

PEROT MUSEUM OF NATURE AND SCIENCE

FINANCIAL REPORT

SEPTEMBER 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Perot Museum of Nature and Science (the Museum), which are comprised of the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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.

Perot Museum of Nature and Science

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perot Museum of Nature and Science as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Restatement Adjustments

The financial statements of the Museum as of September 30, 2014 and for the year then ended, before the restatement described in Note 3, were audited by other auditors whose report dated March 4, 2015, expressed an unmodified opinion on those statements.

As part of our audit of the September 30, 2015 financial statements, we also audited the adjustments described in Note 3 that were applied to restate the 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form assurance on the 2014 financial statements as a whole.

Weaver and Tidwell L.L.P.
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 1, 2016

**PEROT MUSEUM OF NATURE AND SCIENCE
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014**

ASSETS	2015	2014 (As restated)
Cash and cash equivalents	\$ 16,647,356	\$ 22,589,717
Investments	27,102,094	19,314,940
Accounts receivable	447,336	442,517
Contributions receivable, net	12,610,552	13,453,933
Prepaid expenses and other assets	955,399	1,105,893
Property and equipment, net	<u>146,267,843</u>	<u>154,075,902</u>
TOTAL ASSETS	<u>\$ 204,030,580</u>	<u>\$ 210,982,902</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,451,606	\$ 4,211,678
Unearned revenues	<u>879,241</u>	<u>1,768,295</u>
Total liabilities	4,330,847	5,979,973
NET ASSETS		
Unrestricted, undesignated	149,232,315	158,833,932
Unrestricted, board designated	<u>24,460,284</u>	<u>19,405,363</u>
Total unrestricted net assets	173,692,599	178,239,295
Temporarily restricted	18,507,134	19,263,634
Permanently restricted	<u>7,500,000</u>	<u>7,500,000</u>
Total net assets	<u>199,699,733</u>	<u>205,002,929</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 204,030,580</u>	<u>\$ 210,982,902</u>

The Notes to Financial Statements
are an integral part of these statements.

**PEROT MUSEUM OF NATURE AND SCIENCE
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	Year ended 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Earned revenues				
General admission fees	\$ 7,472,110	\$ -	\$ -	\$ 7,472,110
Theater admissions	1,024,251	-	-	1,024,251
Education programs	1,453,180	-	-	1,453,180
Memberships	1,041,709	-	-	1,041,709
Ancillary and other	3,147,252	-	-	3,147,252
Contributions				
Gifts and grants	6,522,672	2,660,219	-	9,182,891
City of Dallas	601,252	-	-	601,252
In-kind contributions	3,416,754	-	-	3,416,754
Special events	1,089,150	972,400	-	2,061,550
Investment loss, net	(590,094)	(221,243)	-	(811,337)
	<u>25,178,236</u>	<u>3,411,376</u>	<u>-</u>	<u>28,589,612</u>
Net assets released from restrictions	<u>4,167,876</u>	<u>(4,167,876)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	29,346,112	(756,500)	-	28,589,612
EXPENSES				
Programs				
Exhibitions	7,775,263	-	-	7,775,263
Education	2,978,179	-	-	2,978,179
Scientific activities	651,824	-	-	651,824
Theater operations	600,346	-	-	600,346
Operating				
Operating expenses	7,745,698	-	-	7,745,698
Marketing expenses	2,336,001	-	-	2,336,001
Facilities	8,775,348	-	-	8,775,348
Technology	3,030,149	-	-	3,030,149
TOTAL EXPENSES	33,892,808	-	-	33,892,808
CHANGE IN NET ASSETS	(4,546,696)	(756,500)	-	(5,303,196)
NET ASSETS AT BEGINNING OF YEAR (as restated)	178,239,295	19,263,634	7,500,000	205,002,929
NET ASSETS AT END OF YEAR	<u>\$ 173,692,599</u>	<u>\$ 18,507,134</u>	<u>\$ 7,500,000</u>	<u>\$ 199,699,733</u>

(continued)

