## Perot Museum of Nature and Science

### Selected Financial Information

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

#### Years Ended September 30,

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and grants (other than Expansion Campaign)</td>
<td>$14,262,834</td>
<td>$23,846,540</td>
</tr>
<tr>
<td>Contributions to Expansion Campaign</td>
<td>1,428,485</td>
<td>18,366,052</td>
</tr>
<tr>
<td>Scholarships awarded</td>
<td>408,513</td>
<td>267,265</td>
</tr>
<tr>
<td>Earned revenues</td>
<td>14,997,664</td>
<td>4,190,196</td>
</tr>
<tr>
<td>Net change in cash related to operating activities</td>
<td>3,109,074</td>
<td>7,944,558</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>1,524,428</td>
<td>33,104,032</td>
</tr>
<tr>
<td>Total experiences</td>
<td>1,781,481</td>
<td>737,905</td>
</tr>
<tr>
<td>Total unique visitors</td>
<td>1,370,359</td>
<td>483,532</td>
</tr>
</tbody>
</table>

#### September 30,

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments, not restricted to expansion project</td>
<td>$26,785,513</td>
<td>$7,724,207</td>
</tr>
<tr>
<td>Pledges receivable - operations</td>
<td>598,951</td>
<td>181,222</td>
</tr>
<tr>
<td>Pledges receivable - Campaign for Excellence</td>
<td>10,132,397</td>
<td>8,376,397</td>
</tr>
<tr>
<td>Cash and cash equivalents, pledges receivable, and investments restricted to expansion project</td>
<td>12,452,791</td>
<td>41,924,851</td>
</tr>
</tbody>
</table>

#### Net assets

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted, undesignated</td>
<td>164,672,090</td>
<td>150,272,299</td>
</tr>
<tr>
<td>Unrestricted, board designated</td>
<td>3,724,050</td>
<td>-</td>
</tr>
<tr>
<td>Temporarily restricted - operations</td>
<td>1,111,217</td>
<td>1,220,043</td>
</tr>
<tr>
<td>Temporarily restricted - expansion</td>
<td>1,386,064</td>
<td>23,153,084</td>
</tr>
<tr>
<td>Temporarily restricted - Campaign for Excellence</td>
<td>14,512,896</td>
<td>9,563,488</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>20,578,820</td>
<td>20,251,795</td>
</tr>
<tr>
<td>Net assets</td>
<td>$205,985,137</td>
<td>$204,460,709</td>
</tr>
</tbody>
</table>
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 Perot 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, 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.

Mike Costello      Sally Pietsch
Interim CEO        CFO

Loren Greaves
Board Treasurer
Independent Auditor's Report

March 27, 2014

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

We have audited the accompanying financial statements of Perot Museum of Nature and Science (the “Museum”), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Perot Museum of Nature and Science as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

| PEROT MUSEUM OF NATURE AND SCIENCE |
| STATEMENTS OF FINANCIAL POSITION |

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$17,430,438</td>
<td>$7,724,207</td>
</tr>
<tr>
<td>Investments</td>
<td>9,355,075</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable from City of Dallas and others</td>
<td>476,379</td>
<td>285,958</td>
</tr>
<tr>
<td>Pledges receivable - Operations</td>
<td>598,951</td>
<td>181,222</td>
</tr>
<tr>
<td>Pledges receivable - Campaign for Excellence</td>
<td>10,132,397</td>
<td>8,376,397</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>790,452</td>
<td>413,511</td>
</tr>
<tr>
<td>Cash and cash equivalents, and pledges restricted to expansion project</td>
<td>12,452,791</td>
<td>41,924,850</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>162,426,081</td>
<td>161,317,153</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$213,662,564</td>
<td>$220,223,298</td>
</tr>
</tbody>
</table>

