



Museum of Nature and Science

**ANNUAL REPORT**  
**September 30, 2013 and 2012**

**Perot Museum of Nature and Science**

**Selected Financial Information**

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

<i>Years Ended September 30,</i>	<i>2013</i>	<i>2012</i>
<b>Contributions and grants (other than Expansion Campaign)</b>	\$ 14,262,834	\$ 23,846,540
<b>Contributions to Expansion Campaign</b>	1,428,485	18,366,052
<b>Scholarships awarded</b>	408,513	267,265
<b>Earned revenues</b>	14,997,664	4,190,196
<b>Net change in cash related to operating activities</b>	3,109,074	7,944,558
<b>Change in net assets</b>	1,524,428	33,104,032
<b>Total experiences</b>	1,781,481	737,905
<b>Total unique visitors</b>	1,370,359	483,532
<i>September 30,</i>	<i>2013</i>	<i>2012</i>
<b>Cash and investments, not restricted to expansion project</b>	\$ 26,785,513	\$ 7,724,207
<b>Pledges receivable - operations</b>	598,951	181,222
<b>Pledges receivable - Campaign for Excellence</b>	10,132,397	8,376,397
<b>Cash and cash equivalents, pledges receivable, and investments restricted to expansion project</b>	12,452,791	41,924,851
<b>Net assets</b>		
Unrestricted, undesignated	164,672,090	150,272,299
Unrestricted, board designated	3,724,050	-
Temporarily restricted - operations	1,111,217	1,220,043
Temporarily restricted - expansion	1,386,064	23,153,084
Temporarily restricted - Campaign for Excellence	14,512,896	9,563,488
Permanently restricted	20,578,820	20,251,795
<b>Net assets</b>	\$ 205,985,137	\$ 204,460,709

## **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  
Interim CEO

Sally Pietsch  
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*

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

<i>September 30,</i>	<i>2013</i>	<i>2012</i>
<b>Assets</b>		
Cash	\$ 17,430,438	\$ 7,724,207
Investments	9,355,075	-
Accounts receivable from City of Dallas and others	476,379	285,958
Pledges receivable - Operations	598,951	181,222
Pledges receivable - Campaign for Excellence	10,132,397	8,376,397
Prepaid expenses	790,452	413,511
Cash and cash equivalents, and pledges restricted to expansion project	12,452,791	41,924,850
Property and equipment, net	162,426,081	161,317,153
<b>Total Assets</b>	<b>\$ 213,662,564</b>	<b>\$ 220,223,298</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 4,586,514	\$ 13,645,475
Unearned revenue	3,090,913	2,117,114
<b>Total Liabilities</b>	<b>7,677,427</b>	<b>15,762,589</b>
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
<b>Total Net Assets</b>	<b>205,985,137</b>	<b>204,460,709</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 213,662,564</b>	<b>\$ 220,223,298</b>

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

**PEROT MUSEUM OF NATURE AND SCIENCE  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2013**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Revenues and Other Support</b>				
Contributions:				
Gifts and grants	\$ 2,012,209	\$ 5,829,813	\$ 11,055	\$ 7,853,077
City of Dallas grant	586,307	-	-	586,307
Contributed services	4,151,582	-	-	4,151,582
Special events	1,671,868	-	-	1,671,868
Expansion project gifts	95,250	1,017,265	315,970	1,428,485
Earned revenues:				
General admission fees	6,591,250	-	-	6,591,250
Theater admissions	1,315,596	-	-	1,315,596
Education programs	1,170,634	-	-	1,170,634
Memberships	3,054,592	-	-	3,054,592
Ancillary and other	2,865,592	-	-	2,865,592
Investment income, net	556,362	-	-	556,362
	24,071,242	6,847,078	327,025	31,245,345
Net assets released from restrictions	23,773,516	(23,773,516)	-	-
<b>Total Revenues and Other Support</b>	47,844,758	(16,926,438)	327,025	31,245,345
<b>Expenses</b>				
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
<b>Total Expenses</b>	29,720,917	-	-	29,720,917
<b>Change in Net Assets</b>	18,123,841	(16,926,438)	327,025	1,524,428
<b>Net Assets, beginning of year</b>	150,272,299	33,936,615	20,251,795	204,460,709
<b>Net Assets, end of year</b>	\$ 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**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Revenues and Other Support</b>				
Contributions:				
Gifts and grants	\$ 6,851,658	\$ 11,789,979	\$ 1,592,750	\$ 20,234,387
City of Dallas grant	585,288	-	-	585,288
Contributed services	1,715,818	-	-	1,715,818
Special events	1,311,047	-	-	1,311,047
Expansion project gifts	1,873,460	2,869,142	13,623,450	18,366,052
Earned revenues:				
General admission fees	1,651,027	-	-	1,651,027
Theater and Planetarium admissions	750,761	-	-	750,761
Education programs	1,107,164	-	-	1,107,164
Memberships	536,202	-	-	536,202
Ancillary and other	145,042	-	-	145,042
Investment income, net	90,743	-	-	90,743
	16,618,210	14,659,121	15,216,200	46,493,531
Net assets released from restrictions	58,737,801	(58,737,801)	-	-
<b>Total Revenues and Other Support</b>	<b>75,356,011</b>	<b>(44,078,680)</b>	<b>15,216,200</b>	<b>46,493,531</b>
<b>Expenses</b>				
Program:				
Exhibitions	4,250,159	-	-	4,250,159
Education	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
<b>Total Expenses</b>	<b>13,389,499</b>	<b>-</b>	<b>-</b>	<b>13,389,499</b>
<b>Change in Net Assets</b>	<b>61,966,512</b>	<b>(44,078,680)</b>	<b>15,216,200</b>	<b>33,104,032</b>
<b>Net Assets, beginning of year</b>	<b>88,305,787</b>	<b>78,015,295</b>	<b>5,035,595</b>	<b>171,356,677</b>
<b>Net Assets, end of year</b>	<b>\$ 150,272,299</b>	<b>\$ 33,936,615</b>	<b>\$ 20,251,795</b>	<b>\$ 204,460,709</b>

