

# **LOS ANGELES COUNTY MUSEUM OF NATURAL HISTORY FOUNDATION**



Financial Statements &  
Supplemental Information  
June 30, 2007 and 2006

**Los Angeles County  
Museum of Natural History Foundation  
Financial Statements  
and Supplementary Information  
June 30, 2007 and 2006**

**Los Angeles County Museum of Natural History Foundation**  
**Index to Financial Statements and Supplementary Information**  
**June 30, 2007 and 2006**

---

	<b>Page</b>
Report of Independent Auditors .....	1
Statements of Financial Position.....	2
Statement of Activities and Changes in Net Assets – 2007.....	3
Statement of Activities and Changes in Net Assets – 2006.....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6
Supplemental Schedule of Activities Information.....	16

**Report of Independent Auditors**

To the Board of Directors of the  
Los Angeles County Museum of Natural History Foundation

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of the Los Angeles County Museum of Natural History Foundation (the "Foundation") at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Supplemental Schedule of Activities Information on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

October 15, 2007

**Los Angeles County Museum of Natural History Foundation**  
**Statements of Financial Position**  
**June 30, 2007 and 2006**

---

	2007	2006
<b>Assets</b>		
Cash and cash equivalents	\$ 19,016,281	\$ 5,450,919
Investments (Note 3)	105,937,513	91,823,416
Investments held in trust under split-interest agreements	1,621,576	1,588,694
Accounts receivable	71,979	211,385
Grants & contributions receivable, net (Note 4)	6,483,299	1,234,954
Leasehold improvements, equipment and exhibits (Notes 5)	15,841,869	7,488,166
Other assets	2,232,404	234,381
Cash with Fiscal Agent (Note 8)	79,668,031	—
Interest rate swap agreement (Note 9)	1,676,165	—
Collections (Note 6)	<u>—</u>	<u>—</u>
Total assets	<u>\$ 232,549,117</u>	<u>\$ 108,031,915</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued liabilities	\$ 2,659,705	\$ 2,092,283
Obligations under split-interest agreements	362,844	406,938
Deferred revenue	530,751	390,752
Bonds payable (Note 8)	<u>84,400,000</u>	<u>—</u>
Total liabilities	<u>87,953,300</u>	<u>2,889,973</u>
Net assets (Note 11)		
Unrestricted		
Undesignated	14,104,057	—
Board-designated	100,072,562	83,412,597
Net investment in leasehold improvements, equipment and exhibits	<u>15,841,869</u>	<u>7,488,166</u>
Total unrestricted	130,018,488	90,900,763
Temporarily restricted	11,459,179	10,612,196
Permanently restricted	<u>3,118,150</u>	<u>3,628,983</u>
Total net assets	<u>144,595,817</u>	<u>105,141,942</u>
Total liabilities and net assets	<u>\$ 232,549,117</u>	<u>\$ 108,031,915</u>

