

# FINANCIAL REPORT



**SAN DIEGO  
NATURAL HISTORY  
MUSEUM**

**June 30, 2008**



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### **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

Board of Trustees  
The San Diego Society of Natural History  
San Diego, California

We have audited the accompanying statement of financial position of The San Diego Society of Natural History (the Museum) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Museum's 2007 financial statements, and in our report dated September 7, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

James H. West, CPA  
for WEST RHODE & ROBERTS

San Diego, California  
September 2, 2008

**THE SAN DIEGO SOCIETY OF NATURAL HISTORY**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2008**  
*(With Summarized Financial Information for June 30, 2007)*

	2008	2007 (Note 16)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 690,207	\$ 642,090
Receivables	2,468,061	3,018,513
Inventories	137,323	383,705
Prepaid expenses and other assets	1,258,912	2,725,763
Investments	9,347,477	9,682,824
Beneficial interest in perpetual trust	2,347,105	-
Property, equipment, and leasehold improvements, less accumulated depreciation	29,766,648	31,148,844
Collections and exhibits	<u>1</u>	<u>1</u>
Total assets	<u>\$ 46,015,734</u>	<u>\$ 47,601,740</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,121,229	\$ 1,544,263
Accrued expenses	1,232,527	1,632,544
Deferred revenue	128,930	1,333,625
Line of credit	200,000	1,948,460
Notes payable	<u>14,453,466</u>	<u>14,910,596</u>
Total liabilities	<u>17,136,152</u>	<u>21,369,488</u>
Commitments (Note 9)		
<b>Net assets:</b>		
Unrestricted	16,762,258	16,443,952
Temporarily restricted	<u>1,658,201</u>	<u>3,269,046</u>
	<u>18,420,459</u>	<u>19,712,998</u>
Permanently restricted:		
Museum endowments	6,397,014	4,804,250
Beneficial interest in perpetual trust	2,347,105	-
Endowments held by others	<u>1,715,004</u>	<u>1,715,004</u>
	<u>10,459,123</u>	<u>6,519,254</u>
Total net assets	<u>28,879,582</u>	<u>26,232,252</u>
Total liabilities and net assets	<u>\$ 46,015,734</u>	<u>\$ 47,601,740</u>

**THE SAN DIEGO SOCIETY OF NATURAL HISTORY**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2008**

**(With Summarized Financial Information for the Year Ended June 30, 2007)**

	2008				2007
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Note 16)
<b>SUPPORT AND REVENUE</b>					
Contributions	\$ 265,943	\$ 1,558,922	\$ 4,099,055	\$ 5,923,920	\$ 4,626,765
Government appropriations	513,535	35,000	-	548,535	856,550
Grants and contracts	1,510,964	76,500	-	1,587,464	1,818,263
Store	2,765,592	-	-	2,765,592	657,566
Admissions and exhibit ticket sales	12,010,615	-	-	12,010,615	1,625,717
Investment income (loss)	(416,342)	-	(159,186)	(575,528)	1,345,688
Education	696,998	-	-	696,998	482,233
Memberships	548,415	-	-	548,415	352,724
Other	335,921	-	-	335,921	456,816
Net assets released from restrictions:					
Satisfaction of program restrictions	3,281,267	(3,281,267)	-	-	-
Total support and revenue	<u>21,512,908</u>	<u>(1,610,845)</u>	<u>3,939,869</u>	<u>23,841,932</u>	<u>12,222,322</u>
<b>EXPENSES</b>					
Program expenses					
Exhibits	9,533,028	-	-	9,533,028	5,227,835
Science and research	3,583,657	-	-	3,583,657	3,268,049
Education/public programs	2,346,758	-	-	2,346,758	2,370,462
Store cost of goods sold					
and operating expenses	1,924,498	-	-	1,924,498	394,122
Membership	260,834	-	-	260,834	305,892
Total program expenses	<u>17,648,775</u>	<u>-</u>	<u>-</u>	<u>17,648,775</u>	<u>11,566,360</u>
Supporting services					
Management and general	1,250,562	-	-	1,250,562	1,088,908
Fundraising	1,331,171	-	-	1,331,171	1,209,581
Marketing	964,094	-	-	964,094	763,675
Total supporting services	<u>3,545,827</u>	<u>-</u>	<u>-</u>	<u>3,545,827</u>	<u>3,062,164</u>
Total expenses	<u>21,194,602</u>	<u>-</u>	<u>-</u>	<u>21,194,602</u>	<u>14,628,524</u>
<b>CHANGE IN NET ASSETS</b>	318,306	(1,610,845)	3,939,869	2,647,330	(2,406,202)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>16,443,952</u>	<u>3,269,046</u>	<u>6,519,254</u>	<u>26,232,252</u>	<u>28,638,454</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$16,762,258</u>	<u>\$ 1,658,201</u>	<u>\$10,459,123</u>	<u>\$28,879,582</u>	<u>\$26,232,252</u>