| **Liabilities and Net Assets** |            |            |
| Accounts payable and accrued expenses | $4,586,514 | $13,645,475 |
| Unearned revenue | 3,090,913 | 2,117,114 |
| **Total Liabilities** | 7,677,427 | 15,762,589 |
| Unrestricted, undesignated | 164,672,090 | 150,272,299 |
| Unrestricted, board designated | 3,724,050 | -          |
| Temporarily restricted | 17,010,177 | 33,936,615 |
| Permanently restricted | 20,578,820 | 20,251,795 |
| **Total Net Assets** | 205,985,137 | 204,460,709 |
| **Total Liabilities and Net Assets** | $213,662,564 | $220,223,298 |
PEROT MUSEUM OF NATURE AND SCIENCE
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues and Other Support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts and grants</td>
<td>$ 2,012,209</td>
<td>$ 5,829,813</td>
<td>$ 11,055</td>
<td>$ 7,853,077</td>
</tr>
<tr>
<td>City of Dallas grant</td>
<td>586,307</td>
<td>-</td>
<td>-</td>
<td>586,307</td>
</tr>
<tr>
<td>Contributed services</td>
<td>4,151,582</td>
<td>-</td>
<td>-</td>
<td>4,151,582</td>
</tr>
<tr>
<td>Special events</td>
<td>1,671,868</td>
<td>-</td>
<td>-</td>
<td>1,671,868</td>
</tr>
<tr>
<td>Expansion project gifts</td>
<td>95,250</td>
<td>1,017,265</td>
<td>315,970</td>
<td>1,428,485</td>
</tr>
<tr>
<td>Earned revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General admission fees</td>
<td>6,591,250</td>
<td>-</td>
<td>-</td>
<td>6,591,250</td>
</tr>
<tr>
<td>Theater admissions</td>
<td>1,315,596</td>
<td>-</td>
<td>-</td>
<td>1,315,596</td>
</tr>
<tr>
<td>Education programs</td>
<td>1,170,634</td>
<td>-</td>
<td>-</td>
<td>1,170,634</td>
</tr>
<tr>
<td>Memberships</td>
<td>3,054,592</td>
<td>-</td>
<td>-</td>
<td>3,054,592</td>
</tr>
<tr>
<td>Ancillary and other</td>
<td>2,865,592</td>
<td>-</td>
<td>-</td>
<td>2,865,592</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>556,362</td>
<td>-</td>
<td>-</td>
<td>556,362</td>
</tr>
<tr>
<td></td>
<td>24,071,242</td>
<td>6,847,078</td>
<td>327,025</td>
<td>31,245,345</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>23,773,516</td>
<td>(23,773,516)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenues and Other Support</td>
<td>47,844,758</td>
<td>(16,926,438)</td>
<td>327,025</td>
<td>31,245,345</td>
</tr>
</tbody>
</table>

| Expenses                  |              |                        |                        |             |
| Program:                 |              |                        |                        |             |
| Exhibitions              | 12,319,395   | -                      | -                      | 12,319,395  |
| Education                | 4,746,243    | -                      | -                      | 4,746,243   |
| Scientific activities    | 608,641      | -                      | -                      | 608,641     |
| Theater operations       | 857,588      | -                      | -                      | 857,588     |
| Guardianship, maintenance, and operating | 1,400,728 | -                      | -                      | 1,400,728   |
| General operations       | 2,181,786    | -                      | -                      | 2,181,786   |
| Development              | 1,808,681    | -                      | -                      | 1,808,681   |
| Ancillary services       | 1,811,823    | -                      | -                      | 1,811,823   |
| Expansion                | 2,486,032    | -                      | -                      | 2,486,032   |
| In-kind governance consulting services | 1,500,000 | -                      | -                      | 1,500,000   |
| Total Expenses           | 29,720,917   | -                      | -                      | 29,720,917  |

| Change in Net Assets     |              |                        |                        |             |
|                         | 18,123,841   | (16,926,438)          | 327,025                | 1,524,428   |

| Net Assets, beginning of year | 150,272,299 | 33,936,615 | 20,251,795 | 204,460,709 |
| Net Assets, end of year      | $ 168,396,140 | $ 17,010,177 | $ 20,578,820 | $ 205,985,137 |