**PEROT MUSEUM OF NATURE AND SCIENCE
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	Year ended 2014 (As restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Earned revenues				
General admission fees	\$ 7,237,067	\$ -	\$ -	\$ 7,237,067
Theater admissions	1,077,488	-	-	1,077,488
Education programs	1,408,045	-	-	1,408,045
Memberships	2,676,536	-	-	2,676,536
Ancillary and other	3,126,846	-	-	3,126,846
Contributions				
Gifts and grants	5,197,261	1,469,600	-	6,666,861
City of Dallas	586,307	-	-	586,307
In-kind contributions	2,853,690	-	-	2,853,690
Special events	1,212,744	-	-	1,212,744
Investment income, net	816,457	-	-	816,457
	<u>26,192,441</u>	<u>1,469,600</u>	<u>-</u>	<u>27,662,041</u>
Net assets released from restrictions	<u>2,592,026</u>	<u>(2,592,026)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	28,784,467	(1,122,426)	-	27,662,041
EXPENSES				
Programs				
Exhibitions	7,057,209	-	-	7,057,209
Education	3,367,272	-	-	3,367,272
Scientific activities	332,508	-	-	332,508
Theater operations	639,705	-	-	639,705
Operating				
Operating expenses	5,474,544	-	-	5,474,544
Marketing expenses	2,254,970	-	-	2,254,970
Facilities	8,714,121	-	-	8,714,121
Technology	3,631,494	-	-	3,631,494
TOTAL EXPENSES	31,471,823	-	-	31,471,823
CHANGE IN NET ASSETS	(2,687,356)	(1,122,426)	-	(3,809,782)
NET ASSETS AT BEGINNING OF YEAR (as restated)	180,926,651	20,386,060	7,500,000	208,812,711
NET ASSETS AT END OF YEAR (as restated)	<u>\$ 178,239,295</u>	<u>\$ 19,263,634</u>	<u>\$ 7,500,000</u>	<u>\$ 205,002,929</u>

The Notes to Financial Statements
are an integral part of these statements.

**PEROT MUSEUM OF NATURE AND SCIENCE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,303,196)	\$ (3,809,782)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized loss (gain) on investments	1,506,228	(241,253)
Realized gain on investments	(417,740)	(448,515)
Loss on disposal of property and equipment	188,263	51,275
Depreciation and amortization	8,906,445	8,839,461
Change in accounts receivable	(4,819)	33,862
Change in contributions receivable	843,381	7,901,325
Change in prepaid expenses and other assets	150,494	(315,441)
Change in accounts payable and accrued expenses	(760,072)	(374,836)
Change in unearned revenue	(889,054)	28,348
	4,219,930	11,664,444
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,397,764)	(9,270,097)
Sale of investments	522,122	-
Proceeds from sale of property and equipment	-	2,000
Property and equipment additions	(1,286,649)	(542,557)
	(10,162,291)	(9,810,654)
Net cash used in investing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,942,361)	1,853,790
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,589,717	20,735,927
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 16,647,356	\$ 22,589,717

The Notes to Financial Statements
are an integral part of these statements.

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

NOTE 1. PURPOSE OF ORGANIZATION

Purpose

The Perot Museum of Nature and Science (the Museum or Organization), 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). 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 December 2012, the Museum moved from its original facility in Fair Park which was provided by the City of Dallas to a newly constructed facility in Downtown Dallas' Victory Park area. The new facility, known as the Perot Museum of Nature and Science, is a 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, cafe and outdoor science park. The Museum has retained the use of the Nature Building at Fair Park for its paleontology lab, collections storage, and outreach educational staff.

In 1993, operation of the Museum was transferred from the City of Dallas (which owns the building in Dallas at Fair Park and most of the collections). The City continues to support the Museum with direct support of \$601,252 in 2015 and \$586,307 in 2014, plus indirect support in the form of contributed utilities and maintenance totaling \$217,440 in 2015 and \$98,610 in 2014. Additional indirect support in the form of in-kind lease rent is contributed each year (Note 14).

NOTE 2. SUMMARY OF SIGNIFIICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958 Not-for-Profit Entities. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Unrestricted net assets are expendable resources which are not subject to donor-imposed restrictions. Unrestricted net assets include funds designated for operations, net investment in plant facilities, certain investment and endowment gains and funds functioning as endowment. These net assets may be designated by the Organization for specific purposes under internal operating and administrative arrangements or be subject to contractual agreements with external parties. Donor restricted contributions that relate to the Organization's core activities and are received and expended or deemed expended based on the nature of donors' restrictions are classified as unrestricted.

All expenses are recorded as a reduction of unrestricted net assets. The operating activities of the Organization include the revenues earned and expenses incurred in the current year to support the Organization's core activities of inspiring minds through nature and science. The non-operating activities of the Organization include increases in reinvested gains, current year gifts not included in operations, capital and other gifts released from restrictions, and certain other non-operating activities.

Temporarily restricted net assets – Temporarily restricted net assets include gifts and contributions that are subject to donor-imposed restrictions that expire with the passage of time, payment of contributions or specific actions to be undertaken by the Organization, which are then released and reclassified to unrestricted net assets. In addition, appreciation and income on certain donor-restricted endowment funds are classified as temporarily restricted net assets until authorized for spending. Donor-restricted resources intended for capital projects are initially recorded as temporarily restricted and released from their temporary restrictions and reclassified as unrestricted net assets when the asset is placed in service.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Permanently restricted net assets – Net assets subject to donor-imposed restrictions requiring they be maintained permanently. Permanently restricted net assets are generally restricted to long-term investment and are comprised primarily of donor-restricted endowment funds. Generally, the donors of these assets permit the Organization to use all or part of the investment return on these assets. Income on endowment funds restricted for specified purposes is reported on the accompanying statements of activities and changes in net assets as temporarily restricted realized gains and unrealized gains on investments.

Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. Temporarily restricted contributions received and expended in the same fiscal year are recorded as unrestricted net assets.

Revenue Recognition

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. Amounts included in ancillary and other revenues include facilities rentals, café revenues, gift shop revenues, and parking revenues.

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 because it does not meet criteria for recognition under the GAAP.

Cash and Cash Equivalents

At September 30, 2015 and 2014 cash and cash equivalent consists of cash on hand, money market accounts, and all highly liquid investments purchased with an initial maturity of three months or less. Cash and cash equivalents are reported at cost which approximates fair value. The Organization maintains cash balances at various financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Accounts Receivable

Accounts receivable consists of amounts owed from customers and are included on the accompanying statements of financial position at original invoice amount less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and by identifying troubled accounts. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the donor. Based on information available, the Organization believes the allowance for doubtful accounts at September 30, 2015 and 2014 is adequate. However the actual write-offs may differ from the recorded allowance. Historically, the Organization has not experienced significant losses on trade receivables.

Contributions

Unconditional promises to give are included on the financial statements as contributions receivable and revenue of the appropriate net asset category. The Organization reports contributions as restricted support if the support is received with donor restrictions that limit the use of the donated assets. When and if a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. Support that is not restricted by the donor is reported as an increase in unrestricted net assets in the reporting period in which the support is recognized.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique using a discounted rate commensurate with the risks involved. Promises to give are recorded after discounting, to the present value of the future cash flows. Unconditional promises to give received during the years ended September 30, 2015 and 2014 have been discounted at 2.2% and 3.25%, respectively. The resulting discount is amortized using the level-yield method.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions – Continued

The Organization reports contributions of land, buildings, equipment and other long-lived assets as unrestricted revenue, unless explicit donor restrictions specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization evaluates the need for an allowance for uncollectible accounts based on management's analysis of specific pledges, historical collection experience, type of contribution, and nature of the fund-raising activity, and is adjusted for those contributions receivable for which collection is uncertain. Historically, the Organization has experienced minimal losses on receivables. Based on their review of the criteria above, the Organization has not identified the need to record an allowance for uncollectible accounts for the years ended September 31, 2015 and 2014, respectively.

Conditional promises to give depend on the occurrence of a specified future and uncertain event to bind the potential donor. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. No amounts have been recognized in the financial statements for conditional promises to give, which generally arise from the Organization being named as a beneficiary in a revocable will or trust, because the conditions on which such contributions depend have not been substantially met.

Property and Equipment

Expenditures for property and equipment are stated at cost, representing the purchase price or fair market value at the date of gift, less accumulated depreciation. Depreciation expense is computed using the straight-line method over estimated useful lives of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

	<u>Estimated Useful Life</u>
Building & building improvements	3 - 40 years
Exhibits and renovations	6 - 10 years
Land improvements	5 - 15 years
Equipment and furniture	3 - 15 years
Leasehold improvements	20 years

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment – Continued

The Organization capitalizes property and equipment with a cost greater than \$5,000 and a useful life of greater than three years. The Organization reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired or that the depreciation or amortization period may need to be changed. If circumstances indicate the long-lived asset will not be recoverable, based upon undiscounted cash flows of the long-lived asset over the remaining life, the carrying value of the long-lived asset will be reduced by the estimated shortfall of discounted cash flows. The Organization does not believe there are any indicators that would require an adjustment of the carrying value of its long-lived assets or their remaining useful lives as of September 30, 2015 and 2014.

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 Museum's collections are comprised of objects of historical, cultural or scientific significance that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved and cared for, and monitored according to professional museum standards, and activities verifying its existence and assessing its condition are performed continuously. The collections are subject to a policy that requires proceeds from sales of collection items be used to acquire other items for collections or provide for the direct care of existing collections.

In accordance with the practice generally followed by museums, the value of objects in the collections is excluded from the financial statements. Such collections have been acquired through purchases and contributions since the Museum's inception. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as decreases in temporarily 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. Proceeds from deaccessions or insurance recoveries are reflected as increases in net assets. There were no sales of collection items in 2015 or 2014.