**THE SAN DIEGO SOCIETY OF NATURAL HISTORY**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2008**

**(With Summarized Financial Information for the Year Ended June 30, 2007)**

	2008	2007 (Note 16)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,647,330	\$ (2,406,202)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,509,843	1,463,752
Allowance for doubtful accounts	(9,770)	72,541
Allowance for obsolete inventory	32,000	-
Change in temporarily restricted net assets	1,610,845	1,074,711
Change in permanently restricted net assets	(3,939,869)	(14,100)
Net investment (income) loss	335,347	(1,335,952)
(Increase) decrease in operating assets:		
Receivables	560,222	140,042
Inventories	214,382	(167,886)
Prepaid expenses	1,466,851	(1,928,432)
Increase (decrease) in operating liabilities:		
Deferred revenue	(1,204,695)	1,312,710
Accounts payable and accrued expenses	(823,051)	1,143,993
Net cash provided by (used in) operating activities	<u>2,399,435</u>	<u>(644,823)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from sale of investments	-	883,413
Purchase of property and equipment	<u>(127,647)</u>	<u>(1,677,489)</u>
Net cash (used in) investing activities	<u>(127,647)</u>	<u>(794,076)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds (payments) on line of credit	(1,748,460)	1,121,500
Proceeds from new note payable	-	1,300,000
Change in temporarily restricted net assets	(1,610,845)	(1,074,711)
Change in permanently restricted net assets	1,592,764	14,100
Payment of notes payable	<u>(457,130)</u>	<u>(320,131)</u>
Net cash provided by (used in) financing activities	<u>(2,223,671)</u>	<u>1,040,758</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	48,117	(398,141)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>642,090</u>	<u>1,040,231</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 690,207</u></u>	<u><u>\$ 642,090</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 839,181</u>	<u>\$ 810,789</u>
Non-cash items		
Receipt of beneficial interest in perpetual trust	<u>\$ 2,506,291</u>	<u>\$ -</u>

## THE SAN DIEGO SOCIETY OF NATURAL HISTORY

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

**Nature of Organization** - The San Diego Society of Natural History (the Museum) operates The Natural History Museum of San Diego and its related activities, which includes a gift shop.

**Income Tax Status** - The Museum, a California not-for-profit corporation, is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

**Method of Accounting** - The financial statements of the Museum have been prepared utilizing the accrual basis of accounting.

**Financial Statement Presentation** - The Museum follows Financial Accounting Standards Board (FASB) Statement No. 117, *Financial Statements of Non-Profit Organizations*, for presentation of its financial statements which requires that net assets and support, revenue, gains, expenses, and losses be classified as unrestricted, temporarily restricted, and permanently restricted based upon the following criteria:

- Unrestricted net assets represent funds available for operations that are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds, subject to specific donor-imposed restrictions, or a specific passage of time before the Museum may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions, requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations.

