

THE SAN DIEGO SOCIETY OF NATURAL HISTORY

FINANCIAL REPORT

JUNE 30, 2007



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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, 2007, 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 Organization's 2006 financial statements and, in our report dated September 1, 2006, 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, 2007, 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 7, 2007

THE SAN DIEGO SOCIETY OF NATURAL HISTORY
STATEMENT OF FINANCIAL POSITION
June 30, 2007
(With Summarized Financial Information for June 30, 2006)

	2007	2006 (Note 16)
ASSETS		
Cash and cash equivalents	\$ 642,090	\$ 1,040,231
Receivables	3,018,513	3,231,096
Inventories	383,705	215,819
Prepaid expenses and other assets	2,725,763	797,331
Investments	9,682,824	9,230,285
Property, equipment, and leasehold improvements, less accumulated depreciation	31,148,844	30,935,107
Collections and exhibits	1	1
Total assets	<u>\$ 47,601,740</u>	<u>\$ 45,449,870</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,544,263	\$ 1,342,817
Accrued expenses	1,632,544	689,997
Deferred revenue	1,333,625	20,915
Line of credit	1,948,460	826,960
Notes payable	14,910,596	13,930,727
Total liabilities	<u>21,369,488</u>	<u>16,811,416</u>
Commitments (Note 9)		
Net assets:		
Unrestricted	16,443,952	17,789,543
Temporarily restricted	3,269,046	4,343,757
	<u>19,712,998</u>	<u>22,133,300</u>
Permanently restricted:		
Museum endowments	4,804,250	4,790,150
Endowments held by others	1,715,004	1,715,004
	<u>6,519,254</u>	<u>6,505,154</u>
Total net assets	<u>26,232,252</u>	<u>28,638,454</u>
Total liabilities and net assets	<u>\$ 47,601,740</u>	<u>\$ 45,449,870</u>

See Notes to Financial Statements.

THE SAN DIEGO SOCIETY OF NATURAL HISTORY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

(With Summarized Financial Information for the Year Ended June 30, 2006)

	2007				2006
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Note 16)
SUPPORT AND REVENUE					
Contributions	\$ 252,805	\$ 4,359,860	\$ 14,100	\$ 4,626,765	\$ 4,632,499
Government appropriations	856,550	-	-	856,550	1,747,644
Grants and contracts	1,293,288	524,975	-	1,818,263	4,492,400
Store	657,566	-	-	657,566	566,089
Admissions	1,625,717	-	-	1,625,717	787,458
Investment income	1,335,952	9,736	-	1,345,688	855,533
Education	482,233	-	-	482,233	487,542
Memberships	352,724	-	-	352,724	205,183
Other	456,816	-	-	456,816	90,421
Net assets released from restrictions:					
Satisfaction of program restrictions	5,969,282	(5,969,282)	-	-	-
Total support and revenue	<u>13,282,933</u>	<u>(1,074,711)</u>	<u>14,100</u>	<u>12,222,322</u>	<u>13,864,769</u>
EXPENSES					
Program expenses					
Exhibits	5,227,835	-	-	5,227,835	7,202,001
Science	3,268,049	-	-	3,268,049	3,198,502
Education/public programs	2,370,462	-	-	2,370,462	2,081,869
Store cost of goods sold	394,122	-	-	394,122	262,216
Membership	305,892	-	-	305,892	271,114
Total program expenses	<u>11,566,360</u>	<u>-</u>	<u>-</u>	<u>11,566,360</u>	<u>13,015,702</u>
Supporting services					
Management and general	1,088,908	-	-	1,088,908	961,290
Fundraising	1,209,581	-	-	1,209,581	1,061,811
Marketing	763,675	-	-	763,675	536,224
Total supporting services	<u>3,062,164</u>	<u>-</u>	<u>-</u>	<u>3,062,164</u>	<u>2,559,325</u>
Total expenses	<u>14,628,524</u>	<u>-</u>	<u>-</u>	<u>14,628,524</u>	<u>15,575,027</u>
CHANGE IN NET ASSETS	(1,345,591)	(1,074,711)	14,100	(2,406,202)	(1,710,258)
NET ASSETS AT BEGINNING OF YEAR	<u>17,789,543</u>	<u>4,343,757</u>	<u>6,505,154</u>	<u>28,638,454</u>	<u>30,348,712</u>
NET ASSETS AT END OF YEAR	<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>

See Notes to Financial Statements.