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

**Los Angeles County Museum of Natural History Foundation**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2007 (with comparative totals for 2006)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Totals	2006 Totals
<b>Operating revenue and support</b>					
Private gifts, grants and contracts	\$ 17,907,515	\$ 1,664,520	\$ 1,150	\$ 19,573,185	\$ 4,528,824
Endowment income used for operations	3,396,488	35,528	—	3,432,016	3,364,129
Grant income	6,198,093	—	—	6,198,093	888,622
Museum admission fees	2,237,681	—	—	2,237,681	2,098,795
Support from the County of Los Angeles (Note 10)	6,347,000	—	—	6,347,000	6,092,000
Membership dues	1,848,504	14,165	—	1,862,669	2,177,503
Program income	593,394	162,047	—	755,441	907,911
Museum use and services	243,783	—	—	243,783	163,960
Museum shops and cafeteria	461,315	—	—	461,315	404,328
Change in value of obligations under split-interest agreements	—	76,976	—	76,976	23,705
Museum catalogs and other	644,963	—	—	644,963	220,481
Special events revenue, net of cost of direct benefit to donors of \$497,752 in 2007	468,231	—	—	468,231	—
<b>Total revenue and support</b>	<b>40,346,967</b>	<b>1,953,236</b>	<b>1,150</b>	<b>42,301,353</b>	<b>20,870,258</b>
<b>Net assets released from restrictions</b>					
Satisfaction of restrictions	2,154,916	(2,154,916)	—	—	—
Change in donor stipulation	(37,856)	549,839	(511,983)	—	—
<b>Total net assets released from restrictions</b>	<b>2,117,060</b>	<b>(1,605,077)</b>	<b>(511,983)</b>	<b>—</b>	<b>—</b>
<b>Total operating revenue and support and net assets released from restrictions</b>	<b>42,464,027</b>	<b>348,159</b>	<b>(510,833)</b>	<b>42,301,353</b>	<b>20,870,258</b>
<b>Operating expenses</b>					
<b>Program services</b>					
Education	2,879,262	—	—	2,879,262	2,275,239
Research	4,192,519	—	—	4,192,519	4,374,619
Exhibits	1,943,680	—	—	1,943,680	4,056,339
<b>Total program services</b>	<b>9,015,461</b>	<b>—</b>	<b>—</b>	<b>9,015,461</b>	<b>10,706,197</b>
<b>Supporting services</b>					
General and administration	6,470,815	—	—	6,470,815	6,116,449
Fund-raising	2,367,771	—	—	2,367,771	2,281,792
<b>Total supporting services</b>	<b>8,838,586</b>	<b>—</b>	<b>—</b>	<b>8,838,586</b>	<b>8,398,241</b>
<b>Other expenses</b>					
<b>Ancillary service</b>					
Museum use and services	202,337	—	—	202,337	183,412
Depreciation	488,583	—	—	488,583	549,751
<b>Total other expenses</b>	<b>690,920</b>	<b>—</b>	<b>—</b>	<b>690,920</b>	<b>733,163</b>
<b>Total operating expenses</b>	<b>18,544,967</b>	<b>—</b>	<b>—</b>	<b>18,544,967</b>	<b>19,837,601</b>
<b>Change in net assets from operations</b>	<b>23,919,060</b>	<b>348,159</b>	<b>(510,833)</b>	<b>23,756,386</b>	<b>1,032,657</b>
<b>Other non-operating revenues, gains and losses</b>					
Investment income	19,575	325,728	—	345,303	241,967
Realized and unrealized gains on investments, net	16,899,413	208,624	—	17,108,037	7,735,755
Unrealized gain on interest rate swaps	1,676,165	—	—	1,676,165	—
Endowment income used for operations	(3,396,488)	(35,528)	—	(3,432,016)	(3,364,129)
<b>Total non-operating revenues, gains and losses</b>	<b>15,198,665</b>	<b>498,824</b>	<b>—</b>	<b>15,697,489</b>	<b>4,613,593</b>
<b>Change in net assets</b>	<b>39,117,725</b>	<b>846,983</b>	<b>(510,833)</b>	<b>39,453,875</b>	<b>5,646,250</b>
<b>Net assets at the beginning of the year</b>	<b>90,900,763</b>	<b>10,612,196</b>	<b>3,628,983</b>	<b>105,141,942</b>	<b>99,495,692</b>
<b>Net assets at the end of the year</b>	<b>\$130,018,488</b>	<b>\$ 11,459,179</b>	<b>\$ 3,118,150</b>	<b>\$ 144,595,817</b>	<b>\$105,141,942</b>