#### **Support and Revenue Recognition** –

**Contributions** - The Museum records contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The Museum reports gifts of cash and other assets as temporarily restricted support if they are received with stipulations that limit the use of the assets. When a 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 in the statement of activities as net assets released from restrictions. Gifts received during the year with donor restrictions that are satisfied before the year-end are reported as unrestricted contributions.

**Government Appropriations** - The policy of the Museum is to recognize the revenue to the extent of eligible costs incurred, up to the maximum subcontract or grant amount.

**Scientific Grants and Contracts** - The Museum recognizes revenue as services are provided.

**Admissions, Store, and Education** - The Museum records revenue when goods or services are provided.

**Memberships** - The Museum recognizes revenue at the time of renewal.

**THE SAN DIEGO SOCIETY OF NATURAL HISTORY**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Traveling Exhibits** – Traveling exhibits are exhibits in which the Museum charges an additional fee in excess of the normal admission price. The Museum recognizes revenue when earned and expenses are recognized over the life of the exhibit.

**Receivables** - Receivables include unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free rates applicable in the years in which those promises are received. Amortization of the discounts is included in contribution income. .

Receivables also include amounts billed on grants and contracts for services provided through June 30, 2008. Management has determined that an allowance for all receivables at June 30, 2008 should be \$117,771, to take into account any amounts that may become uncollectible.

The Museum does not obtain collateral for these receivables.

An allowance for doubtful accounts is based on past experience and an analysis of current balances. Receivables are written off in the year deemed uncollectible.

**Physical Facilities** - The Museum renovated the original building and constructed the expansion building it occupies. After completion, the Museum transferred title to the City of San Diego (the City). The Museum occupies the building under a 35-year lease agreement with the City expiring 2033, which permits the Museum use of the structure at no charge.

In accordance with accounting principles generally accepted in the United States of America, the original value of the building is to be reflected in the Museum's financial statements. However, if the building had been reported at its fair market value at the date the agreement with the City originally commenced, it would have been fully depreciated in prior years. Therefore, it is not reflected in the accompanying statement of financial position. The cost of construction to expand and renovate the original building has been capitalized in the statement of financial position as leasehold improvements and is being amortized over the life of the lease.

The agreement with the City also provides for the Museum's free use of the land in Balboa Park on which the structure is situated. No amounts have been reflected in the financial statements for use of the land, inasmuch as no objective basis is available to measure its value.

Property, equipment, and leasehold improvements are carried at cost for items purchased or improvements made, or fair value at the date of the gift for donated items. Items which cost or have a fair value at the date of the gift of \$2,000 or more are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

**Investments** - Investments in debt and equity securities with readily determinable fair values are reported at fair values. Net realized and unrealized gains or losses are reflected as increases or decreases in unrestricted net assets, unless the use is restricted by the donor.



## THE SAN DIEGO SOCIETY OF NATURAL HISTORY

### NOTES TO FINANCIAL STATEMENTS

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#### **NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories** - Gift shop inventories, which consist primarily of books, periodicals, and other gift items related to the Museum's tax-exempt purpose, are stated at lower of cost (first-in, first-out) or market.

**Prepaid Expenses and Other Assets** – Prepaid expenses include bond premium and issuance costs which are amortized on the straight-line method over the 30-year term of the bond and traveling exhibit costs.

**Collections** - The Museum houses over 8.5 million natural history specimens in collections dating back as far as the 1870s. The specimens include plants, birds, mammals, insects, reptiles, amphibians, marine invertebrates, fossils, and minerals mainly from Western United States, Baja California, and Northern Mexico. In addition, the Museum's library includes some 25,000 titles in 90,000 volumes with several significant and rare volumes on natural history. The Museum's collections are expensed when acquired.

**Exhibit Costs** – Exhibit costs are usually expensed when incurred; however, traveling exhibit costs are expensed over the life of the exhibit.

**Charitable Remainder Trusts** - The Museum is the beneficiary of charitable remainder trusts, which provide for payments of distributions to designated beneficiaries over the trusts' terms (usually the designated beneficiary's lifetime). At the end of a trust's term, the remaining assets are available to the Museum for the purpose specified by the donor.

