

MUSEUM OF
**NATURE &
SCIENCE**
DALLAS, TEXAS

ANNUAL REPORT
September 30, 2011 and 2010

Museum of Nature and Science

Selected Financial Information

(Unaudited - Not Covered by the Auditor's Report)

<i>Years Ended September 30,</i>	<i>2011</i>	<i>2010</i>
Contributions and grants (other than Expansion Campaign)	\$ 5,749,037	\$ 3,648,064
Contributions to Expansion Campaign	57,042,381	58,290,612
Scholarships awarded	226,676	172,164
Earned revenues	4,575,380	3,330,867
Net cash used in operating activities	(42,020)	(50,987)
Change in net assets	55,963,543	57,182,586
Tickets sold	877,296	594,840
<i>September 30,</i>	<i>2011</i>	<i>2010</i>
Cash and certificates of deposit, not restricted to expansion project	\$ 5,528,239	\$ 4,432,558
Pledges receivable - operations	666,080	123,850
Cash and cash equivalents, pledges receivable, and investments restricted to expansion project	81,515,555	76,483,139
Conditional pledges to Expansion Campaign	17,141,310	25,375,000
Net assets		
Unrestricted	88,305,787	38,116,294
Temporarily restricted - operations	1,251,110	758,106
Temporarily restricted - expansion	76,764,185	75,483,139
Permanently restricted	5,035,595	1,035,595
Net assets	171,356,677	115,393,134

Management Responsibility for Financial Statements

We are responsible for the preparation and the integrity of the accompanying financial statements. The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and require the use of estimates and assumptions that affect the reported amounts of assets, liability, revenues and expenses. In our opinion, the financial statements present fairly Museum of Nature and Science's financial position, changes in its net assets and its cash flows. All financial information in this Annual Report is consistent with the financial statements.

We maintain and rely on a system of internal controls and related policies and procedures that provide reasonable assurance of the integrity and reliability of the financial statements. The system provides, at appropriate costs and within the inherent limitations of all internal control systems, that transactions are executed in accordance with our authorization and are properly recorded and reported in the financial statements, and that assets are safeguarded. Our internal control system provides for careful selection and training of supervisory and management personnel and requires appropriate segregation of responsibilities and delegation of authority. In addition, we have a corporate code of conduct for purposes of determining possible conflicts of interest, compliance with laws and confidentiality of proprietary information.

Our independent auditors, Howard & Co., LLP, audited the financial statements as described in their report. They obtained an understanding of our internal control system to enable them to plan their audit and determine the audit procedures to be performed.

Nicole Small
CEO

Sally Pietsch
CFO

Loren Greaves
Board Treasurer

Michael Marz
Board Audit Committee Chair

Independent Auditor's Report

February 2, 2012

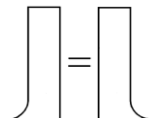
To the Board of Trustees
Museum of Nature and Science
Dallas, Texas

We have audited the accompanying statements of financial position of Museum of Nature and Science (the "Museum") as of September 30, 2011 and 2010, and the related statements of activities 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we express no such opinion. 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 Museum of Nature and Science as of September 30, 2011 and 2010, and 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 of America.

Howard & Co., LLP



**MUSEUM OF NATURE AND SCIENCE
STATEMENTS OF FINANCIAL POSITION**

<i>September 30,</i>	<i>2011</i>	<i>2010</i>
Assets		
Cash	\$ 5,528,239	\$ 4,432,558
Investments	-	26,671
Accounts receivable from City of Dallas and others	138,571	99,500
Pledges receivable - operations	666,080	123,850
Prepaid expenses	252,239	155,562
Cash and cash equivalents, pledges and investments restricted to expansion project	81,515,555	76,483,139
Property and equipment, net	95,958,190	39,755,326
Total Assets	\$ 184,058,874	\$ 121,076,606
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 11,240,468	\$ 5,220,066
Unearned revenue	1,461,729	463,406
Total Liabilities	12,702,197	5,683,472
Unrestricted	88,305,787	38,116,294
Temporarily restricted	78,015,295	76,241,245
Permanently restricted	5,035,595	1,035,595
Total Net Assets	171,356,677	115,393,134
Total Liabilities and Net Assets	\$ 184,058,874	\$ 121,076,606