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

**Los Angeles County Museum of Natural History Foundation**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006 Totals
<b>Operating revenue and support</b>				
Private gifts, grants and contracts	\$ 1,077,392	\$ 3,251,432	\$ 200,000	\$ 4,528,824
Endowment income used for operations	3,338,378	25,751	-	3,364,129
Grant income	888,622	-	-	888,622
Museum admission fees	2,098,795	-	-	2,098,795
Support from the County of Los Angeles (Note 10)	6,092,000	-	-	6,092,000
Membership dues	2,164,943	12,560	-	2,177,503
Program income	863,402	44,509	-	907,911
Museum use and services	163,960	-	-	163,960
Museum shops and cafeteria	404,328	-	-	404,328
Change in value of obligations under split-interest agreements	-	23,705	-	23,705
Museum catalogs and other	<u>220,481</u>	<u>-</u>	<u>-</u>	<u>220,481</u>
Total revenue and support	17,312,301	3,357,957	200,000	20,870,258
Net assets released from restrictions	<u>1,151,212</u>	<u>(1,151,212)</u>	<u>-</u>	<u>-</u>
Total operating revenue and support and net assets released from restrictions	<u>18,463,513</u>	<u>2,206,745</u>	<u>200,000</u>	<u>20,870,258</u>
<b>Operating expenses</b>				
Program services				
Education	2,275,239	-	-	2,275,239
Research	4,374,619	-	-	4,374,619
Exhibits	<u>4,056,339</u>	<u>-</u>	<u>-</u>	<u>4,056,339</u>
Total program services	<u>10,706,197</u>	<u>-</u>	<u>-</u>	<u>10,706,197</u>
Supporting services				
General and administration	6,116,449	-	-	6,116,449
Fund-raising	<u>2,281,792</u>	<u>-</u>	<u>-</u>	<u>2,281,792</u>
Total supporting services	<u>8,398,241</u>	<u>-</u>	<u>-</u>	<u>8,398,241</u>
Other expenses				
Ancillary service				
Museum use and services	183,412	-	-	183,412
Depreciation	<u>549,751</u>	<u>-</u>	<u>-</u>	<u>549,751</u>
Total other expenses	<u>733,163</u>	<u>-</u>	<u>-</u>	<u>733,163</u>
Total operating expenses	<u>19,837,601</u>	<u>-</u>	<u>-</u>	<u>19,837,601</u>
Change in net assets from operations	<u>(1,374,088)</u>	<u>2,206,745</u>	<u>200,000</u>	<u>1,032,657</u>
<b>Other non-operating revenues, gains and losses</b>				
Investment income	7,510	234,457	-	241,967
Realized and unrealized gains (losses) on investments, net	7,762,607	(26,852)	-	7,735,755
Endowment income used for operations	<u>(3,338,378)</u>	<u>(25,751)</u>	<u>-</u>	<u>(3,364,129)</u>
Total non-operating revenues, gains and losses	<u>4,431,739</u>	<u>181,854</u>	<u>-</u>	<u>4,613,593</u>
Change in net assets	3,057,651	2,388,599	200,000	5,646,250
Net assets at the beginning of the year	<u>87,843,112</u>	<u>8,223,597</u>	<u>3,428,983</u>	<u>99,495,692</u>
Net assets at the end of the year	<u>\$ 90,900,763</u>	<u>\$ 10,612,196</u>	<u>\$ 3,628,983</u>	<u>\$ 105,141,942</u>

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

**Los Angeles County Museum of Natural History Foundation**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2007 and 2006**

---

	2007	2006
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 39,453,875	\$ 5,646,250
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	488,583	549,751
Amortization of bond issuance costs	14,922	
Realized and unrealized (gains) on investments, net	(17,108,037)	(7,735,755)
Unrealized (gain) on interest rate swap	(1,676,165)	-
Contributions restricted for long-term investment	(1,150)	(200,000)
Change in value of investments held in trust	(32,882)	(461,977)
Changes in operating assets and liabilities		
Accounts receivable	139,407	38,495
Grants and contributions receivable	(5,248,345)	82,627
Other assets	165,607	1,412,475
Accounts payable and accrued liabilities	567,419	163,263
Obligations under split-interest agreements	(44,093)	225,432
Deferred revenues	139,999	(95,019)
	<u>16,859,140</u>	<u>(374,458)</u>
Net cash provided by (used in) operating activities		
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	7,217,549	6,058,742
Purchases of investments	(4,223,609)	(2,951,577)
Purchases of leasehold improvements, equipment and exhibits	(8,842,285)	(2,277,428)
	<u>(5,848,345)</u>	<u>829,737</u>
Net cash (used in) provided by investing activities		
<b>Cash flows from financing activities</b>		
Increase in funds held in trust	(79,668,031)	-
Proceeds from issuance of revenue bonds	84,400,000	-
Revenue bond cost of issuance	(2,178,552)	-
Contributions restricted for long-term investment	1,150	200,000
	<u>2,554,567</u>	<u>200,000</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	13,565,362	655,279
Cash and cash equivalents at the beginning of the year	<u>5,450,919</u>	<u>4,795,640</u>
Cash and cash equivalents at the end of the year	<u>\$ 19,016,281</u>	<u>\$ 5,450,919</u>

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



# Los Angeles County Museum of Natural History Foundation

## Notes to Financial Statements

### June 30, 2007 and 2006

---

#### 1. Nature of Organization

The Los Angeles County Museum of Natural History Foundation (the "Foundation"), a California nonprofit corporation, was incorporated in 1965 for the purpose of providing financial and other support to the Los Angeles County Museum of Natural History (the "Museum"). The Foundation supports and assists in the maintenance and development of the Museum's educational, scientific and cultural programs and services, and in the expansion of its collections, as well as providing personnel to augment the Museum's staff. The Foundation is governed by a Board of Trustees.

The County of Los Angeles (the "County"), through its Department of Museum of Natural History (the "Department"), operates and maintains the Museum. A Board of Governors appointed by the Board of Supervisors is the governing body of the Department. To better coordinate and facilitate management of the Museum and its operations, members of the Board of Governors also serve on the Foundation's Board of Trustees, and the Director of the Department also serves as the President of the Foundation.