The accompanying notes are an integral part of these financial statements.
### PEROT MUSEUM OF NATURE AND SCIENCE
### STATEMENT OF ACTIVITIES
### YEAR ENDED SEPTEMBER 30, 2012

#### Revenues and Other Support

<table>
<thead>
<tr>
<th>Contributions</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts and grants</td>
<td>$6,851,658</td>
<td>$11,789,979</td>
<td>$1,592,750</td>
<td>$20,234,387</td>
</tr>
<tr>
<td>City of Dallas grant</td>
<td>585,288</td>
<td>-</td>
<td>-</td>
<td>585,288</td>
</tr>
<tr>
<td>Contributed services</td>
<td>1,715,818</td>
<td>-</td>
<td>-</td>
<td>1,715,818</td>
</tr>
<tr>
<td>Special events</td>
<td>1,311,047</td>
<td>-</td>
<td>1,311,047</td>
<td>1,311,047</td>
</tr>
<tr>
<td>Expansion project gifts</td>
<td>1,873,460</td>
<td>2,869,142</td>
<td>13,623,450</td>
<td>18,366,052</td>
</tr>
<tr>
<td>Earned revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General admission fees</td>
<td>1,651,027</td>
<td>-</td>
<td>-</td>
<td>1,651,027</td>
</tr>
<tr>
<td>Theater and Planetarium admissions</td>
<td>750,761</td>
<td>-</td>
<td>-</td>
<td>750,761</td>
</tr>
<tr>
<td>Education programs</td>
<td>1,107,164</td>
<td>-</td>
<td>-</td>
<td>1,107,164</td>
</tr>
<tr>
<td>Memberships</td>
<td>536,202</td>
<td>-</td>
<td>-</td>
<td>536,202</td>
</tr>
<tr>
<td>Ancillary and other</td>
<td>145,042</td>
<td>-</td>
<td>-</td>
<td>145,042</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>90,743</td>
<td>-</td>
<td>-</td>
<td>90,743</td>
</tr>
</tbody>
</table>

**Net assets released from restrictions**

<table>
<thead>
<tr>
<th></th>
<th>16,618,210</th>
<th>14,659,121</th>
<th>15,216,200</th>
<th>46,493,531</th>
</tr>
</thead>
</table>

**Total Revenues and Other Support**

| | 75,356,011 | (44,078,680) | 15,216,200 | 46,493,531 |

#### Expenses

**Program**

| | 4,250,159 | - | - | 4,250,159 |
| Expositions | 2,150,620 | - | - | 2,150,620 |
| Scientific activities | 366,135 | - | - | 366,135 |
| Theater and planetarium operations | 1,068,984 | - | - | 1,068,984 |
| General operations | 857,882 | - | - | 857,882 |
| Development | 1,367,227 | - | - | 1,367,227 |
| Ancillary services | 165,238 | - | - | 165,238 |
| Expansion | 3,163,254 | - | - | 3,163,254 |

**Total Expenses**

| | 13,389,499 | - | - | 13,389,499 |

#### Change in Net Assets

| | 61,966,512 | (44,078,680) | 15,216,200 | 33,104,032 |

**Net Assets, beginning of year**

| | 88,305,787 | 78,015,295 | 5,035,595 | 171,356,677 |

**Net Assets, end of year**

| | $150,272,299 | $33,936,615 | $20,251,795 | $204,460,709 |

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*The accompanying notes are an integral part of these financial statements.*
<table>
<thead>
<tr>
<th>Years Ended September 31,</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from contributors and other</td>
<td>$7,781,871</td>
<td>$14,046,324</td>
</tr>
<tr>
<td>Cash from earned revenues</td>
<td>15,971,462</td>
<td>4,275,717</td>
</tr>
<tr>
<td>Cash received from City of Dallas</td>
<td>586,307</td>
<td>585,288</td>
</tr>
<tr>
<td>Cash received from investment earnings</td>
<td>86,252</td>
<td>90,743</td>
</tr>
<tr>
<td>Cash paid for compensation and benefits</td>
<td>(8,265,644)</td>
<td>(6,415,214)</td>
</tr>
<tr>
<td>Cash paid to suppliers</td>
<td>(13,051,174)</td>
<td>(4,638,260)</td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>-</td>
<td>(40)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>3,109,074</td>
<td>7,944,558</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |          |          |
| Purchases of investments             | (8,884,965) | -        |
| Property and equipment additions (1) | (7,302,163) | (61,995,346) |
| **Net cash used in investing activities** | (16,187,128) | (61,995,346) |