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

**MUSEUM OF NATURE AND SCIENCE
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenues and Other Support				
Contributions:				
Gifts and grants	\$ 1,032,390	\$ 1,106,110	\$ -	\$ 2,138,500
City of Dallas grant	571,013	-	-	571,013
Contributed services	2,187,918	-	-	2,187,918
Special events	851,606	-	-	851,606
Expansion project gifts	-	53,042,381	4,000,000	57,042,381
Earned revenues:				
General admission fees	1,873,437	-	-	1,873,437
Theatre and Planetarium admissions	849,391	-	-	849,391
Education programs	1,060,813	-	-	1,060,813
Memberships	584,252	-	-	584,252
Other	207,487	-	-	207,487
Investment income, net	52,539	-	-	52,539
	9,270,846	54,148,491	4,000,000	67,419,337
Net assets released from restrictions	52,374,441	(52,374,441)	-	-
Total Revenues and Other Support	61,645,287	1,774,050	4,000,000	67,419,337
Expenses				
Program:				
Exhibitions	3,558,117	-	-	3,558,117
Education	1,830,284	-	-	1,830,284
Scientific activities	344,197	-	-	344,197
Theatre and Planetarium operations	674,432	-	-	674,432
General operations	719,402	-	-	719,402
Development	1,127,091	-	-	1,127,091
In-kind strategic consulting services	1,220,000	-	-	1,220,000
Expansion planning, fundraising and interest	1,982,271	-	-	1,982,271
Total Expenses	11,455,794	-	-	11,455,794
Change in Net Assets	50,189,493	1,774,050	4,000,000	55,963,543
Net Assets, beginning of year	38,116,294	76,241,245	1,035,595	115,393,134
Net Assets, end of year	\$ 88,305,787	\$ 78,015,295	\$ 5,035,595	\$ 171,356,677

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

**MUSEUM OF NATURE AND SCIENCE
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenues and Other Support				
Contributions:				
Gifts and grants	\$ 1,181,761	\$ 499,380	\$ -	\$ 1,681,141
City of Dallas grant	543,822	-	-	543,822
Contributed services	537,332	-	-	537,332
Special events	885,769	-	-	885,769
Expansion project gifts	883,433	56,407,179	1,000,000	58,290,612
Earned revenues:				
General admission fees	1,122,815	-	-	1,122,815
Theatre and Planetarium admissions	686,446	-	-	686,446
Education programs	852,154	-	-	852,154
Memberships	460,521	-	-	460,521
Other	208,931	-	-	208,931
Investment income, net	465,210	-	-	465,210
	7,828,194	56,906,559	1,000,000	65,734,753
Net assets released from restrictions	21,593,532	(21,593,532)	-	-
Total Revenues and Other Support	29,421,726	35,313,027	1,000,000	65,734,753
Expenses				
Program:				
Exhibitions	3,157,550	-	-	3,157,550
Education	1,376,168	-	-	1,376,168
Scientific activities	325,764	-	-	325,764
Theatre and Planetarium operations	586,271	-	-	586,271
General operations	687,382	-	-	687,382
Development	1,076,912	-	-	1,076,912
Expansion planning, fundraising and interest	1,342,120	-	-	1,342,120
Total Expenses	8,552,167	-	-	8,552,167
Change in Net Assets	20,869,559	35,313,027	1,000,000	57,182,586
Net Assets , beginning of the year, as previously reported	17,478,150	40,928,218	35,595	58,441,963
Prior-period adjustment (See Note 9)	(231,415)	-	-	(231,415)
Net Assets , beginning of the year as restated	17,246,735	40,928,218	35,595	58,210,548
Net Assets , end of year	\$ 38,116,294	\$ 76,241,245	\$ 1,035,595	\$ 115,393,134