The County reimburses the Foundation for certain services it provides for the Museum, and the amount of the reimbursement is reflected as part of the Foundation's revenue and support in the accompanying statements of activities. In addition, the County provides funds directly to providers of services to the Museum, which are not included in the accompanying financial statements. For a description of the funding agreement between the County and the Foundation, see Note 10.

The mission of the Museum is to inspire wonder, discovery and responsibility for our natural and cultural worlds. This is accomplished through permanent and traveling exhibits, public programming and educational and research programs. The Foundation and the County, through the Department, currently share responsibility for the following Family of Museums:

#### **Natural History Museum of Los Angeles County**

In 1913, the Natural History Museum was the first cultural institution open to the public in Los Angeles. Located within Exposition Park, it has become a national leader in collections, research, exhibitions and education. It is one of the preeminent natural and cultural museums in the United States, with more than 33 million specimens and artifacts in its collections covering 4.5 billion years of Earth and human history.

#### **Page Museum at the La Brea Tar Pits**

Established in 1977, the Page Museum at the La Brea Tar Pits is recognized for having the largest and most diverse assemblage of extinct Ice Age plants and animals in the world, consisting of more than 650 species. During the summer, the public can observe paleontological fieldwork through the excavation of Pit 91. The excavated fossils are cleaned, repaired and identified in a paleontology laboratory inside the Page Museum, which can be viewed by the public.

#### **William S. Hart Museum**

The William S. Hart Museum was the home of William S. Hart, the first cowboy movie star, which he bequeathed on his death to the County of Los Angeles. It contains the original furnishings, a collection of Western art, and memorabilia of early Hollywood and Native American artifacts. The Museum is situated in Hart Park in Newhall, which also contains historic buildings, and offers hiking trails, picnic areas and camping.

# Los Angeles County Museum of Natural History Foundation

## Notes to Financial Statements

### June 30, 2007 and 2006

---

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting.

The Foundation classifies net assets and revenues, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the Foundation's primary objectives.
- Temporarily restricted net assets – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support until the assets are placed in service.
- Permanently restricted net assets – Net assets for which the donor has stipulated that the principal be maintained in perpetuity. The income earned on related investments is available for general Foundation operations unless otherwise restricted by the donor.

### Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash equivalents consist of short-term, highly liquid invested funds with original maturities of less than three months. Cash and cash equivalents that are held for long-term purposes are not reported with cash in the statements of financial position and cash flows

### Investments

The Foundation's investments consist of cash, money market funds, common and preferred stock, corporate bonds, and government securities.

### Grants and Contributions Receivable

The Foundation receives numerous grants from federal agencies that are considered exchange transactions. The Foundation recognizes income from these grants as revenue and support only to the extent that expenditures have been made for the purposes specified by the grant agreement.

Contributions receivable are recorded at the present value of expected future cash flows. The discount rate used for the year ended June 30, 2007 and 2006 for new pledges was 3.3% and 3.0%, respectively. The Foundation does not consider it necessary to provide an allowance for doubtful contributions receivable based on donor reputation and past giving history.

# Los Angeles County Museum of Natural History Foundation

## Notes to Financial Statements

### June 30, 2007 and 2006

---

#### 2. Summary of Significant Accounting Policies (Continued)

##### Leasehold Improvements, Equipment and Exhibits

Leasehold improvements, equipment and exhibits are carried at cost if purchased, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	10 to 30 years
Equipment and furnishings	5 years
Exhibits	5 to 15 years

The Foundation reviews leasehold improvements, equipment and exhibits for impairment whenever events or changes in circumstances indicate that the carrying value of property, building improvements, equipment and exhibits may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2007 and 2006, there were no events or changes in circumstances indicating that the carrying amount of the leasehold improvements, equipment and exhibits may not be recoverable.

When qualifying assets are financed with the proceeds of restricted tax-exempt borrowings, the amount of interest cost is capitalized less any interest earned on temporary investment of the proceeds of the borrowings, from the date of the borrowings until the assets constructed with those borrowings are ready for their intended use.

The Foundation does not own the buildings or land. The buildings are owned by the County of Los Angeles. The State of California and City of Los Angeles each own approximately one-half of the real property on which the Natural History Museum is located. Under a ground lease, the County has leased the State-owned portion of the Natural History Museum from the State for a 75-year period, which expires in 2081. The County also leases the land owned by the City of Los Angeles under a lease agreement executed in 1930 and expires in 2010.