| **Cash flows from financing activities** |          |          |
| Release of expansion funds previously restricted | 22,784,285 | 56,246,756 |
| **Net cash provided by financing activities** | 22,784,285 | 56,246,756 |

| **Net change in cash** | 9,706,231 | 2,195,968 |

| **Cash, beginning of year** | 7,724,207 | 5,528,239 |
| **Cash, end of year** | $17,430,438 | $7,724,207 |

| **Reconciliation of change in net assets to net cash provided by operating activities** |          |          |
| Change in net assets               | $1,524,428 | $33,104,032 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |          |          |
| Loss on disposal of property and equipment | 207,717 | 65,728 |
| Unrealized gains on investments     | (470,110) | -        |
| Depreciation and amortization       | 8,001,357 | 462,201  |
| Amounts restricted to expansion project | (2,852,785) | (18,366,053) |
| Change in accounts receivable       | (190,420) | (147,387) |
| Change in pledges receivable        | (2,173,730) | (7,891,538) |
| Change in prepaid expenses and other | (376,941) | (161,272) |
| Change in accounts payable and accrued expenses (1) | (1,534,241) | 223,462 |
| Change in unearned revenue          | 973,799   | 655,385   |
| **Net cash used in operating activities** | $3,109,074 | $7,944,558 |

(1) Supplemental disclosure of non cash items:
Excludes construction and exhibit costs related to Expansion which are outstanding in accounts payable | $2,015,841 | $2,181,545 |

The accompanying notes are an integral part of these financial statements.
Note 1 – Purpose of Organization and Summary of Significant Accounting Policies

Purpose – The Perot Museum of Nature and Science (the “Museum”), formerly known as the Museum of Nature and Science, 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. The new facility, known as the Perot Museum of Nature and Science, opened December 1, 2012. It is an 180,000 square foot, state-of-the-art exhibit and education space which includes 11 permanent exhibit halls, six learning labs/classrooms, a temporary exhibit hall, a 3D digital theater, auditorium, museum shop, café and outdoor science park. The Museum has retained the use of the Nature Building at Fair Park for its paleo lab, collections storage, and outreach educational staff.

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 $586,307 in 2013 and $585,288 in 2012, plus indirect support in the form of contributed utilities and maintenance totaling $121,494 in 2013 and $334,535 in 2012. 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 March 27, 2014, the date these financial statements were available to be issued.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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.

Support arising from donated services, goods, or capital equipment is recorded as both revenues and as an expense or asset based on the fair market value of the donation.

Revenue from the sale of tickets to special events, reservations for school programs, and tickets to the theater for dates after the end of the year is deferred as unearned revenue. Membership revenues are recognized ratably over the terms of the memberships.
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 – Financial instruments that are exposed to concentrations of credit risk consist of cash, accounts receivable and investments. The cash and investments are maintained at high quality institutions and companies with high credit ratings. Accounts receivable are principally with corporate and individual donors. Realization of these items is dependent on various individual economic conditions. The Museum performs ongoing credit evaluations of the financial condition of the donors and, generally, requires no collateral from them. Cash and investments are based on quoted market prices or net asset value per share. Accounts receivable are carried at estimated net realizable values. As of September 30, 2013, the Museum believes it 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 fifty 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 in the 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. Accounting principles in the United States of America require the Museum’s management to evaluate tax positions taken by the Museum and recognize a tax liability or asset if they have taken an uncertain position that would, more likely, not be sustained upon examination by the Internal Revenue Service. The Museum is subject to routine audits by taxing jurisdictions; however, there are no audits for any fiscal period in progress. The Museum’s management believes the Museum is no longer subject to tax examinations for fiscal years prior to 2009.

