granted the remaining defendants' motions for summary judgment against the Foundation. The Court reserved its decision on the Foundation's motion for summary judgment on the defendant's counter claim for abuse of process. On November 10-12, 1997, a motion was filed by the defendants in the civil rights suit for attorneys' fees and costs aggregating to \$1,806,160. On October 1, 1998 a settlement was reached where the Foundation paid \$100,000 to the Township of Lower Merion to be used for "charitable and civic" purposes and the governmental defendants withdrew their claims. The attorney fees and costs for the neighbor defendants of approximately \$440,000 are still pending. A provision of \$63,000 has been made on the financial statements for this potential liability.

Barnes Foundation
Professional Fees
2001

Payee	Check number	Check Date	Nicholas King	10 Year Accounting	Artwork Loan Agree	Joan McNamara	Kimberly Camp Employ Agreement	Mellon Bank	Total Fees
Schnader Harrison									
	Reverse prior year accrual								(11,456.35)
	61663	2/5/2001							11,456.35
	61839	3/19/2001							21,899.86
	62001	4/18/2001							30,000.00
	62002	4/18/2001							26,781.39
	62045	5/1/2001							33,661.77
	62141	5/29/2001							39,033.66
	62203	6/11/2001							40,690.80
	62250	6/25/2001							26,226.19
	62519	8/20/2001	93.00	2,122.24	5,157.00				15,462.21
	62632	9/17/2001			652.00				15,708.17
	62701	10/1/2001				93.00			11,054.54
	62816	10/29/2001				93.00	830.00	3,068.20	10,426.26
	1206	12/21/2001					9.24	4,107.00	10,302.01
	1195	12/18/2001			1,105.00		155.00	5,331.92	28,130.93
	Accrual	2/4/2002					923.28	5,090.00	21,441.59
	Accrual	Never paid							63,000.00
			93.00	2,122.24	6,914.00	186.00	1,917.52	17,597.12	393,819.38

Dilworth Paxson LLP

	Reverse prior year accrual								(250.00)
	62064	5/14/2001							18,557.20
	62187	6/11/2001							1,107.40
	62363	7/23/2001							4,479.47
	62565	9/4/2001							11,994.05
	62603	9/10/2001							777.72
	62689	10/1/2001							3,855.11
	62828	10/29/2001							5,289.13
	1066	11/26/2001							508.22
	1177	12/18/2001							162.99
									46,481.29

Blank, Rome, Comisky

	62238	6/25/2001							262.50
	62558	9/4/2001							136.50
									399.00

Totals per category

	93.00	2,122.24	6,914.00	186.00	1,917.52	17,597.12	440,699.67
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Barnes Foundation
Professional Fees
2001

Payee	Check number	Check Date	Lower Merion Twp.	Neighbors	General Labor	General Corporate	Copyrights	Orphans Court	De Mazia Trust	Pension Plan	Fundraising	Central Sprinkler Co	Ker Feal	Charitable Registrations
Schnader Harrison	Reverse prior year accrual		(890.00)											
	61663	2/5/2001	890.00		(709.50)	(2,202.55)	(7.14)	(1,521.23)	28.56	(1,670.49)	(4,361.50)	(122.50)		
	61639	3/19/2001	7,562.50		709.50	2,202.55	7.14	1,521.23	(28.56)	1,670.49	4,361.50	122.50		
	62001	4/18/2001				5,767.40	80.68	6,076.60		1,204.58		1,208.10		
	62002	4/18/2001	5,487.75	11,953.54	798.00	1,868.37	(80.68)	30,000.00		66.00		120.00	42.00	
	62045	5/1/2001		33,577.77			84.00	6,526.41						
	62141	5/29/2001	12,168.07	6,613.27	238.00	6,364.16	124.00	13,293.16	93.00			140.00		
	62203	6/1/2001	136.14	854.23		1,730.84	93.00	36,897.03	899.00			80.56		
	62250	6/25/2001	4,634.42	396.70		1,447.30		17,140.95	1,147.00			1,084.82		
	62519	8/20/2001	1,607.00	219.10		3,162.02	84.00	3,406.41	1,771.76	99.00	375.00	2,897.68		
	62632	9/17/2001	486.05	705.60		4,589.05	56.00	2,851.05	682.00			1,171.42		
	62701	10/1/2001	361.00	180.00		5,339.70	140.00	427.26				3,861.58		
	62816	10/29/2001	971.00	2,610.22		1,845.10		1,072.46				229.28		
	1206	12/21/2001	527.00	874.51		3,464.76		240.00			543.00	986.50		
	1195	12/18/2001	220.26	20,051.60		873.65		48.90			1,066.00	731.50		124.00
Accrual		1,988.80	7,967.87		2,255.94									
Accrual	Never paid		63,000.00											
			36,149.99	148,904.41	1,036.00	38,618.29	581.00	117,980.23	4,592.76	1,369.58	1,984.00	13,607.24	42.00	124.00

