Oregon Historical Society

2009 Financial Statements and Audit Letters

Meeting of the Board of Directors

April 17, 2010

CONFIDENTIAL

Prepared by

Gary McGee & Co., Certified Public Accountants

Oregon Historical Society

GM&Co. Client Service Team

Gary McGee, *Managing Director*
Nathalie Renner, *Senior Manager*
Nathan Bresser, *Senior Associate*
Jessica Shear, *Associate*

Information

GARY MCGEE & CO.
Certified Public Accountants
522 S.W. Fifth Avenue, Suite 1300
Portland, Oregon 97204
(503) 222-2515
(503) 222-6401 Fax
gary@garymcgee.com

GaryMcGee & Co.
CERTIFIED PUBLIC ACCOUNTANTS

LETTER TO THE BOARD OF DIRECTORS

The Board of Directors
Oregon Historical Society:

We have audited the consolidated financial statements of the Oregon Historical Society and Subsidiary as of and for the year ended December 31, 2009, and have issued our report thereon dated March 19, 2009. Our professional standards require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management is responsible. We have prepared the following comments to assist you in fulfilling that obligation.

1. The Auditors' Responsibility Under Professional Standards

Our responsibility under generally accepted auditing standards is to conduct an audit with the objective of forming and expressing an opinion as to whether the presentation of the financial statements, taken as a whole, conforms with generally accepted accounting principles. An audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements that are not material to the financial statements, whether caused by error or fraud, are detected. Furthermore, the audit does not relieve management or those charged with governance of their responsibilities.

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting as a basis for designing audit 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 organization's internal control over financial reporting. Accordingly, we express no such opinion.

2. Significant Accounting Policies and Unusual Transactions

The organization's significant accounting policies are disclosed in the notes accompanying the financial statements. During the year ended December 31, 2009 there were no changes in previously adopted accounting policies or their application, nor were there any significant unusual transactions or transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

522 SW Fifth Avenue, Suite 1300 Portland, Oregon 97204-2130 p: 503 222 2515 f: 503 222 6401 www.garymcgee.com

3. Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statements prepared by management, and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events, as well as assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. Our responsibility is to determine that the Board of Directors is informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.

The significant accounting estimates contained in the Society's financial statements as of and for the year ended December 31, 2009 include, among others, (1) the collectibility of receivables, (2) the valuation of the beneficial interest in assets held by the Oregon Community Foundation, (3) the valuation of assets related to split-interests agreements and the related liabilities to beneficiaries, (4) the net carrying value of inventories, (5) depreciation expense, (6) the fair value ascribed to in-kind gifts, and (7) the functional allocation of expenses.

4. Year-End Closing Entries, Significant Audit Adjustments, and Uncorrected Misstatements

Certain adjustments have been made to the Society's financial statements that were identified during the audit. In our judgment, these adjustments, either individually or in the aggregate, had a significant quantitative or qualitative effect on the Society's financial reporting process. For purposes of this section, an audit adjustment, whether or not recorded by the Society, is a proposed correction of the financial statements that, in our judgment and unless otherwise noted, may not have been detected except through the auditing procedures performed.

In addition to these adjustments, we also prepared certain year-end closing entries for the Society at management's request. These adjustments also are summarized below:

Increase in net assets according to the December 31, 2009 general ledger	$	590,660
Year-end closing entries:		
Adjust the carrying value of beneficial interest in trusts		86,785
Adjust depreciation expenses (Jefferson-Madison)		516
Record a 2009 income tax refund receivable (Jefferson-Madison)		14,032
Total year-end closing adjustments	$	101,333