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 $729,904 in 2013 and $704,852 in 2012.

Note 2 – Pledges Receivable

Pledges receivable consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due in the next fiscal year</td>
<td>$ 9,614,986</td>
<td>$ 7,285,948</td>
</tr>
<tr>
<td>Due in one to two years</td>
<td>3,401,500</td>
<td>8,499,394</td>
</tr>
<tr>
<td>Due in two to three years</td>
<td>1,933,397</td>
<td>3,218,100</td>
</tr>
<tr>
<td>Due in three to four years</td>
<td>1,118,300</td>
<td>1,367,997</td>
</tr>
<tr>
<td>Due in more than four years</td>
<td>5,025,000</td>
<td>2,608,100</td>
</tr>
<tr>
<td>Unconditional promises to give before unamortized</td>
<td></td>
<td></td>
</tr>
<tr>
<td>discount and allowance for uncollectible pledges</td>
<td>21,093,183</td>
<td>22,979,539</td>
</tr>
<tr>
<td>Less unamortized discount</td>
<td>(1,214,533)</td>
<td>(1,044,870)</td>
</tr>
<tr>
<td>Less allowance for uncollectible pledges</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total pledges receivable</td>
<td>19,878,650</td>
<td>21,934,669</td>
</tr>
<tr>
<td>Less pledges restricted to expansion</td>
<td>(9,147,302)</td>
<td>(13,377,050)</td>
</tr>
<tr>
<td>Less pledges restricted to Campaign for Excellence</td>
<td>(10,132,397)</td>
<td>(8,376,397)</td>
</tr>
<tr>
<td>Unrestricted pledges receivable</td>
<td>$ 598,951</td>
<td>$ 181,222</td>
</tr>
</tbody>
</table>

The discount rates on pledges receivable vary between 3.25% and 8.25%.
Note 3 – Investments

Investments are stated at fair value which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy which gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels for measuring fair value are:

   **Level 1** – quoted prices (unadjusted) in active markets for identical assets and liabilities.

   **Level 2** – directly or indirectly observable inputs, other than those in Level 1 (e.g. quoted prices for similar asset or liabilities, or from a less “active” market); and

   **Level 3** – unobservable inputs for the asset or liability reflecting the entity’s own assumptions, but adjusted if information is reasonably available without undue cost and effort that indicates market participants would use different assumptions.

Pursuant to generally accepted accounting principles, investment in private investment funds are classified in Level 2 or Level 3 of the fair value hierarchy based on the entity’s ability to redeem its investment at the net asset value as of the measurement date.

The investments’ fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at September 30, 2013.

**Mutual funds:** Valued at the closing price publically available on September 30, 2013.

**Privately managed funds:** Valued at closing prices publically available subject to withdrawal and investment restrictions.

**Private equity fund and real estate fund:** Valued based on the net asset value per share, without further adjustment. Net asset value is based upon the fair value of the underlying investments.

For the year ended September 30, 2013, the Museum invested a portion of its permanently restricted endowment funds.
Note 3 – Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Museum’s investments at fair value as of September 30, 2013.

### Assets at Fair Value as of September 30, 2013

<table>
<thead>
<tr>
<th>Liquidity</th>
<th>Notice Period</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td>Daily</td>
<td>N/A</td>
<td>$112,619</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Privately managed funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japanese equities</td>
<td>18 months</td>
<td>90 Days</td>
<td>-</td>
<td>-</td>
<td>259,860</td>
</tr>
<tr>
<td>Real estate fund</td>
<td>As Realized</td>
<td>N/A</td>
<td>-</td>
<td>-</td>
<td>48,536</td>
</tr>
<tr>
<td>Emerging market funds</td>
<td>Annually</td>
<td>90 Days</td>
<td>-</td>
<td>354,564</td>
<td>-</td>
</tr>
<tr>
<td>Multi-Strategy funds</td>
<td>Annually</td>
<td>90 Days</td>
<td>-</td>
<td>2,390,356</td>
<td>-</td>
</tr>
<tr>
<td>International equities</td>
<td>Quarterly</td>
<td>60 Days</td>
<td>-</td>
<td>637,821</td>
<td>-</td>
</tr>
<tr>
<td>U.S. equities</td>
<td>Quarterly</td>
<td>60 Days</td>
<td>-</td>
<td>630,475</td>
<td>-</td>
</tr>
<tr>
<td>Multi-asset fund</td>
<td>Monthly</td>
<td>30 Days</td>
<td>-</td>
<td>4,740,678</td>
<td>-</td>
</tr>
<tr>
<td>Private equity fund</td>
<td>As Realized</td>
<td>N/A</td>
<td>-</td>
<td>-</td>
<td>180,166</td>
</tr>
</tbody>
</table>