Dilworth Paxson LLP

Reverse prior year accrual		(250.00)												
62064	5/14/2001	18,557.20												
62187	6/11/2001	1,107.40												
62363	7/23/2001	4,478.47												
62565	9/4/2001	11,994.05												
62603	9/10/2001	777.72												
62689	10/1/2001	3,855.11												
62828	10/29/2001	5,289.13												
1066	11/26/2001	508.22												
1177	12/18/2001	162.99												
		46,481.29												

Blank, Rome, Comisky

62238	6/25/2001	262.50												
62558	9/4/2001	136.50												
		399.00												

Totals per category

			83,030.28	148,904.41	1,036.00	38,618.29	581.00	117,980.23	4,592.76	1,369.58	1,984.00	13,607.24	42.00	124.00
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**The Barnes Foundation
Travel
2001**

Check Date	Check Number	Payee	Amount	Description
4/25/2001	62012	Bernard Watson	1,069.07	Attend Munitz lecture - travel from Florida to Phila
6/11/2001	62197	Anthony Ng	1,508.18	AMDA Conference in Seattle
7/23/2001	62362	Kimberly Camp	2,200.37	Memorial Service in Oakland, CA - Claude Clark

Other Travel expenses:

Facility Vehicle Expenses	642.11
Security - Travel and Lodging	496.78
Art - Travel and Lodging	3,011.87
Conservation - Travel and Lodging	3.60
Visitor Services - Travel and Lodging	21.65
Arboretum - Travel and Lodging	2,069.80
Horticultural Education - Travel	69.95
Development - Travel and Lodging	990.39
Kerfeal - Travel and Lodging	721.05
Gift Shop - Travel and Lodging	1,429.36
Administrative - Travel and Lodging	3,955.34
Mellon - Travel and Lodging	100.30
Luce - Travel and Lodging	825.75
Curatorial Adv Committee - Travel	1,956.37
Miscellaneous Travel	346.45
Facility Meals and Ent	15.51
Security Meals and Ent	65.57
Art Meals and Ent	468.72
Arboretum - Meals and Ent	206.83
Hort Education - Meals and Ent	166.26
Development - Meals and Ent	288.31
Gift Shop - Meals and Ent	123.46
Adminstrative - Meals and Ent	2,022.51
LUC - Meals and Ent	95.34

24,870.90

EXHIBIT E

**The Barnes Foundation
Security
2001**

Guard services:

2/2/2001	61703	Foulke Associates	19,669.82	January services
3/31/2001	61805	Allied Security	22,210.44	1/19/01-2/15/01
4/18/2001	61883	Allied Security	26,373.52	2/16/01-3/15/01
5/1/2001	62014	Allied Security	13,874.15	3/16/01-4/5/01
6/11/2001	62170	Allied Security	20,426.80	4/6/01-4/26/01
6/25/2001	62233	Allied Security	21,186.25	4/27/01-5/17/01
6/25/2001	62234	Allied Security	20,055.09	5/18/01-6/17/01
7/9/2001	62285	Allied Security	6,673.67	6/8/01-6/14/01
7/23/2001	62403	Allied Security	21,181.99	6/22/01-7/5/01
7/23/2001	62408	Allied Security	6,482.76	6/15/01-6/21/01
8/20/2001	62485	Allied Security	19,754.02	7/19/01-8/2/01
9/4/2001	62553	Allied Security	7,434.08	8/3/01-8/9/01
9/17/2001	62608	Allied Security	19,933.02	8/10/01-8/30/01
10/1/2001	62685	Allied Security	13,477.67	8/31/01-9/13/01
10/15/2001	62766	Allied Security	6,640.01	9/14/01-9/20/01
10/15/2001	62775	Allied Security	6,732.57	9/21/01-9/27/01
10/29/2001	62788	Allied Security	6,864.92	9/28/01-10/4/01
12/18/2001	1157	Allied Security	35,786.70	10/5/01-11/01/01; 7/6/01-7/12/01
12/18/2001	1158	Allied Security	29,712.67	11/2/01-11/29/01
pd 2/4/02	Accrual	Allied Security	36,306.51	December services