THE SAN DIEGO SOCIETY OF NATURAL HISTORY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

(With Summarized Financial Information for the Year Ended June 30, 2006)

	2007	2006 (Note 16)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,406,202)	\$ (1,710,258)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,463,752	1,433,648
Allowance for doubtful accounts	72,541	(45,000)
Allowance for obsolete inventory	-	(7,000)
Temporarily restricted contributions	(4,359,860)	(3,958,262)
Contributions restricted for endowment	(14,100)	(1,000)
Net investment income	(1,335,952)	(865,439)
(Increase) decrease in operating assets:		
Receivables	140,042	331,337
Inventories	(167,886)	(5,783)
Prepaid expenses	(1,928,432)	(118,612)
Increase in operating liabilities:		
Deferred revenue	1,312,710	20,915
Accounts payable and accrued expenses	1,143,993	141,340
Net cash (used in) operating activities	<u>(6,079,394)</u>	<u>(4,784,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of investments	883,413	1,254,914
Purchase of property and equipment	<u>(1,677,489)</u>	<u>(594,590)</u>
Net cash (used in) provided by investing activities	<u>(794,076)</u>	<u>660,324</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from line of credit	1,121,500	826,960
Proceeds from new note payable	1,300,000	200,000
Temporarily restricted contributions	4,359,860	3,958,262
Contributions restricted for endowment	14,100	1,000
Payment of notes payable	<u>(320,131)</u>	<u>(315,839)</u>
Net cash provided by financing activities	<u>6,475,329</u>	<u>4,670,383</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(398,141)</u>	<u>546,593</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,040,231</u>	<u>493,638</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 642,090</u></u>	<u><u>\$ 1,040,231</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u><u>\$ 942,034</u></u>	<u><u>\$ 810,789</u></u>

See Notes to Financial Statements.

THE SAN DIEGO SOCIETY OF NATURAL HISTORY

NOTES TO FINANCIAL STATEMENTS

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

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. At June 30, 2007, management determined an allowance for uncollectible accounts of \$127,541.

Receivables also include amounts billed on grants and contracts for services provided through June 30, 2007. Management has determined that all other receivables are fully collectible; therefore, no other allowance for uncollectible accounts is considered necessary.

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 constructed the building it occupies. After the building was completed, the Museum transferred title to the City of San Diego (the City). The Museum expanded and renovated the building. 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

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 acquired, 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.

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.

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.

THE SAN DIEGO SOCIETY OF NATURAL HISTORY

NOTES TO FINANCIAL STATEMENTS

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.

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	\$ 2,049,195
Funds held in trust	6,240,964
Mutual funds	1,170,996
Other	13,000
Pooled income fund	<u>292,997</u>
	9,767,152
Less discount to present value on pooled income fund	<u>(84,328)</u>
Total	<u>\$ 9,682,824</u>

During the year ended June 30, 2007, the Board designated \$39,000 to be set aside as a Board designated endowment. The amount is shown as part of the mutual funds above.

THE SAN DIEGO SOCIETY OF NATURAL HISTORY

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Receivables consist of:

Due in less than one year	
Pledges	\$ 1,093,516
Group Sales	383,791
Grants	280,600
Contracts	844,522
City of San Diego	89,434
Other	4,239
Less allowance for doubtful accounts	<u>(127,541)</u>
	<u>2,568,561</u>
Due in more than five years	
Charitable remainder trusts	896,477
Pledges	35,000
Less discount to net present value at 6%	<u>(481,525)</u>
	<u>449,952</u>
Total receivables	<u>\$ 3,018,513</u>

NOTE 5. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of:

Bond issuance costs, net of accumulated amortization of \$115,193	\$ 207,865
Bond issuance costs, net of accumulated amortization of \$859	50,586
Non-qualified retirement plan funds held in trust	216,164
Prepaid expenses and deposits	<u>2,251,148</u>
	<u>\$ 2,725,763</u>

NOTE 6. PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Property, equipment, and leasehold improvements consist of:

Leasehold improvements	\$ 35,132,123
Furniture, fixtures, and equipment	6,194,888
Warehouse	<u>397,205</u>
	41,724,216
Less accumulated depreciation	<u>(10,575,372)</u>
	<u>\$ 31,148,844</u>

Depreciation expense was \$1,463,752 for the year ended June 30, 2007.