$112,619 $8,753,894 $488,562 $9,355,075

### Changes in Fair Value of Level 3 Investments and Related Gains and Losses

The following table sets forth a summary of changes in the fair value of the Museum’s Level 3 investments for the year ended September 30, 2013.

<table>
<thead>
<tr>
<th></th>
<th>Private Equity Fund</th>
<th>Real Estate Fund</th>
<th>Japanese Equities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance, beginning of year</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Purchases</td>
<td>120,000</td>
<td>48,000</td>
<td>230,000</td>
<td>398,000</td>
</tr>
<tr>
<td>Distribution</td>
<td>(11,412)</td>
<td>-</td>
<td>-</td>
<td>(11,412)</td>
</tr>
<tr>
<td>Unrealized gains/(losses) relating to investments still held at the reporting date</td>
<td>71,578</td>
<td>536</td>
<td>29,860</td>
<td>101,974</td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Settlements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Balance, end of year**  $180,166 $ 48,536 $259,860 $ 488,562

Gains and losses (realized and unrealized) included in changes in net assets for the period above are reported in investment income in the statement of activities.
Note 3 – Investments (continued)

Fair Value of Investments that Calculate Net Asset Value

The following table summarizes investments measured at fair value based on net asset value (NAVs) per share as of September 30, 2013.

<table>
<thead>
<tr>
<th>September 30, 2013</th>
<th>Fair Value</th>
<th>Unfunded Commitments</th>
<th>Redemption Frequency (if currently eligible)</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private equity fund (a)</td>
<td>$180,166</td>
<td>$180,000</td>
<td>See (a)</td>
<td>See (a)</td>
</tr>
<tr>
<td>Real estate fund (b)</td>
<td>48,536</td>
<td>112,000</td>
<td>See (b)</td>
<td>See (b)</td>
</tr>
</tbody>
</table>

(a) Private equity fund. The private equity fund contains interest in various established private equity funds and interest in operating companies owned by private equity funds. Due to the nature of the investments, restrictions on redemptions exist in some of the private equity funds and amounts are considered illiquid.

(b) Real estate fund. The real estate fund invests primarily in commercial real estate and mortgage loans which are backed by the associated properties. It focuses on properties that return both lease income and appreciation of the buildings’ fair value. As of September 30, 2013, a limitation was in effect which delayed the payment of withdrawal requests and provided for payments of such requests on a pro rata basis as cash becomes available. Aside from the withdrawal limitation in place, investments in this category could previously be redeemed two times in a 30-day period at the current net asset value per share based on the fair value of the underlying assets.

Investment income for the year consists of:

<table>
<thead>
<tr>
<th>2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends and interest</td>
<td>$73,650</td>
</tr>
<tr>
<td>Net Realized gains (loss)</td>
<td>12,602</td>
</tr>
<tr>
<td>Net Unrealized gains</td>
<td>470,110</td>
</tr>
<tr>
<td></td>
<td>$556,362</td>
</tr>
</tbody>
</table>

Note 4 – Property and Equipment

Property and equipment consists of the following:

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building &amp; building improvements</td>
<td>$105,215,174</td>
</tr>
<tr>
<td>Exhibits and renovations</td>
<td>32,231,774</td>
</tr>
<tr>
<td>Land &amp; land improvements</td>
<td>25,780,485</td>
</tr>
<tr>
<td>Equipment and furniture</td>
<td>6,493,925</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Artwork</td>
<td>201,953</td>
</tr>
<tr>
<td>Work in Progress- Expansion (Note 6)</td>
<td>128,325</td>
</tr>
<tr>
<td>Less accumulated depreciation/amortization</td>
<td>(9,125,555)</td>
</tr>
<tr>
<td></td>
<td>$162,426,081</td>
</tr>
</tbody>
</table>
Note 5 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction retainage</td>
<td>$ 3,255</td>
<td>$8,239,455</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,271,147</td>
<td>4,201,370</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>1,914,445</td>
<td>582,739</td>
</tr>
<tr>
<td>Compensation and employee benefits</td>
<td>1,397,667</td>
<td>621,911</td>
</tr>
<tr>
<td></td>
<td>$4,586,514</td>
<td>$13,645,475</td>
</tr>
</tbody>
</table>

Note 6 – Capital Campaign

In 1996, the Museum began soliciting pledges for an expansion Project which would result in a new Museum facility. Funds pledged for the Project, including investment earnings, totaled $192.6 million through September 30, 2013. On December 1, 2012, the new facility in Victory Park near downtown Dallas was substantially completed and opened to the public. As of September 30, 2013, costs totaling $171.7 million had been incurred for the acquisition of the land, building construction, exhibit hall fabrication, technology, furniture, equipment, and start-up costs. In addition, $8.0 million of the $19.0 million endowment to support general Museum operations was funded and the Board designated $1.0 million towards the establishment of a building reserve. The remaining budget of $11.9 million includes outstanding project contingency funds of $0.9 million and the remaining $11.0 million to fully fund the endowment.

Assets restricted to the expansion project are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,305,489</td>
<td>$24,937,825</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>3,609,975</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>9,147,302</td>
<td>13,377,050</td>
</tr>
<tr>
<td></td>
<td>$12,452,791</td>
<td>$41,924,850</td>
</tr>
</tbody>
</table>

Campaign for Excellence – The Campaign for Excellence was launched in 2012 to secure the financial resources to bring blockbuster traveling exhibitions to Dallas; to support innovation and technology; to build our endowment; to support research and collections; and to grow our scholarship programs. The Museum raised pledges of $18.9 million through September 30, 2013 of which $10.1 million are still to be collected. Of those funds raised, $1.6 million are restricted to the endowment. In 2012, $1.4 million of the Campaign for Excellence funds were used for the acquisition of additional land in Victory Park for parking.

In 2013, the Campaign for Excellence funds were used for scholarships totaling $79,210 and $71,627 for technology projects.
Note 7 – Restricted Net Asset Balances

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs:

<table>
<thead>
<tr>
<th>Program</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion campaign</td>
<td>$1,386,064</td>
<td>$23,153,084</td>
</tr>
<tr>
<td>Campaign for Excellence</td>
<td>14,583,686</td>
<td>9,563,488</td>
</tr>
<tr>
<td>Bio-Lab – Perot Museum</td>
<td>405,992</td>
<td>500,000</td>
</tr>
<tr>
<td>Education programs</td>
<td>439,812</td>
<td>469,275</td>
</tr>
<tr>
<td>Other</td>
<td>50,768</td>
<td>142,012</td>
</tr>
<tr>
<td>Scientific research</td>
<td>35,237</td>
<td>30,733</td>
</tr>
<tr>
<td>Exhibits</td>
<td>68,650</td>
<td>29,078</td>
</tr>
<tr>
<td>Collections</td>
<td>19,717</td>
<td>20,538</td>
</tr>
<tr>
<td>Capital improvements</td>
<td>18,803</td>
<td>18,803</td>
</tr>
<tr>
<td>Fundraising development</td>
<td>1,448</td>
<td>9,604</td>
</tr>
</tbody>
</table>