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

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

<i>Years Ended September 31,</i>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Cash received from contributors and other	\$ 7,781,871	\$ 14,046,324
Cash from earned revenues	15,971,462	4,275,717
Cash received from City of Dallas	586,307	585,288
Cash received from investment earnings	86,252	90,743
Cash paid for compensation and benefits	(8,265,644)	(6,415,214)
Cash paid to suppliers	(13,051,174)	(4,638,260)
Cash paid for interest	-	(40)
<b>Net cash provided by operating activities</b>	<b>3,109,074</b>	<b>7,944,558</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(8,884,965)	-
Property and equipment additions (1)	(7,302,163)	(61,995,346)
<b>Net cash used in investing activities</b>	<b>(16,187,128)</b>	<b>(61,995,346)</b>
<b>Cash flows from financing activities</b>		
Release of expansion funds previously restricted	22,784,285	56,246,756
<b>Net cash provided by financing activities</b>	<b>22,784,285</b>	<b>56,246,756</b>
<b>Net change in cash</b>	<b>9,706,231</b>	<b>2,195,968</b>
<b>Cash, beginning of year</b>	<b>7,724,207</b>	<b>5,528,239</b>
<b>Cash, end of year</b>	<b>\$ 17,430,438</b>	<b>\$ 7,724,207</b>
<b>Reconciliation of change in net assets to net cash provided by operating activities</b>		
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
<b>Net cash used in operating activities</b>	<b>\$ 3,109,074</b>	<b>\$ 7,944,558</b>
(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.*



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

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**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.

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

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**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.

**PEROT 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. 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:

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

The discount rates on pledges receivable vary between 3.25% and 8.25%.

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

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**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.

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

**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.

<b>Assets at Fair Value as of September 30, 2013</b>						
	<i>Liquidity</i>	<i>Notice Period</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds	Daily	N/A	\$112,619	\$ -	\$ -	\$ 112,619
Privately managed funds:						
Japanese equities	18 months	90 Days	-	-	259,860	259,860
Real estate fund	As Realized	N/A	-	-	48,536	48,536
Emerging market funds	Annually	90 Days	-	354,564	-	354,564
Multi-Strategy funds	Annually	90 Days	-	2,390,356	-	2,390,356
International equities	Quarterly	60 Days	-	637,821	-	637,821
U.S. equities	Quarterly	60 Days	-	630,475	-	630,475
Multi-asset fund	Monthly	30 Days	-	4,740,678	-	4,740,678
Private equity fund	As Realized	N/A	-	-	180,166	180,166
			\$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.

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

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

**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.

September 30, 2013	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private equity fund (a)	\$180,166	\$180,000	See (a)	See (a)
Real estate fund (b)	48,536	112,000	See (b)	See (b)

(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:

	<i>2013</i>
Dividends and interest	\$ 73,650
Net Realized gains (loss)	12,602
Net Unrealized gains	470,110
	<b>\$ 556,362</b>

**Note 4 – Property and Equipment**

Property and equipment consists of the following:

	<i>2013</i>	<i>2012</i>
Building & building improvements	\$105,215,174	\$ 302,633
Exhibits and renovations	32,231,774	886,426
Land & land improvements	25,780,485	16,144,083
Equipment and furniture	6,493,925	1,032,898
Leasehold improvements	1,500,000	1,500,000
Artwork	201,953	-
Work in Progress- Expansion (Note 6)	128,325	142,703,868
Less accumulated depreciation/amortization	(9,125,555)	(1,252,755)
	<b>\$162,426,081</b>	<b>\$161,317,153</b>

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

**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:

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

*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.

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

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**Note 7 –Restricted Net Asset Balances**

*Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following programs:

	<i>2013</i>	<i>2012</i>
Expansion campaign	\$ 1,386,064	\$23,153,084
Campaign for Excellence	14,583,686	9,563,488
Bio-Lab – Perot Museum	405,992	500,000
Education programs	439,812	469,275
Other	50,768	142,012
Scientific research	35,237	30,733
Exhibits	68,650	29,078
Collections	19,717	20,538
Capital improvements	18,803	18,803
Fundraising development	1,448	9,604
	<b>\$17,010,177</b>	<b>\$33,936,615</b>

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

	<i>2013</i>	<i>2012</i>
Expansion campaign	\$22,784,285	\$56,480,243
Campaign for Excellence	150,837	1,478,700
Education programs	642,763	567,083
Bio-Lab Perot Museum	94,007	-
Other	91,245	155,776
Exhibits	3,806	29,081
Fundraising development	4,756	22,500
Scientific research	996	-
Collections	821	4,418
	<b>\$23,773,516</b>	<b>\$58,737,801</b>

*Permanently Restricted Net Assets*

The income generated from permanently restricted net assets can be used to support the general operations of the Museum.



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

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**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:

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

**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.

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

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**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

## BOARD OF TRUSTEES

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Libby McCabe	Colette Young
Thomas E. Meurer	Cordelia Boon, <i>Ex officio</i>
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## MANAGEMENT and STAFF

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Elisabeth B. Galley, Chief Development Officer  
Dr. Anthony Fiorillo, Curator of Earth Sciences  
Steve Hinkley, Vice President of Programs  
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Teresa Lenling, Director of Public Programs  
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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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