##### Collections

The Foundation's collections that have been acquired through purchases, contributions and other acquisitions since the Foundation's inception are not recognized as assets in the accompanying statements 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 decreases in temporarily restricted net assets if the assets used to purchase the items were restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

##### Endowment Funds Used for Operations

As a part of the annual budgeting process, the Board has approved a spending level from accumulated endowment gains of their unrestricted investments. This amount is calculated as 4%, based on a three year quarterly average as of April of each year (for the subsequent operating year). Such amount is reflected in the accompanying statements of activities as operating revenues. The amount is offset by a non-operating charge in the same amount, also entitled endowment funds used for operations. For the years ended June 30, 2007 and 2006, these amounts were \$3,432,016 and \$3,364,129, respectively.

# Los Angeles County Museum of Natural History Foundation

## Notes to Financial Statements

### June 30, 2007 and 2006

---

## 2. Summary of Significant Accounting Policies (Continued)

### Interest Rate Swap

The Foundation uses an overall interest rate risk-management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in interest expenses that are caused by interest rate volatility. Interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date. Under current accounting standards, all derivative instruments are recognized on the statement of financial position at their fair values and changes in fair value are recognized in the statement of activities.

### Contributed Materials and Services

The value of significant donated exhibit materials and equipment is reflected as contributions in the accompanying financial statements at the fair value of such exhibit materials and equipment at the date of contribution.

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Foundation receives a significant amount of contributed services that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

### Income Taxes

The Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d).

### Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation from management.

### Non-operating (Expense)/Income

Non-operating (expense)/income consist of amounts which, due to their nature, are not considered by management as part of operations. Specific items include investment results and other non-recurring items.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

### Reclassification

For comparability, certain amounts for 2006 have been reclassified to conform to the 2007 presentation. Such reclassifications had no effect on the change in net assets or net asset balances as previously reported.

**Los Angeles County Museum of Natural History Foundation**  
**Notes to Financial Statements**  
**June 30, 2007 and 2006**

---

**3. Investments**

Investments consisted of the following at June 30:

	<b>2007</b>	<b>2006</b>
Cash and money market funds	\$ 358,336	\$ 1,424,797
Common and preferred stock	105,606,112	91,300,479
Corporate bonds	1,197,154	98,555
Government securities	397,487	—
Mutual funds	<u>—</u>	<u>588,279</u>
Total investments	107,559,089	93,412,110
Less investments held in trust under split- interest agreements	<u>(1,621,576)</u>	<u>(1,588,694)</u>
	<u>\$ 105,937,513</u>	<u>\$ 91,823,416</u>

At June 30, 2007 and 2006, the Foundation had an investment in 917 and 945 shares, respectively, of Berkshire Hathaway, Inc. – Class A common stock with a fair value of \$100,388,575 and \$86,617,755, respectively.

**4. Grants and Contributions Receivable**

Grants and contributions receivable at June 30 are expected to be received as follows:

	<b>2007</b>	<b>2006</b>
Within one year	\$ 4,367,544	\$1,027,146
Within two to five years	2,000,000	4,000
After five years	<u>300,000</u>	<u>300,000</u>
	6,667,544	1,331,146
Less discount to reflect contributions receivable at present value	<u>(184,245)</u>	<u>(96,192)</u>
	<u>\$6,483,299</u>	<u>\$1,234,954</u>

**Los Angeles County Museum of Natural History Foundation**  
**Notes to Financial Statements**  
**June 30, 2007 and 2006**

---

**5. Leasehold Improvements, Equipment and Exhibits**

Leasehold improvements, equipment and exhibits consisted of the following at June 30:

	<b>2007</b>	<b>2006</b>
Leasehold improvements	\$ 21,190,547	\$20,919,502
Exhibits	1,620,695	1,187,779
Equipment and furnishings	8,801,515	8,615,540
Work-in-progress	<u>14,135,554</u>	<u>6,549,992</u>
Subtotal	45,748,311	37,272,814
Less accumulated depreciation and amortization	<u>(29,906,442)</u>	<u>(29,784,648)</u>
	<u>\$15,841,869</u>	<u>\$7,488,166</u>

**6. Collections**

The Foundation's collections are comprised of artifacts of historical significance, scientific specimens and art objects that are held for educational, research, scientific and curatorial purposes. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for the collections.