$17,010,177 $33,936,615

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

<table>
<thead>
<tr>
<th>Program</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion campaign</td>
<td>$22,784,285</td>
<td>$56,480,243</td>
</tr>
<tr>
<td>Campaign for Excellence</td>
<td>150,837</td>
<td>1,478,700</td>
</tr>
<tr>
<td>Education programs</td>
<td>642,763</td>
<td>567,083</td>
</tr>
<tr>
<td>Bio-Lab Perot Museum</td>
<td>94,007</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>91,245</td>
<td>155,776</td>
</tr>
<tr>
<td>Exhibits</td>
<td>3,806</td>
<td>29,081</td>
</tr>
<tr>
<td>Fundraising development</td>
<td>4,756</td>
<td>22,500</td>
</tr>
<tr>
<td>Scientific research</td>
<td>996</td>
<td>-</td>
</tr>
<tr>
<td>Collections</td>
<td>821</td>
<td>4,418</td>
</tr>
</tbody>
</table>

$23,773,516 $58,737,801

Permanently Restricted Net Assets

The income generated from permanently restricted net assets can be used to support the general operations of the Museum.
Note 7 – Restricted Net Asset Balances (continued)

Unrestricted Net Assets, Designated

The Board of Directors established a board-designated reserve fund in fiscal 2013. The purpose of the establishment of such funds is to provide for future repair or replacement of building, exhibit, technology or operating costs at the Board’s discretion.

Note 8 – Night at the Museum Special Event

Included in Special Event revenues are amounts from the Museum’s primary fundraising event, Night in the Museum, which is held in November and had the following results:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ticket sales, auction proceeds, and in-kind gifts</td>
<td>$1,689,717</td>
<td>$1,310,313</td>
</tr>
<tr>
<td>Direct costs of event</td>
<td>(594,282)</td>
<td>(651,537)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,095,435</td>
<td>$658,776</td>
</tr>
</tbody>
</table>

Note 9 – Commitments and Contingencies and Other

Operating Leases – Total rent expense was $1,443,401 in 2013 and $1,800,145 in 2012.

The Museum has a 20 year lease of a parking lot with the City of Dallas. The lease calls for minimum annual payments of $388,500 during the first 10 years of the lease and payments of $518,500 during the following 10 years. The agreement also calls for additional rent based upon the collections, as defined in the agreement. The agreement also allows for two 10-year lease extensions. The lease is being expensed in the Museum’s financial statement in level amounts over the lease term.

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 $215,818 in 2013 and $158,914 in 2012, 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 Advisory Board is a partner with a law firm that provided legal services for the Expansion Project totaling $212 in 2013 and $6,034 in 2012. 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 $3,966 in 2012.
Note 9 – Commitments and Contingencies and Other (continued)

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 $2,260 in 2013.

A member of the Museum's Advisory Board is a partner with a law firm that provided legal services regarding trademark renewals totaling $1,168 in 2013 and $4,626 in 2012.

A member of the Museum's Advisory Board is the general manager of a company that provided fabrication services to the Museum totaling $72,099 in 2013 and $49,441 in 2012.

A member of the Museum’s Advisory Board is a partner with a law firm that provided legal services regarding trademarks totaling $850 in 2013 and $825 in 2012.

A member of the Museum’s Advisory Board is the CEO of an advertising agency that provided services for the branding campaign totaling $136,363 in 2013 and $15,983 in 2012.

A member of the Museum’s Advisory Board is a director of a company that provided consulting services totaling $20,400 in 2013.

A member of the Museum’s Advisory Board is the Regional VP of Marketing of a company that provides dedicated Internet and Ethernet services to the museum totaling $27,911 in 2013 and $33,746 in 2012.
PEROT MUSEUM OF NATURE AND SCIENCE

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John Jaggers, Chair Elect
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Loren Greaves, Treasurer

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Lucy Hale, Director of School Programs
Teresa Lenling, Director of Public Programs
Rhealyn Carter, Director of Major Gifts
Kenneth Cadenhead, Director of Facilities
Justin Ashford, Director of Technology
Fyve Hilton, Director of Volunteers
Christina Cavalier, Director of Corporate Giving
Judy Gass, Interim Director of Early Childhood Programs
Sarah Jane Semrad, Director of Membership

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