360,776.66

Other:

Protection Bureau	57,385.69	Cell and alarm monitoring and contracts; system upgrades
Mosler Inc	1,219.50	
Equipment Repair	1,174.48	
Capital Equipment	1,675.00	
Telephone service - security	2,718.18	

424,949.51

The Barnes Foundation
Insurance
2001

Check Date	Check Number	Payee	Amount	Period Covered	Insurance Type
2/5/2001	61649	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
2/5/2001	61650	Marsh USA Inc	14,761.60	11/20/00-01	Multiperil
2/5/2001	61652	Marsh USA Inc	1,225.00	11/20/00-01	Umbrella
2/20/2001	61708	Marsh USA Inc	9,138.14	11/20/00-01	Multiperil
2/20/2001	61709	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
2/20/2001	61710	Marsh USA Inc	758.33	11/20/00-01	Umbrella
3/5/2001	61766	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
3/19/2001	61823	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
4/2/2001	61893	Marsh USA Inc	9,138.13	11/20/00-01	Multiperil
4/2/2001	61894	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
4/2/2001	61895	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
4/2/2001	61896	Marsh USA Inc	758.33	11/20/00-01	Umbrella
6/11/2001	62193	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
7/9/2001	62296	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
8/6/2001	62423	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
8/6/2001	62425	Marsh USA Inc	9,138.13	11/20/00-01	Multiperil
8/6/2001	62426	Marsh USA Inc	758.33	11/20/00-01	Umbrella
9/4/2001	62568	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
10/1/2001	62693	Marsh USA Inc	672.00	11/20/00-01	Workers Comp Insurance
10/15/2001	62740	Marsh USA Inc	92,500.00	9/6/01-02	Directors and Officers
10/15/2001	62741	Marsh USA Inc	1,445.00	9/6/01-02	Fiduciary Liab Premium
10/15/2001	62742	Marsh USA Inc	1,153.00	9/6/01-02	Fidelity Bond
12/10/2001	1124	Marsh USA Inc	1,144.00	11/20/01-02	Workers Comp Insurance
12/10/2001	1124	Marsh USA Inc	4,477.00	11/20/01-02	Multiperil
12/10/2001	1124	Marsh USA Inc	408.00	11/20/01-02	Umbrella
12/31/2001	1229	Marsh USA Inc	13,435.00	11/20/01-02	Multiperil
12/31/2001	1229	Marsh USA Inc	1,228.00	11/20/01-02	Umbrella
12/31/2001	1229	Marsh USA Inc	3,436.00	11/20/01-02	Workers Comp Insurance
			172,293.99		
		Adjustments to prepaid insurance	(26,018.15)		
			146,275.84		

The Barnes Foundation
Salaries
2001

<u>DEPARTMENT</u>	<u>SALARY</u>	<u>GRANT SUPPORTED</u>	
Administration	338,857	140,000	41%
Executive Director			
Director of Finance			
Executive Assistant			
Finance Assistant (2)			
Receptionist			
Arboretum	79,593	3,160	4%
Arboretum Director			
Gardener (2)			
Head Gardener			
Collection Assessment Project	84,328	84,328	100%
Archivist			
Art Handler			
Conservation Assistant			
Intern			
Project Assistant			
Registrar			
Assistant to the Registrar			
Development	167,809		
Director of Development			
Associate Director of Development			
Assistant Director of Development			
Development Assistant			
Education	214,820		
Director of Education			
Instructors (21)			
Education Assistant			
Facilities	90,920	5,000	5%
Facility Manager			
Custodian (2)			
Gallery Shop	91,459		
Director of Merchandising			
Gallery Shop Manager			
Clerks (2)			
Ker-Feal	17,754	17,754	100%
Caretaker			
Security	54,189	35,000	65%
Director of Security			
Assistant Director of Security			
Visitor Services	95,593		
Visitor Service Representatives (3)			
Visitor Service Clerks (3)			
	<u>1,235,322</u>		
Add: Current year payroll accrual	23,287		
Less: Prior year payroll accrual	<u>(11,888)</u>		
	<u><u>1,246,721</u></u>		