Assets held in the charitable remainder trusts are managed by donor-designated trustees, and are not accessible to the Museum until the end of the trusts' terms. The assets are recorded as temporarily restricted contributions at their present value, calculated using risk-free interest rates over the estimated period until the Museum is to receive an irrevocable right to the assets.

**Pooled Income Funds** - Included in investments are pooled income funds, which are held and managed by the Museum. During the life of the donors, income from the pooled funds is distributed to the donors. Upon donor's death, the principal is to be distributed to the Museum. A discount to present value is recorded and the net amount is included in temporarily restricted net assets.

**Beneficial Interests in Perpetual Trusts Held by Others** – A perpetual trust held by a third party is an arrangement in which the donor establishes and funds a trust that is administered by an outside third party. Under the terms of the trust, the Museum has the right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The trust is recorded as permanently restricted net assets.

**Donated Materials, Services, and Other Assets** - The Museum receives donated materials and professional services, which are recorded as a contribution and an expense in the statement of activities, at fair value. Donated services related to the construction to expand and renovate the Museum were capitalized at its value. Donated property is recorded at its appraised value.

**Advertising Costs** - Advertising costs are expensed as incurred.

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

**THE SAN DIEGO SOCIETY OF NATURAL HISTORY**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2. CONCENTRATION OF CREDIT RISK**

Financial instruments, which potentially subject the Museum to credit risk, consist primarily of cash, receivables, and investments.

**Cash** - The Museum maintains its cash in bank accounts, which at times may exceed federally insured limits. The Museum has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash.

In addition, the Museum invests in various investments, including, mutual funds, and money market accounts. Investment securities, in general, are subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments could occur in the near term and that such change could materially affect amounts reported on the financial statements.

**Investments** - The Museum maintains its short-term investments in several different instruments with various investment firms. Marketable securities are exposed to various risks, such as interest rate, market, and credit risk. It is reasonably possible, given the level of risk associated with marketable securities that changes in the near term could materially affect the amount reported in the financial statements.

**Pledges Receivable** - Pledges receivable include charitable remainder trusts, which are exposed to various risks such as interest rates and donor life expectancies. Changes in the near term are not expected to materially affect the amounts reported in the financial statements. Pledges are subject to credit risk.

**NOTE 3. INVESTMENTS**

Investments, at fair value, consist of:

The San Diego Foundation	\$ 1,834,649
Funds held in trust	1,169,764
Mutual funds	5,850,069
Money market funds	262,423
Other	13,000
Pooled income fund	<u>289,273</u>
	9,419,178
Less discount to present value on pooled income fund	<u>(71,701)</u>
Total	<u><u>\$ 9,347,477</u></u>

**THE SAN DIEGO SOCIETY OF NATURAL HISTORY**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4. RECEIVABLES**

Receivables consist of:

Due in less than one year	
Pledges	\$ 826,807
Grants	163,834
Contracts	522,779
City of San Diego	100,233
Other	4,020
Less allowance for doubtful accounts	<u>(117,771)</u>
	<u>1,499,902</u>
Due in more than five years	
Charitable remainder trusts	741,281
Pledges	618,000
Less discount to net present value at 6%	<u>(391,122)</u>
	<u>968,159</u>
Total receivables	<u><u>\$ 2,468,061</u></u>

**NOTE 5. PREPAID EXPENSES AND OTHER ASSETS**

Prepaid expenses and other assets consist of:

Bond issuance costs, net of accumulated amortization of \$125,093	\$ 197,965
Bond issuance costs, net of accumulated amortization of \$3,489	47,956
Non-qualified retirement plan funds held in trust	181,937
Prepaid expenses and deposits	<u>831,054</u>
	<u><u>\$ 1,258,912</u></u>

**NOTE 6. PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS**

Property, equipment, and leasehold improvements consist of:

Leasehold improvements	\$ 35,132,124
Furniture, fixtures, and equipment	6,322,534
Warehouse	<u>397,205</u>
	41,851,863
Less accumulated depreciation	<u>(12,085,215)</u>
	<u><u>\$ 29,766,648</u></u>

Depreciation expense was \$1,509,843 for the year ended June 30, 2008.