**7. Line of Credit**

The Foundation has an uncollateralized \$4,500,000 revolving line of credit with a bank that expires on July 1, 2008. During the fiscal years and as of June 30, 2007 and 2006, no amounts were outstanding under the line of credit. Interest is payable monthly at 0.25% above the bank's prime rate, which was 8.25% at June 30, 2007 and 2006.

**8. Revenue Bonds**

During April 2007, pursuant to an Indenture (the "Indenture") by and between the California Infrastructure and Economic Development Bank, a public instrumentality of the State of California (the "Issuer") and Union Bank of California, N.A., as trustee (the "Trustee"), \$84,400,000 of tax-exempt Auction Rate Securities ("2007 Bonds") were issued in two series: Series 2007A was issued for \$42,200,000 and series 2007B was issued for \$42,200,000. The 2007 Bonds were issued in denominations of \$25,000 or any integral multiple thereof, and bear interest at an Applicable ARS Rate for each Auction Period, until a conversion to a Fixed Rate or another Approved Mode. At June 30, 2007, the interest rate was 3.70% and 3.80% on the Series 2007A and 2007B bonds, respectively.

# Los Angeles County Museum of Natural History Foundation

## Notes to Financial Statements

### June 30, 2007 and 2006

---

#### 8. Revenue Bonds (Continued)

The Issuer lent the proceeds of the 2007 Bonds to the Foundation pursuant to a Loan Agreement (the "Loan Agreement") by and between the Issuer and the Foundation. Such proceeds received by the Foundation will be used to finance (i) the acquisition, rehabilitation, renovation, construction, equipping and improvement by the Foundation of the facilities, galleries and exhibits of the Natural History Museum of Los Angeles County, (ii) capitalized interest on the 2007 Bonds, (iii) working capital of the Foundation directly related to the Project, (iv) other related costs and expenses of the Foundation and (v) costs of issuance of the 2007 Bonds. At June 30, 2007, \$79,668,031, of proceeds related to this issuance were held in trust accounts by the Trustee.

The 2007 A & B Bonds are limited to obligations of the Issuer payable solely from and secured by revenues pledged under the Indenture, consisting primarily of loan payments made by the Foundation, the Loan Agreement and certain other funds as provided in the Indenture. Payment of principal and interest on the 2007A & B Bonds when due are insured by the municipal bond insurance policy issued by XL Capital Assurance Inc., (the "Bond Insurer"). The loan payments are general obligations of the Foundation. No specific property is pledged under the Loan Agreement. The Foundation must meet an Adjusted Unrestricted Net Assets to Indebtedness ratio of .75 at each June 30<sup>th</sup> and December 31<sup>st</sup> through the calendar year 2011, and .95 at each June 30<sup>th</sup> and December 31<sup>st</sup> thereafter, or be subject to specific sanctions.

Approximately \$2,178,552 of issuance costs was incurred and capitalized in connection with the 2007 A & B Bonds. These costs are included in other assets on the combined statements of financial position, and are being amortized over the bond terms on a straight-line basis. At June 30, 2007, the amortized bond costs were \$14,922.

During fiscal year 2007, the Foundation incurred \$606,078 in interest expense associated with the renovation and construction of the Museum's 1913 building. This amount has been capitalized and included in work-in-progress.

**Los Angeles County Museum of Natural History Foundation**  
**Notes to Financial Statements**  
**June 30, 2007 and 2006**

---

**8. Revenue Bonds (Continued)**

The 2007 A & B Bond mandatory bond redemption requirements have been summarized in the following table:

**Mandatory Bond Redemption Requirements**

Redemption Date – September 1	Series A	Series B	Total
2026	\$ 2,875,000	\$ 2,875,000	\$ 5,750,000
2027	2,975,000	2,975,000	5,950,000
2028	3,075,000	3,075,000	6,150,000
2029	3,200,000	3,200,000	6,400,000
2030	3,300,000	3,300,000	6,600,000
2031	3,425,000	3,425,000	6,850,000
2032	3,550,000	3,550,000	7,100,000
2033	3,675,000	3,675,000	7,350,000
2034	3,825,000	3,825,000	7,650,000
2035	3,950,000	3,950,000	7,900,000
2036	4,100,000	4,100,000	8,200,000
2037	<u>4,250,000</u>	<u>4,250,000</u>	<u>8,500,000</u>
Total	<u>\$ 42,200,000</u>	<u>\$ 42,200,000</u>	<u>\$ 84,400,000</u>

**9. Interest Rate Swap Agreement**

The Foundation entered into a 30 year interest rate swap agreement with a bank to reduce the impact of changes in interest rate on its Revenue Bonds. Under the swap agreement, the Foundation agrees to pay the bank a fixed amount of interest, 3.30% per month, and will receive 56% of one-month London Inter-Bank Offered Rate ("LIBOR") plus 23 basis points. Amounts received or paid to the bank under this agreement have been recognized in the statement of activity and changes in net assets. The Foundation has recognized a net unrealized gain of \$1,676,165 at June 30, 2007.