Deferred Membership Revenue

The Organization directly solicits memberships. Membership dues received are recognized as revenue upon receipt for the portion of the dues that are considered a contribution to the Museum, while the portion of the dues that relates to the service the Museum will provide the member is recognized as revenue ratably over the term of the membership period. Amounts not yet earned by the end of the fiscal year are reported as deferred revenue on the statements of financial position.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organizations to record the estimated fair value of certain in-kind donations as an expense or an asset, as applicable, in its financial statements and similarly increase contribution revenue by a like amount. The Organization has recorded in-kind contributions for space and professional services in the statement of activities in accordance with financial accounting standards. These accounting standards require that only contributions of services received that create or enhance a nonfinancial asset or require a specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. Generally, the Organization recognizes donated property if the estimated fair value exceeds \$5,000. For the years ended September 30, 2015 and 2014, \$3,416,754 and \$2,853,690, respectively, was received in in-kind contributions.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a nonprofit corporation exempt from federal income tax on its income, under Section 501(c)(3) of the Internal Revenue Code. The Organization follows the provisions of ASC 740-10, Income Taxes, related to unrecognized tax positions. The Organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the taxing authorities, based on the technical merits of the positions. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Organization does not believe there are any material uncertain tax positions and accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended September 30, 2015 and 2014, there were no interest or penalties recorded or included in the financial statements. The Organization is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

The Organization's informational returns are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Organization is no longer subject to income tax examinations by tax authorities for years prior to 2013.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses

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

Advertising Costs

The Organization uses advertising to promote its programs. The production costs of advertising are expensed as incurred and include direct media, promotional items, and advertising contracts for public relations development. For the years ended September 30, 2015 and 2014, advertising costs were approximately \$1,010,000 and \$803,000, respectively.

Reclassifications

Certain accounts relating to the prior period have been reclassified to conform to current year's presentation. The reclassifications have no effect on the prior period change in net assets or net assets.

NOTE 3. PRIOR PERIOD ADJUSTMENT

During 2015, it was determined that certain accounts included in the previously reported financial statements needed to be corrected related to the improper recording of membership revenue, gifts and grants, and in-kind contributions.

The specific accounts corrected as of September 30, 2013, leading to the restatement are as follows:

	As Previously Reported	Correction	As Restated
	<u> </u>	<u> </u>	<u> </u>
Net Assets			
Unrestricted, undesignated	\$ 164,672,090	\$ (548,309)	\$ 164,123,781
Unrestricted, board designated	3,724,050	13,078,820	16,802,870
Total unrestricted	<u>168,396,140</u>	<u>12,530,511</u>	<u>180,926,651</u>
Temporarily restricted	17,010,177	3,375,883	20,386,060
Permanently restricted	20,578,820	(13,078,820)	7,500,000

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

NOTE 3. PRIOR PERIOD ADJUSTMENT – CONTINUED

The specific accounts corrected as of and for the year ended September 30, 2014, leading to the restatement are as follows:

	As Previously Reported	Correction	As Restated
Assets			
Contributions receivable, net	\$ 11,201,458	\$ 2,252,475	\$ 13,453,933
Liabilities			
Unearned revenue	3,014,846	(1,246,551)	1,768,295
Contributions			
Gifts and grants	3,875,216	2,791,645	6,666,861
Earned Revenues			
Memberships	4,220,380	(1,543,844)	2,676,536
Net Assets			
Unrestricted, undesignated	158,135,690	698,242	158,833,932
Unrestricted, board designated	6,248,896	13,156,467	19,405,363
Total unrestricted	<u>164,384,586</u>	<u>13,854,709</u>	<u>178,239,295</u>
Temporarily restricted	16,462,849	2,800,785	19,263,634
Permanently restricted	20,656,467	(13,156,467)	7,500,000
Change in net assets	(4,481,235)	671,453	(3,809,782)

NOTE 4. CONTRIBUTIONS RECEIVABLE

As of September 30, unconditional promises to give are expected to be collected in the following periods:

	<u>2015</u>	<u>2014</u>
Due in the next year	\$ 4,195,342	\$ 4,585,045
Due in one to five years	6,864,381	6,729,774
Due in more than five years	<u>2,000,000</u>	<u>3,020,000</u>
	13,059,723	14,334,819
Less unamortized discount	(449,171)	(880,886)
Less allowance for uncollectible pledges	<u>-</u>	<u>-</u>
Total contributions receivable	<u>\$ 12,610,552</u>	<u>\$ 13,453,933</u>

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

NOTE 4. CONTRIBUTIONS RECEIVABLE – CONTINUED

Contributions receivable are discounted at a rate of 2.2% and 3.25% at September 30, 2015 and 2014, respectively. Activity within allowances for uncollectible amounts was insignificant during the years ended September 30, 2015 and 2014.