**NOTE 7. LINE OF CREDIT**

The Museum has an unsecured bank line of credit for \$2,575,000 which expires October 31, 2009. The availability of the line is subject to the Continuing Satisfaction of Covenants relating to the amount of available cash, total borrowings, and cash flow. At June 30, 2008, \$200,000 was outstanding.

**THE SAN DIEGO SOCIETY OF NATURAL HISTORY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8. NOTES PAYABLE**

Notes payable consists of:

Bonds issued through the County of San Diego, secured by buildings and leasehold improvements, principal due on various dates through 2028, plus interest at 4.2 to 5.7 percent, payable in January and July	\$ 12,800,000
Bonds payable, bank, secured by equipment, principal due on various dates through 2026, plus interest at 5.5 percent, payable in July	1,262,717
Note payable, Bank of America, secured by real property, monthly payment of \$2,656, including interest at 7.4 percent, due December 2016	200,867
Note payable, 1st Pacific Bank, secured by real property, monthly payment of \$1,637, including interest at 8.0 percent, due September 2012	189,882
	<u>\$ 14,453,466</u>

Maturities of notes payable debt are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2009	\$ 531,090
2010	532,823
2011	534,691
2012	536,704
2013	701,279
Thereafter	11,616,879
	<u>\$ 14,453,466</u>

At June 30, 2008, funds held in trust totaling \$1,169,764 are invested in treasury obligations and an annuity contract with Transamerica Occidental Life Insurance Company. These funds included in investments are held in reserve for payment of principal and interest on the County of San Diego bond indebtedness.

**NOTE 9. COMMITMENTS**

**Contracts** - The Museum has commitments with various companies that produce exhibits. At June 30, 2008, approximately \$1,500,000 is remaining to be paid on the contracts in the upcoming years. For the year ended June 30, 2008, exhibit rental expense totaled approximately \$433,000.

**Leases** - The Museum leases vehicles under three lease agreements expiring on or before May 20, 2011. For the year ended June 30, 2008, vehicle lease expense totaled approximately \$17,705.

Future minimum lease payments required under the operating lease agreements are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2009	\$ 12,190
2010	5,516
2011	5,056
	<u>\$ 22,762</u>

**Employment Contracts** - The Museum has a contract with the CEO for an annual salary of \$203,000 and \$74,000 annual deposit to the 2008 Retirement Plan and Trust through July 31, 2013.

**THE SAN DIEGO SOCIETY OF NATURAL HISTORY**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10. UNRESTRICTED NET ASSETS**

Unrestricted net assets consist of:

Designated for property, equipment, and leasehold improvements	\$ 15,313,182
Undesignated	1,449,076
	<u>\$ 16,762,258</u>

**NOTE 11. RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of:

Charitable remainder trusts	\$ 426,696
Science and research	399,503
Pooled income funds*	217,572
Education	410,057
Other exhibits	204,373
	<u>\$ 1,658,201</u>

*\*The Museum maintains a pooled income fund at Union Bank of California. Donors to the pooled income fund retain the right to the income earned on the principal for their lifetime or other stipulated periods, at which time, the principal becomes unrestricted. The fund is reported at its June 30, 2008 net present value.*

Permanently restricted net assets consist of endowments, the income from which is expendable for:

Endowments held at the Museum	
Botany	\$ 1,677,826
Marine invertebrates/paleontology	1,167,672
Biodiversity Research Center of the California's	872,925
Ornithology	1,378,002
Education	202,000
General operations	739,500
Maintenance and library research	145,849
Entomology	100,097
Library	67,200
Paleontology Fund	26,840
Herpetology	12,615
Member science endowment	6,488
	<u>6,397,014</u>
Beneficial interest in perpetual trust	<u>2,347,105</u>