NOTE 7. LINE OF CREDIT

The Museum has an unsecured bank line of credit for \$3,000,000 which expires September 30, 2008. 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, 2007, \$1,948,460 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	\$ 13,200,000
Bonds payable, bank, secured by equipment, principal due on various dates through 2026, plus interest at 5.5 percent, payable in July	1,300,000
Note payable, Bank of America, secured by real property, monthly payment of \$2,656, including interest at 7.4 percent, due December 2016	215,932
Note payable, Landmark National Bank, secured by real property, monthly payment of \$1,637, including interest at 8.0 percent, due September 2012	194,664
	<u>\$ 14,910,596</u>

Maturities of notes payable debt are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2008	\$ 529,482
2009	531,090
2010	532,823
2011	534,691
2012	536,704
Thereafter	12,245,806
	<u>\$ 14,910,596</u>

At June 30, 2007, funds held in trust totaling \$1,170,996 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 bond indebtedness.

NOTE 9. COMMITMENTS

Contracts - The Museum has commitments with various companies that produce exhibits. At June 30, 2007, approximately \$1,700,000 is remaining to be paid on the contracts in the upcoming years. For the year ended June 30, 2007, exhibit rental expense totaled approximately \$329,000.

Leases - The Museum leases vehicles under three lease agreements expiring on or before April 4, 2009. For the year ended June 30, 2007, vehicle lease expense totaled approximately \$16,900.

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2008	\$ 17,244
2009	6,674
	<u>\$ 23,918</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 2007 Retirement Plan and Trust through July 31, 2013.

THE SAN DIEGO SOCIETY OF NATURAL HISTORY

NOTES TO FINANCIAL STATEMENTS

NOTE 10. UNRESTRICTED NET ASSETS

Unrestricted net assets consist of:

Designated for property, equipment, and leasehold improvements	\$ 16,238,248
Undesignated	205,704
	<u>\$ 16,443,952</u>

NOTE 11. RESTRICTED NET ASSETS

Temporarily restricted net assets consist of:

Future pledges	\$ 32,752
Charitable remainder trusts	417,200
Science	169,424
Pooled income funds*	208,698
Education	1,074,495
Dead Sea Scrolls exhibit	1,187,190
Other exhibits	179,287
	<u>\$ 3,269,046</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, 2007 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	378,002
Education	202,000
General operations	175,524
Maintenance and library research	145,849
Entomology	98,149
Library	67,200
Herpetology	12,615
Member science endowment	6,488
	<u>4,804,250</u>
Endowments held at San Diego Foundation	
Scientific	1,492,053
General operations	222,951
	<u>1,715,004</u>
Total	<u>\$ 6,519,254</u>

THE SAN DIEGO SOCIETY OF NATURAL HISTORY

NOTES TO FINANCIAL STATEMENTS

NOTE 12. NET ASSETS RELEASED FROM RESTRICTION

Temporarily restricted net assets were released for the following purposes:

Exhibits	\$ 2,112,412
Science	506,433
Education	439,630
Release from time restriction	1,059,803
Dead Sea Scroll exhibit	1,851,004
	<u>\$ 5,969,282</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, 2007 were approximately \$138,000.

Non-qualified Plan - The Museum has a non-qualified plan for the benefit of the Executive Director. During the year ended June 30, 2007, 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. FINANCIAL STRATEGY

The Museum incurred a deficit of \$2,406,202 in 2007 and \$1,710,258 in 2006. The deficits were primarily due to up front expenses incurred in the preparation of two major exhibits. In the year ended June 30, 2007, the Museum incurred approximately \$3.7 million of expenses in preparation for the Dead Sea Scrolls exhibit which opened on June 29, 2007. In the year ended June 30, 2006, the Museum incurred approximately \$4.0 million of expenses related to the construction of its major permanent exhibit, Fossil Mysteries. In addition, during the year ended 2006, the Museum incurred approximately \$500,000 of expenses related to Dead Sea Scrolls. The Fossil Mysteries exhibit opened on July 1, 2006. The 2006 Fossil Mysteries expenses were supported by grants and a major contribution received in 2004. The 2007 Dead Sea Scrolls expenses were supported with a bank line of credit. The Museum expects to earn a substantial surplus in the 2008 fiscal year from the Dead Sea Scrolls exhibit and to repay the bank line of credit.

NOTE 16. JUNE 30, 2006 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, 2006 from which the summarized information was derived.