NOTE 5. FAIR VALUE OF INVESTMENTS

The Organization's investments are recorded at fair value. The estimated fair value of investments is based on quoted market prices.

The fair value of investments at September 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Mutual funds - equities	\$ 392,656	\$ 241,036
Privately managed funds - equities	25,502,671	18,725,193
Privately managed funds - fixed income	791,493	-
Privately managed funds - alternative investments	182,131	115,944
Private equity fund	<u>233,143</u>	<u>232,767</u>
	<u>\$ 27,102,094</u>	<u>\$ 19,314,940</u>

Investment income at September 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Dividends and interest	\$ 277,151	\$ 126,689
Net realized gains	417,740	448,515
Net unrealized gains (losses)	<u>(1,506,228)</u>	<u>241,253</u>
	<u>\$ (811,337)</u>	<u>\$ 816,457</u>

The Organization follows FASB ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. FASB ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

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

NOTE 5. FAIR VALUE OF INVESTMENTS – CONTINUED

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

Level 1 inputs: Quoted prices are available in active markets that the Organization has the ability to access for identical investments as of the reporting date, without adjustment. The type of investments in Level I include listed mutual funds.

Level 2 inputs: Other significant observable inputs. Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices of identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs: Significant unobservable inputs. Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities held in partnership format, and for these the Net Asset Value (NAV) as a practical expedient has been used.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Organization evaluates its hierarchy disclosures each reporting period and, based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Organization expects that changes in classifications between different levels will not be significant.

The asset's or liability's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

NOTE 5. FAIR VALUE OF INVESTMENTS – CONTINUED

The fair value of each asset and liability in the tables below was measured using FASB ASC 820 input guidance and valuation techniques. The following tables present the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2015 and 2014:

Assets at Fair Value as of September 30, 2015						
	Liquidity	Notice Period	Level 1	Level 2	Level 3	Total
Mutual funds						
Energy limited partnership	Daily	N/A	\$ 392,656	\$ -	\$ -	\$ 392,656
Privately managed funds:						
Japanese equities	18 months	90 Days	-	-	137,364	137,364
Real estate fund	As Realized	N/A	-	-	130,823	130,823
Emerging market funds	Annually	90 Days	-	-	817,601	817,601
Multi-strategy funds	Annually	90 Days	-	9,476,229	-	9,476,229
International equities	Quarterly	60 Days	-	1,499,706	-	1,499,706
U.S. equities	Quarterly	60 Days	-	1,055,879	-	1,055,879
Multi-asset fund	Monthly	30 Days	-	12,515,892	-	12,515,892
Private equity fund	Annually	N/A	-	-	51,308	51,308
Fixed Income	Monthly	15 Days	-	791,493	-	791,493
Private equity fund	As Realized	N/A	-	-	233,143	233,143
			<u>\$ 392,656</u>	<u>\$ 25,339,199</u>	<u>\$ 1,370,239</u>	<u>\$ 27,102,094</u>

Assets at Fair Value as of September 30, 2014						
	Liquidity	Notice Period	Level 1	Level 2	Level 3	Total
Mutual funds						
Energy limited partnership	Daily	N/A	\$ 241,036	\$ -	\$ -	\$ 241,036
Privately managed funds:						
Japanese equities	18 months	90 Days	-	-	126,116	126,116
Real estate fund	As Realized	N/A	-	-	115,944	115,944
Emerging market funds	Annually	90 Days	-	-	888,141	888,141
Multi-strategy funds	Annually	90 Days	-	5,165,538	-	5,165,538
International equities	Quarterly	60 Days	-	1,506,170	-	1,506,170
U.S. equities	Quarterly	60 Days	-	1,585,260	-	1,585,260
Multi-asset fund	Monthly	30 Days	-	9,453,968	-	9,453,968
Private equity fund	As Realized	N/A	-	-	232,767	232,767
			<u>\$ 241,036</u>	<u>\$ 17,710,936</u>	<u>\$ 1,362,968</u>	<u>\$ 19,314,940</u>

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

NOTE 5. FAIR VALUE OF INVESTMENTS – CONTINUED

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, 2015 and 2014:

	Private Equity Fund 1	Private Equity Fund 2	Emerging Markets	Real Estate Fund	Japanese Equities	Total
Balance, September 30, 2013	\$ 180,166	\$ -	\$ 354,383	\$ 48,536	\$ 259,860	\$ 842,945
Purchases	60,000	-	475,000	48,000	-	583,000
Distributions	(21,254)	-	-	-	-	(21,254)
Unrealized gains relating to investments still held at the reporting date	13,855	-	58,758	19,408	6,256	98,277
Sales	-	-	-	-	(140,000)	(140,000)
Balance, September 30, 2014	\$ 232,767	\$ -	\$ 888,141	\$ 115,944	\$ 126,116	\$ 1,362,968
Purchases	\$ 60,000	\$ 50,000	\$ -	\$ 11,200	\$ -	\$ 121,200
Distributions	(112,059)	-	-	-	-	(112,059)
Unrealized gains relating to investments still held at the reporting date	52,435	1,308	(70,540)	3,679	11,248	(1,870)
Balance, September 30, 2015	\$ 233,143	\$ 51,308	\$ 817,601	\$ 130,823	\$ 137,364	\$ 1,370,239