**Los Angeles County Museum of Natural History Foundation**  
**Notes to Financial Statements**  
**June 30, 2007 and 2006**

---

**10. Affiliation with the County of Los Angeles**

**Funding Agreement**

As discussed in Note 1, the Foundation provides support and assistance in the maintenance and development of the Museum's educational, scientific and cultural programs and services and expansion of collections. In connection with this assistance, the County of Los Angeles and the Foundation have entered into a funding agreement that extends to June 30, 2081. Under the terms of the funding agreement, the County provided approximately \$12.1 million to the Foundation for each of the years ended June 30, 2007 and 2006. These funds were used to operate and generally administer the Museum and maintain and preserve the Museum and all structures and facilities in good repair and working order. At June 30, 2007 and 2006, \$6,347,000 and \$6,092,000, respectively, were received directly by the Foundation as reimbursements for certain Foundation services and are included in the accompanying statements of activities as support from the County of Los Angeles. The remaining amounts of \$5,745,173 and \$6,030,154 were provided directly by the County to other providers of services to the Museum and are not reflected in the accompanying financial statements.

The amount provided under the agreement with the County will be adjusted annually by the Consumer Price Index, but no such annual adjustment shall exceed 5%. The Foundation is responsible for contributing each fiscal year towards its operations for the benefit of the Museum an amount no less than 80% of the amount provided by the County. During 2007 and 2006, the Foundation provided approximately \$36.0 million and \$14.8 million, respectively, excluding unrealized gains and losses on investments, representing 297% of the amounts required under the agreement for 2007 and 122% for 2006.

**11. Net Assets**

Unrestricted net assets at June 30, 2007 and 2006 include Board-designated amounts totaling \$100,072,562 and \$83,412,597, respectively, which comprise the balance of the unrestricted portion of the Foundation's endowments. The net investment in leasehold improvements, equipment and exhibits amounts totaling \$15,841,869 and \$7,488,166 at June 30, 2007 and 2006, respectively, are comprised of leasehold improvements, equipment and exhibits.

Temporarily restricted net assets at June 30 are available for the following purposes:

	<b>2007</b>	<b>2006</b>
Research and Collections	\$ 4,965,250	\$ 5,363,264
Education	1,578,764	1,027,777
Administration	76,348	60,460
Capital projects	4,837,830	4,037,132
Exhibits	987	123,563
Other	—	—
	<u>\$ 11,459,179</u>	<u>\$ 10,612,196</u>

# Los Angeles County Museum of Natural History Foundation

## Notes to Financial Statements

### June 30, 2007 and 2006

---

#### 11. Net Assets (Continued)

Permanently restricted net assets totaling \$3,118,150 at June 30, 2007 and \$3,628,983 at June 30, 2006 are contributions restricted by donors for investment in perpetuity, the earnings from which are generally restricted for specific purposes. During 2007, the restrictions on certain amounts in permanently restricted net assets were reclassified to temporarily restricted net assets based on a modification by the donor.

#### 12. Retirement Plan

The Foundation contracts with certain multi-employer defined contribution retirement plans (the "Plans"), which are offered to all of its full-time employees. Contributions are made by the Foundation as well as voluntarily by employees. The Foundation matches participant contributions up to a maximum of 3% to 5% of each participant's salary (as defined in the agreements). The Foundation has the right to terminate its involvement with the Plans at any time. It is the Foundation's policy to fund the costs of the Plans as incurred. The retirement plans expense totaled approximately \$281,883 and \$288,218 for the years ended June 30, 2007 and 2006, respectively.

#### 13. Commitments and Contingencies

##### Litigation

In the normal course of business, the Foundation may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of the Foundation as of June 30, 2007.

##### Construction and Renovation

In April 2007, the Foundation, entered into an agreement with California Infrastructure and Economic Development Bank to issue \$84,400,000 in tax-exempt Auction Rate Securities ("2007 Bonds"). The proceeds from the sales of these bonds will be used to fund the acquisition, rehabilitation, renovation, construction, equipping and improvements by the Foundation of the facilities, galleries and exhibits of the Natural History Museum of Los Angeles County as well as establishing the capitalized accounts and other costs associated with the sales and delivery of the bonds. In November 2006, the Foundation entered into an agreement for the construction project on the 1913 building in the amount of \$9,871,060. At June 30, 2007, total construction costs were \$7,023,750.