Endowments held at San Diego Foundation	
Scientific	1,492,053
General operations	222,951
	<u>1,715,004</u>
Total	<u>\$ 10,459,123</u>

**THE SAN DIEGO SOCIETY OF NATURAL HISTORY**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 12. NET ASSETS RELEASED FROM RESTRICTION**

Temporarily restricted net assets were released for the following purposes:

Exhibits	\$ 447,990
Science and research	670,930
Education	839,142
Dead Sea Scrolls exhibit	1,290,453
Time restrictions	32,752
	<u>\$ 3,281,267</u>

**NOTE 13. BENEFIT PLANS**

**Defined Contribution Plan** - The Museum has a defined contribution retirement plan under which contributions are made to an insurance company for the benefit of the participants. The Museum contributes an amount equal to five percent of the employees' salaries. Contributions for the year ended June 30, 2008 were approximately \$108,000.

**Non-qualified Plan** - The Museum has a non-qualified plan for the benefit of the CEO. During the year ended June 30, 2008, the Museum contributed \$74,000 to the plan.

**NOTE 14. CONTINGENCIES**

**Grants and Contracts** - The Museum has grants and contracts with government agencies which are subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits would not have a material impact on the Museum's financial statements.

**NOTE 15. BENEFICIAL INTEREST IN PERPETUAL TRUST**

The Museum has exclusive rights to the income from a trust held in perpetuity by Wachovia Bank in the name of Hallam J. Koons. The Museum's beneficial interest in the trust is reported in the accompanying statements of financial position at the fair value of the assets of the trust, which consists of \$73,276 in short term reserves and cash, \$2,273,829 of fixed income and equity securities at June 30, 2008. The Museum expects to begin receiving distributions from the trust in fiscal year 2009 which are restricted for publications of its scientific and educational materials.

**NOTE 16. JUNE 30, 2007 FINANCIAL INFORMATION**

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2007 from which the summarized information was derived.



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***INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION***

Board of Trustees  
The San Diego Society of Natural History

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 14 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements taken as a whole.

James H. West, CPA  
for WEST RHODE & ROBERTS

San Diego, California  
September 2, 2008

**THE SAN DIEGO SOCIETY OF NATURAL HISTORY**  
**SUPPLEMENTARY INFORMATION**  
**INCOME/EXPENSE STATEMENT, CITY OF SAN DIEGO TOT FUNDS**  
**Year Ended June 30, 2008**

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<b>EXPENSE CLASSIFICATION</b>	<u>Budgeted</u>	<u>Actual</u>	<u>TOT Funds</u>
Personnel:			
Artistic	\$ 2,000,000	\$ 878,267	\$ 100,000
Administrative	<u>1,750,000</u>	<u>543,881</u>	<u>300,932</u>
Total	<u>\$ 3,750,000</u>	<u>\$ 1,422,148</u>	<u>\$ 400,932</u>





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**REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF THE CITY OF SAN DIEGO  
COMMISSION FOR ARTS AND CULTURE ALLOCATIONS PROGRAM**

Board of Trustees  
The San Diego Society of Natural History

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of financial position of The San Diego Society of Natural History as of June 30, 2008, and the related statements of activities and cash flows for the year then ended, and have issued our report thereon dated September 1, 2008

In connection with our audit, nothing came to our attention that caused us to believe that The San Diego Society of Natural History failed to comply with the requirements of the City of San Diego Commission for Arts and Culture Allocations Program. However, our audit was not directed primarily toward obtaining knowledge of such non-compliance.

This report is intended solely for the information and use of the Board of Trustees and management of The San Diego Society of Natural History, and the City of San Diego Commission for Arts and Culture Allocations Program, and should not be used for any other purpose.

James H. West, CPA  
for WEST RHODE & ROBERTS

San Diego, California  
September 2, 2008