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

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, 2015:

September 30, 2015	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private equity fund (a)	233,143	62,331	See (a)	See (a)
Real estate fund (b)	130,823	100,800	See (b)	See (b)
Private equity fund 2 (a)	51,308	950,000	See (a)	See (a)
Multi-asset fund (c)	12,515,892	-	See (c)	See (c)
U.S. equities (d)	1,055,879	-	See (d)	See (d)
International equities (e)	1,499,706	-	See (e)	See (e)
Emerging markets funds (f)	-	-	See (f)	See (f)
Multi-strategy funds (g)	9,476,229	-	See (g)	See (g)
Fixed income (h)	791,493	-	See (h)	See (h)

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

NOTE 5. FAIR VALUE OF INVESTMENTS – CONTINUED

The following table summarizes investments measured at fair value based on net asset value (NAVs) per share as of September 30, 2014:

September 30, 2014	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private equity fund (a)	232,767	120,000	See (a)	See (a)
Real estate fund (b)	115,944	64,000	See (b)	See (b)
Multi-asset fund (c)	9,453,968	-	See (c)	See (c)
U.S. equities (d)	1,585,260	-	See (d)	See (d)
International equities (e)	1,506,170	-	See (e)	See (e)
Emerging markets funds (f)	-	-	See (f)	See (f)
Multi-strategy funds (g)	5,165,538	135,000	See (g)	See (g)

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Organization's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

- (a) Private equity funds - 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.
- (c) Multi-asset fund - The multi-asset fund invests, either directly or indirectly through its investments in acquired funds, in common and preferred stocks, real estate investment trusts (REITs), securities issued or guaranteed by the US government, its agencies and instrumentalities, including Treasury inflation-protected securities (TIPS), and short-term investments, such as high-quality, short-term money market instruments.
- (d) U.S. equities – The U.S. equities includes investments in entities that invest primarily in long equities and equity-like instruments, and aims to outperform the broad equity market, net of fees and taxes, over a full market cycle. Withdrawals may be made at the end of any fiscal quarter by giving notice no later than 60 days prior to the quarter end of the withdrawal.

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

NOTE 5. FAIR VALUE OF INVESTMENTS – CONTINUED

- (e) International equities – The international equities includes an investment in a fund of funds that invests primarily in long U.S. and international equities with a long-term investment horizon. Withdrawals may be made at the end of any fiscal quarter by giving notice no later than 60 days prior to the quarter end of the withdrawal.
- (f) Emerging market funds – The emerging markets funds invest in equity and debt securities in emerging market companies, opportunities that arise from the restructuring of debt, opportunities in privatization ventures, arbitrage opportunities, and securities of privately held companies, including certain investments that are hedged. Withdrawals may be made at the end of the year by giving notice no later than September 30th.
- (g) Multi-strategy funds – The multi-strategy funds include investments in various relative value arbitrage strategies which use varying degrees of hedging and leverage, a diversified group of long and short equity funds that attempt to minimize market risk through a hedged approach, and various other securities and funds. Withdrawals may be made on a quarterly basis.
- (h) Fixed income – The fixed income fund is a pooled investment fund that invests in a variety of equity, debt, and options. Withdrawals may be made at the end of each month with a 15 day notice.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30:

	2015	2014
Building & building improvements	\$ 105,747,089	\$ 105,402,943
Exhibits and renovations	32,396,135	32,291,135
Land & land improvements	25,780,485	25,780,485
Equipment and furniture	7,324,853	6,656,255
Leasehold improvements	1,500,000	1,500,000
Artwork	201,954	201,953
Work in progress	139,633	177,257
	173,090,149	172,010,028
Less accumulated depreciation and amortization	(26,822,306)	(17,934,126)
	\$ 146,267,843	\$ 154,075,902

For the fiscal years ended September 30, 2015 and 2014, \$8,813,180 and 8,746,196, respectively, was charged to depreciation expense, which is included in expenses on the accompanying statements of activities.