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

**MUSEUM OF NATURE AND SCIENCE
STATEMENTS OF CASH FLOWS**

<i>Years Ended September 31,</i>	<i>2011</i>	<i>2010</i>
Cash flows from operating activities		
Cash received from contributors and other	\$ 3,493,299	\$ 3,567,379
Cash from earned revenues	4,660,899	3,330,867
Cash received from City of Dallas	571,013	543,822
Cash received from investment earnings	7,227	11,867
Cash paid for compensation and benefits	(5,342,501)	(4,385,480)
Cash paid to suppliers	(3,432,149)	(3,108,689)
Cash paid for interest	192	(10,753)
Net cash used in operating activities	(42,020)	(50,987)
Cash flows from investing activities		
Maturities of investments	26,671	503,732
Property and equipment additions (1)	(50,740,307)	(20,069,103)
Net cash used in investing activities	(50,713,636)	(19,565,371)
Cash flows from financing activities		
Release of expansion funds previously restricted	51,851,337	21,189,101
Payments of debt	-	(1,173,141)
Net cash provided by financing activities	51,851,337	20,015,960
Net change in cash	1,095,681	399,602
Cash, beginning of year	4,432,558	4,032,956
Cash, end of year	\$ 5,528,239	\$ 4,432,558
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 55,963,543	\$ 57,182,586
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contribution of investments	-	(26,671)
Depreciation and amortization	395,240	395,431
Gifts restricted to expansion project	(56,883,753)	(57,407,179)
Change in accounts receivable	(39,071)	(551)
Change in pledges receivable	(542,230)	(42,131)
Change in prepaid expenses and other	(96,677)	52,442
Change in accounts payable and accrued expenses (1)	162,605	(7,899)
Change in unearned revenue	998,323	(197,015)
Net cash used in operating activities	\$ (42,020)	\$ (50,987)
(1) Supplemental disclosure of non cash items: Excludes construction and exhibit costs related to Expansion which are outstanding in accounts payable	\$ 5,857,797	\$ 3,526,306

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

**MUSEUM OF NATURE AND SCIENCE
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Purpose of Organization and Summary of Significant Accounting Policies

Purpose – The Museum of Nature and Science (the “Museum”) is a Texas not-for-profit corporation organized to inspire minds through nature and science. The Museum was founded in 1936 as part of the Texas Centennial and was one of the first natural history museums in the region. It is the only public collections-based, research driven, natural history museum in the region. In June 2006, the Museum acquired the net assets of the Southwest Museum of Science and Technology (“The Science Place” or “TSP”). The Science Place was founded in 1946 as the Dallas Health Museum and is one of the oldest science museums in the nation. In October 2006, the Museum acquired the net assets of the Dallas Children’s Museum.

In 1993, operation of the Museum was transferred from the City of Dallas (which owns the buildings in Dallas at Fair Park and most of the collections). The City continues to support the Museum with direct support of \$571,013 in 2011 and \$543,822 in 2010, plus indirect support in the form of contributed utilities and maintenance totaling \$366,815 in 2011 and \$408,780 in 2010. Moreover, the Museum occupies the City’s buildings at Fair Park free of charge. No amount has been assigned to the value of this benefit.

In preparation of these financial statements and related footnotes, the Museum has considered events through February 2, 2012, the date these financial statements were available to be issued.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Revenue Recognition – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Museum reports the support as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The Museum has not experienced significant amounts of unpaid pledges. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Support arising from donated services or materials provided is recorded as both revenues and support and as expense based on the fair market value of the services rendered or materials donated.

Revenue from the sale of tickets to special events, reservations for school programs, and tickets to the theater and planetarium for dates after the end of the year is deferred as unearned revenue. Membership revenues are recognized ratably over the terms of the memberships.

**MUSEUM OF NATURE AND SCIENCE
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Purpose of Organization and Summary of Significant Accounting Policies (continued)

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs, principally in board activities, scientific laboratories, and educational programs. The value of this contributed time is not reflected in these financial statements.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Museum considers all unrestricted cash, money market accounts and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments – The Museum records investments at fair value. Under this method of accounting, fair value fluctuations are recorded in the period in which they occur by adjusting the carrying value of such investments and recognizing a net unrealized gain or loss. Realized gains and losses are recognized in the period in which they are earned or incurred. Interest income is recorded as earned. Investment income is reported in unrestricted net assets unless its use is restricted by explicit donor stipulation or by the law.