#### 14. New Accounting Standards

In September 2006 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements. The statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands the disclosures about fair value measurement. It is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Foundation is currently evaluating the impact of this Statement on the Foundation's financial statements.

**Los Angeles County Museum of Natural History Foundation**  
**Supplemental Schedule of Activities Information**  
**For the Year Ended June 30, 2007**  
**(Supplementary Information – See Report of Independent Accountants)**

If the County's entire contribution under the funding agreement, including the reimbursement of the Foundation for services and direct payments to other providers of services for the Museum, were to be included in the Foundation's statement of activities for the year ended June 30, 2007, its total revenue and support would total \$48,046,526, which approximates the size of the Foundation's operating budget for that year.

	Los Angeles County Museum of Natural History Foundation	County of Los Angeles Support and Expenditures	Eliminations	Total Museum
<b>Revenue and support</b>				
Private gifts, grants and contracts	\$ 19,573,185	\$ -	\$ -	\$ 19,573,185
Endowment income used for operations	3,432,016	-	-	3,432,016
Grant income	6,198,093	-	-	6,198,093
Museum admission fees	2,237,681	-	-	2,237,681
Appropriation from the County	-	12,092,173	-	12,092,173
Support from the County of Los Angeles (Note 10)	6,347,000	-	(6,347,000)	-
Membership dues	1,862,669	-	-	1,862,669
Program income	755,441	-	-	755,441
Museum use and services	243,783	-	-	243,783
Museum shops and cafeteria	461,315	-	-	461,315
Change in value of obligations under split-interest agreements	76,976	-	-	76,976
Museum catalogs and other	644,963	-	-	644,963
Special events revenue, net of cost of direct benefit to donors of \$497,752 in 2007	<u>468,231</u>	<u>-</u>	<u>-</u>	<u>468,231</u>
Total revenue and support	42,301,353	12,092,173	(6,347,000)	48,046,526
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support and net assets released from restrictions	<u>42,301,353</u>	<u>12,092,173</u>	<u>(6,347,000)</u>	<u>48,046,526</u>
<b>Expenses</b>				
Program services				
Education	2,879,262	182,094	-	3,061,356
Research	4,192,519	1,191,614	-	5,384,133
Exhibits	<u>1,943,680</u>	<u>74,642</u>	<u>-</u>	<u>2,018,322</u>
Total program services	<u>9,015,461</u>	<u>1,448,350</u>	<u>-</u>	<u>10,463,811</u>
Supporting services				
General and administration	6,470,815	4,296,823	-	10,767,638
Operating contract with the foundation	-	6,347,000	(6,347,000)	-
Fund-raising	<u>2,367,770</u>	<u>-</u>	<u>-</u>	<u>2,367,770</u>
Total supporting services	<u>8,838,585</u>	<u>10,643,823</u>	<u>(6,347,000)</u>	<u>13,135,408</u>
Other expenses				
Ancillary services	-	-	-	-
Museum use and services	202,337	-	-	202,337
Depreciation	<u>488,583</u>	<u>-</u>	<u>-</u>	<u>488,583</u>
Total other expenses	<u>690,920</u>	<u>-</u>	<u>-</u>	<u>690,920</u>
Total expenses	<u>18,544,966</u>	<u>12,092,173</u>	<u>(6,347,000)</u>	<u>24,290,139</u>
Change in net assets from operations	<u>23,756,387</u>	<u>-</u>	<u>-</u>	<u>23,756,387</u>
<b>Other non-operating revenues, gains and losses</b>				
Investment income	345,303	-	-	345,303
Realized and unrealized losses on investments, net	17,108,037	-	-	17,108,037
Unrealized gain on interest rate swaps	1,676,175	-	-	1,676,175
Endowment income used for operations	<u>(3,432,016)</u>	<u>-</u>	<u>-</u>	<u>(3,432,016)</u>
Total non-operating revenues and losses	<u>15,697,489</u>	<u>-</u>	<u>-</u>	<u>15,697,489</u>
Change in net assets	39,453,875	-	-	39,453,875
Net assets at the beginning of the year	\$ 105,141,942	<u>-</u>	<u>-</u>	\$ 105,141,942
Net assets at the end of the year	<u>\$ 144,595,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,595,817</u>