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

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are summarized as follows:

	<u>2015</u>	<u>2014</u>
Construction retainage	\$ -	\$ 12,209
Accounts payable	878,710	1,296,917
Other accrued expenses	1,365,241	1,621,358
Compensation and employee benefits	<u>1,207,655</u>	<u>1,281,194</u>
	<u>\$ 3,451,606</u>	<u>\$ 4,211,678</u>

NOTE 8. DEFINED CONTRIBUTION 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 approximately \$146,000 and \$218,000 in 2015 and 2014, respectively, representing its matching contribution.

NOTE 9. LINE OF CREDIT

The Museum maintains a revolving line of credit in the amount of \$5,000,000 which expires on May 31, 2016. The total amount advanced under the line as of September 30, 2015 and 2014 was \$0. The line of credit has a variable interest rate of LIBOR plus 1% (1.19% at September 30, 2015). Interest expense for the line of credit for the years ended September 30, 2015 and 2014 was \$0.

NOTE 10. CAPITAL CAMPAIGN

Assets restricted to the expansion project are summarized as follows:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 1,473,149	\$ 1,455,922
Pledges receivable	<u>600,000</u>	<u>2,103,615</u>
	<u>\$ 2,073,149</u>	<u>\$ 3,559,537</u>

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

NOTE 10. CAPITAL CAMPAIGN – CONTINUED

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 approximately \$20.9 and \$19.1 million through September 30, 2015 and 2014, respectively, of which approximately \$9.3 million and \$9.4 million are still to be collected, respectively.

NOTE 11. NET ASSETS

Temporarily restricted net assets are available for the following programs:

	2015	2014
Expansion campaign	\$ 676,854	\$ 836,210
Campaign for Excellence	12,595,658	14,359,613
Bio-Lab - Perot Museum	208,616	307,659
Education programs	1,928,284	643,886
Scientific research	124,082	30,732
Exhibits	27,054	245,373
Collections	43,567	19,126
Capital improvements	18,803	18,803
Fundraising development	972,400	1,448
Contributed rent	1,677,375	2,252,475
Endowment investment income	234,441	548,309
	\$ 18,507,134	\$ 19,263,634

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

NOTE 11. NET ASSETS – CONTINUED

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

	<u>2015</u>	<u>2014</u>
Expansion campaign	\$ 159,356	\$ 551,104
Campaign for Excellence	1,436,711	694,337
Education programs	1,472,775	469,011
Bio-Lab Perot Museum	99,043	98,334
Other	-	50,767
Exhibits	255,638	148,278
Fundraising development	1,448	-
Scientific research	74,622	4,504
Contributed rent	575,100	575,100
Endowment investment income	92,625	-
Collections	558	591
	<u>\$ 4,167,876</u>	<u>\$ 2,592,026</u>

Permanently Restricted Net Assets

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

NOTE 12. NIGHT AT THE MUSEUM SPECIAL EVENT

Included in Special Event revenues are amounts from the Museum's primary fundraising event, Night at the Museum, which were held November 15, 2014 and November 15, 2013, and had the following results:

	<u>2015</u>	<u>2014</u>
Ticket sales, auction proceeds, and in-kind gifts	\$ 2,061,550	\$ 1,214,744
Direct costs of event	<u>(315,092)</u>	<u>(310,145)</u>
	<u>\$ 1,746,458</u>	<u>\$ 904,599</u>

Direct costs of the event are included in operating expenses on the statements of activities.

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

NOTE 13. ENDOWMENT

The Museum's endowment consists of numerous accounts established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi endowment). The net assets of endowment funds are classified and reported based on the existence or absence of donor restrictions.

Interpretation of Relevant Law

The Museum follows FASB ASC 958-205, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds, which provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the 2006 UPMIFA. The Museum, relying on information and advice from legal counsel and appointed officers, has interpreted UPMIFA to require the preservation of the historic dollar value of the donor restricted endowment fund pool, absent explicit donor direction to the contrary. As a result of this interpretation, for financial reporting purposes, the Museum classifies endowment assets with donor restrictions as follows:

Permanently Restricted Net Assets

The original historic dollar value of donor-restricted endowment assets, including any subsequent gifts and any required accumulations to be made in accordance with the donor gift instrument (mandatory capitalization) are classified as permanently restricted net assets.

Temporarily Restricted Net Assets

Unrealized gains and losses, realized gains and losses, and any accumulations made on donor-restricted endowment assets which are discretionary and not required by explicit donor restrictions (discretionary capitalization) are classified as temporarily restricted net assets until those amounts are appropriated for expenditure with the standard of care required by UPMIFA.

Unrestricted Net Assets

Income from endowment assets which is explicitly directed by the donor to be used to support current operations is classified as unrestricted net assets.