Financial Instruments – The Museum places its temporary cash investments with creditworthy, high quality financial institutions. At times, the Museum holds mutual funds, bonds and notes issued by the United States government and financially strong corporations. By policy, these investments are kept within limits designed to prevent risks caused by concentration. The Museum's cash is placed with high quality financial institutions that from time to time exceed federally insured limits. The Museum has not experienced any losses with respect to its balances. The Museum performs ongoing reviews of its pledges receivable balances and maintains a reserve for potential credit losses. Neither the reserve established nor the losses incurred have been material. The carrying amounts of cash, receivables, accounts payable, and accrued expenses approximate fair value because of the short-term nature of the items. Consequently, as of September 30, 2011, the Museum has no significant concentrations of credit risk.

Property and Equipment – Property and equipment is recorded either at cost or, if donated, at its fair market value on the date of the contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets of three to 50 years.

Major additions and improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon the sale or retirement, the cost of property and equipment and the related accumulated depreciation are removed from the respective accounts and any resulting gains or losses are credited or charged to operations.

Collections – The physical facilities at Fair Park and a portion of the collections of the Museum are owned by the City of Dallas, except for the Mudge Library of Rare Books and certain other collections, which are owned by the Museum. The collections, which were acquired through purchases and contributions since the Museum'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 restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements.

**MUSEUM OF NATURE AND SCIENCE
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Purpose of Organization and Summary of Significant Accounting Policies (continued)

Income Taxes – The Museum is a nonprofit organization that is exempt from income taxes under Sections 501(c)(3) of the Internal Revenue Code. In addition, the Organization is also classified as a public charity under sections 509(a)(1) and 170(b)(2)(a)(vii) of the Internal Revenue Code.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs – Advertising is expensed as incurred. Total advertising costs expensed were \$331,611 in 2011 and \$238,654 in 2010.

Reclassification – Certain prior year balances have been reclassified to conform with current year's presentation.

Note 2 – Pledges Receivable

Pledges receivable consist of the following:

	<i>2011</i>	<i>2010</i>
Due within one year	\$ 24,143,329	\$ 7,619,234
Due in one year	8,472,430	4,017,049
Due in two years	6,772,794	6,450,934
Due in three years	1,715,000	2,453,334
Due in four years	400,000	-
Unconditional promises to give before unamortized discount and allowance for uncollectible pledges	41,503,553	22,660,551
Less unamortized discount	(946,092)	(1,051,161)
Less allowance for uncollectible pledges	-	-
Total pledges receivable	40,557,461	21,609,390
Less pledges restricted to expansion	(39,891,381)	(21,485,540)
Unrestricted pledges receivable	\$ 666,080	\$ 123,850

The discount rates on pledges receivable vary between 3.2% and 5.0%.

Note 3 – Investments

As of September 30, 2011, the Museum held \$6,007,819 in investment grade government-backed securities, \$5,109,859 in FDIC insured corporate debt securities and \$2,208,399 in asset-backed securities of which, collectively \$13,326,077 was restricted to the expansion. At September 30, 2010, the Museum held \$13,196,453 in investment grade government-backed securities, \$7,977,239 in FDIC insured corporate debt securities, and \$3,986,189 in asset-backed securities of which, collectively \$25,133,210 was restricted to the expansion.

**MUSEUM OF NATURE AND SCIENCE
NOTES TO FINANCIAL STATEMENTS**

Note 3 – Investments (continued)

The Museum’s investments are reported at fair value in the accompanying statement of financial position. Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.

Level 2 inputs have lower priority than Level 1 inputs, and Level 3 inputs have the lowest priority. The Museum uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

All of the Museum’s investments are valued using Level 2 inputs as the debt securities are not actively traded, but other observable market inputs are available.

Investment income consists of:

	<i>2011</i>	<i>2010</i>
Dividends and interest	\$ 508,486	\$ 512,263
Realized losses	(223,535)	(93,347)
Unrealized gains (loss)	(232,412)	46,294
	\$ 52,539	\$ 465,210

The Museum’s policy is to sell gifts of securities immediately upon receipt. The realized losses in 2011 and 2010 include \$181,882 and \$95,091, respectively, which represent the decline in the fair value of contributed securities between the date the securities gift was valued, and the (later) date when the securities were actually received and sold.

Of the total investment income \$38,617 in 2011 and \$452,630 in 2010 was earned on the funds restricted to the expansion project.

Note 4 – Property and Equipment

Property and equipment consists of the following:

	<i>2011</i>	<i>2010</i>
Land for expansion project (see Note 6)	\$ 9,280,936	\$ 9,280,936
Artwork	66,000	66,000
Building – Monitor Street	302,633	302,633
Building – Victory Park Construction Center	51,593	51,593
Equipment and furniture	1,026,414	998,680
Exhibits and renovations	2,010,356	2,517,348
Work in Progress- Expansion (Note 6)	85,461,876	28,967,306
Less accumulated depreciation	(2,241,618)	(2,429,170)
	\$95,958,190	\$39,755,326

**MUSEUM OF NATURE AND SCIENCE
NOTES TO FINANCIAL STATEMENTS**

Note 5 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are summarized as follows:

	<i>2011</i>	<i>2010</i>
Construction retainage	\$ 4,694,675	\$ 722,631
Accounts payable	4,557,355	4,074,129
Other accrued expenses	1,372,666	70,319
Compensation and employee benefits	615,772	352,987
	\$11,240,468	\$ 5,220,066

Included in accounts payable and accrued expenses are \$10,454,205 and \$4,596,408 for 2011 and 2010, respectively, related to the expansion project.

Note 6 – Expansion Project

The Museum has been raising funds to build a new facility in Victory Park currently referred to as the Perot Museum of Nature and Science. Since 1996, it has raised \$188.6 million in pledges. \$171.5 million of that total is in unconditional pledges (with \$40.5 million of these pledges still to be collected). Additionally, \$11.8 million of the pledges are conditional on the achievement of various interim goals associated with building the new museum. When the conditions are met, these conditional pledges will be recorded as revenue. The final amount of \$5.3 million represents indications from individuals that the Museum is presently the beneficiary of their wills. Such bequests could change; therefore, they are not recorded as revenue.

Since the beginning of the expansion campaign, about \$102.6 million has been spent on expansion related costs, including architectural designs, exhibit designs, construction hard costs, project management, operations planning, administrative costs, fundraising costs, and debt service on the land note. Of the total amount spent, \$85.4 million of site work, construction costs, architectural fees and design and fabrication costs have been capitalized as work-in-progress for the new building along with land cost of \$9.3 million. On November 17, 2011, the Museum announced that it had not only surpassed its \$185 million fundraising goal to build the new Perot Museum of Nature and Science but achieved the milestone more than a year before the doors open to the Victory Park facility. Asset amounts in the statements of financial position restricted to expansion projects are comprised of:

	<i>2011</i>	<i>2010</i>
Cash and cash equivalents	\$28,298,097	\$29,864,389
Investments	13,326,077	25,133,210
Pledges receivable	39,891,381	21,485,540
	\$81,515,555	\$76,483,139

In addition to the restricted amounts above, the Board of Directors has designated \$250,000 in unrestricted funds to be used for the Expansion project.

**MUSEUM OF NATURE AND SCIENCE
NOTES TO FINANCIAL STATEMENTS**

Note 7 – Temporarily and Permanently Restricted Balances

Temporarily restricted net assets are available for the following programs:

	<i>2011</i>	<i>2010</i>
Expansion campaign	\$76,764,185	\$75,483,139
Bio-Lab – Perot Museum	500,000	-
Education programs	435,836	342,986
Other	165,079	157,191
Exhibits	58,078	113,167
Scientific research	30,733	30,733
Fundraising development	26,204	2,204
Capital improvements	18,803	20,113
Collections	14,956	16,520
TSP and Children’s Museum	1,421	75,192
	\$78,015,295	\$76,241,245

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, as follows:

	<i>2011</i>	<i>2010</i>
Expansion campaign	\$51,761,336	\$21,189,101
Education programs	424,639	282,532
Exhibits	86,360	55,359
TSP and Children’s Museum	73,772	30,749
Other	25,461	31,152
Collections	1,564	1,561
Capital improvements	1,309	3,078
	\$52,374,441	\$21,593,532