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

NOTE 13. ENDOWMENT – CONTINUED

Endowment net assets consist of the following at September 30:

	2015				Total
	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	
Board designated endowment funds	\$ -	\$ 11,792,000	\$ -	\$ -	\$ 11,792,000
Donor restricted endowment funds	-	-	234,441	7,500,000	7,734,441
Total endowed net assets	\$ -	\$ 11,792,000	\$ 234,441	\$ 7,500,000	\$ 19,526,441

	2014				Total
	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	
Board designated endowment funds	\$ 768,510	\$ 10,512,000	\$ -	\$ -	\$ 11,280,510
Donor restricted endowment funds	-	-	548,309	7,500,000	8,048,309
Total endowed net assets	\$ 768,510	\$ 10,512,000	\$ 548,309	\$ 7,500,000	\$ 19,328,819

Changes in the endowment for the years ended September 30, 2015 and 2014 were as follows:

	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment, September 30, 2013	\$ 535,075	\$ 10,434,353	\$ -	\$ 7,500,000	\$ 18,469,428
Transfer of investments to endowment	-	77,647	-	-	77,647
Investment income	58,047	-	41,723	-	99,770
Realized gains	273,815	-	196,812	-	470,627
Unrealized gains	140,363	-	100,890	-	241,253
Investment fees	(13,109)	-	(9,422)	-	(22,531)
Change in restriction	(225,681)	-	218,306	-	(7,375)
Endowment, September 30, 2014	\$ 768,510	\$ 10,512,000	\$ 548,309	\$ 7,500,000	\$ 19,328,819
Transfer of investments to endowment	\$ -	\$ 1,280,000	\$ -	\$ -	\$ 1,280,000
Investment income	106,030	-	76,213	-	182,243
Realized gains	243,045	-	174,695	-	417,740
Unrealized losses	(656,292)	-	(471,729)	-	(1,128,021)
Investment fees	(1,919)	-	(1,380)	-	(3,299)
Change in restriction	(459,374)	-	(91,667)	-	(551,041)
Endowment, September 30, 2015	\$ -	\$ 11,792,000	\$ 234,441	\$ 7,500,000	\$ 19,526,441

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment accounts may fall below the level that the donor or UPMIFA requires the Museum to retain for perpetuity. A deficiency of this nature would be reported in unrestricted net assets. No individual donor-restricted endowment accounts fell below this threshold, and donor-restricted endowment fund contained no deficiency for the years ending September 30, 2015 and 2014.

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

NOTE 13. ENDOWMENT – CONTINUED

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs and scholarships supported by endowment while seeking to maintain the real purchasing power of the endowment. Endowment assets are invested to yield a level of return to meet the objectives of the fund while adhering to a prudent level of risk.

Strategies Employed for Achieving Objectives

The Museum investment objective is to earn inflation-offsetting returns that preserve the real value of the assets and where possible earn enhanced returns to achieve the spending objectives of the operations supported by the endowments. The endowment assets are invested in a diversified investment portfolio designed to achieve a balance of income and growth objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate to Spending Policy

In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Museum; and
7. The investment policies of the Museum.

After maintaining the real value of the permanent endowment funds, any remainder of total return is available for appropriation. The Museum appropriates investment earnings, as considered prudent, to meet the Museums long term and short term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Total rent expense was approximately \$2,707,000 in 2015 and \$2,037,000 in 2014.

The Museum entered into a 20 year lease of a parking lot beginning in January 2012 with the City of Dallas. The lease calls for minimum annual payments of \$388,500. The agreement also calls for additional rent based upon 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 statements in level amounts over the lease term.

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

NOTE 14. COMMITMENTS AND CONTINGENCIES – CONTINUED

Lease expense includes in-kind rent in the amount of \$575,100. The Museum renewed the lease agreement in 2013 to use the building at Fair Park for an additional five years through 2018. The Museum has recorded a contribution receivable for the estimated value of the remaining benefit to be provided until the end of its lease agreement in 2018.

Scheduled minimum payments under leases is as follows at September 30, 2015

2016	\$ 600,500
2017	395,500
2018	388,500
2019	388,500
2020	388,500
2021 and thereafter	<u>4,370,625</u>
	<u>\$ 6,532,125</u>

NOTE 15. RELATED PARTIES

A member of the Museum's Board is a Partner of a company that provided in-kind management consulting services to the Museum totaling \$2,240,000 in 2015.

NOTE 16. CONCENTRATIONS

The Museum had outstanding pledges due from three donors that accounted for approximately 77% and 66% of collections receivable at September 30, 2015 and 2014, respectively.

NOTE 17. SUBSEQUENT EVENTS

The Museum evaluated its financial statements for subsequent events through February 1, 2016, the date the financial statements were available to be issued. The Museum is not aware of any subsequent events which would require recording or disclosure in the financial statements.