Permanently restricted net assets are for the following:

	<i>2011</i>	<i>2010</i>
Endowment, general operations	\$ 35,595	\$ 35,595
Perot Museum of Nature and Science Building	5,000,000	1,000,000
	\$ 5,035,595	\$ 1,035,595

**MUSEUM OF NATURE AND SCIENCE
NOTES TO FINANCIAL STATEMENTS**

Note 8 – Dinner-in-the-Wild Special Event

Included in Special Event revenues totaling \$851,606 in 2011 and \$885,769 in 2010, are revenues from the Museum's primary fundraising event, Dinner-in-the-Wild, which is held in November and which had the following results:

	2011	2010
Ticket sales, auction proceeds, and in-kind gifts	\$ 843,988	\$ 880,008
Direct costs of event	(242,239)	(338,981)
	<u>\$ 601,749</u>	<u>\$ 541,027</u>

Note 9 – Prior Period Adjustment

The Museum previously reported membership revenue when received. However, accounting principles require the revenue to be recognized over the term of the membership. With the Museum's Expansion Campaign, membership revenue has grown significantly, which resulted in a widened difference between reported revenues and revenues that should be reported under generally accepted accounting principles. Therefore, unrestricted net assets for the year ended September 30, 2009 has been restated to reflect the appropriate amount of deferred membership revenue as of that date. The effect of the restatement was a decrease in unrestricted net assets at September 30, 2009 of \$231,415.

Note 10 – Commitments and Contingencies and Other

Operating Leases – Total rent expense was \$905,710 in 2011 and \$736,995 in 2010, of which \$458,576 in 2011 and \$249,108 in 2010 was for the rental of exhibits. Included in rent expense is the Museum's lease of the projection system for its IMAX® theater, under an agreement that expires in June 2016. The agreement calls for an annual rental payment of \$100,000. Additionally, the Museum rents films for the IMAX® theatre under short-term licensing agreements. Included in rent expense are licensing fees of \$188,707 and \$138,818 for the years ended September 30, 2011 and 2010, respectively.

Employee Benefit Plan – The Museum has established a 401(k) Plan for the benefit of all its employees. Employees are eligible to participate on the first day of the month subsequent to their hire. Each eligible employee may contribute to the plan. The Museum may, at the Board's discretion, match contributions based upon the employee's contribution to the plan. The Museum recognized an expense of \$118,973 in 2011 and \$73,463 in 2010, representing its matching contribution.

Donor-Restricted Grants – Some donor-restricted grants require the Museum to refund the amounts to the granting entity if certain conditions are not met. The Museum carefully monitors grant requirements and believes it has met all such conditions.

Related Party Transactions – A member of the Museum's Governing Board is a partner with a law firm that provided legal services for the Expansion Project totaling \$15,562 in 2011 and \$123,567 in 2010.

**MUSEUM OF NATURE AND SCIENCE
NOTES TO FINANCIAL STATEMENTS**

Note 10 – Commitments and Contingencies and Other (continued)

A member of the Museum's Advisory Board is a partner with a law firm that provided legal services regarding employment issues to the Museum totaling \$1,348 in 2011 and \$1,922 in 2010.

A member of the Museum's Advisory Board is the President of a company that provided transportation and storage for temporary exhibitions for the Museum totaling \$6,296 in 2011 and \$6,650 in 2010.

A member of the Museum's Governing Board is a partner with a law firm that provided legal services regarding trademark renewals totaling \$979 in 2011. There were no such amounts in 2010.

A member of the Museum's Advisory Board is the owner of a film production company that provided film production services to the Museum totaling \$2,200 in 2011 and \$17,355 in 2010.

A member of the Museum's Advisory Board is the general manager of a company that provided fabrication services to the Museum totaling \$2,000 in 2011. There were no such amounts in 2010.

MUSEUM OF NATURE AND SCIENCE

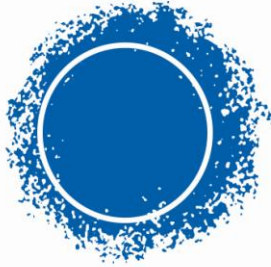
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