



Financial Statements
June 30, 2012 and 2011



Museum of Science

Financial Statements — June 30, 2012 and 2011

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Independent Auditors' Report

Board of Trustees
Museum of Science
Boston, Massachusetts

We have audited the accompanying statements of financial position of the Museum of Science (the "Museum") as of June 30, 2012, 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 financial statements as of and for the year ended June 30, 2011 were audited by other auditors whose report dated October 26, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 of Science as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

October 4, 2012
Boston, Massachusetts

Museum of Science
Statements of Financial Position — June 30, 2012 and 2011

<i>(in thousands)</i>	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 21,277	\$ 11,867
Accounts receivable	1,454	854
Grants receivable	2,649	2,238
Pledges receivable, net (Note 3)	3,279	3,560
Prepaid expenses and other current assets	1,550	1,186
Total current assets	30,209	19,705
Noncurrent assets		
Pledges receivable, net (Note 3)	9,765	10,259
Investments (Notes 4 and 5)	91,132	96,924
Assets of split interest agreements (Note 4)	10,173	10,493
Other assets, net of amortization	660	923
Property, plant and equipment, net (Note 7)	58,151	61,791
Total assets	\$ 200,090	\$ 200,095
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,750	\$ 3,813
Deferred revenue	5,011	4,588
Current portion of liability under management agreement (Note 8)	205	205
Total current liabilities	9,966	8,606
Noncurrent liabilities		
Annuity payable and deferred compensation (Note 9)	440	448
Liability under split interest agreements	1,413	1,443
Liability under management agreement (Note 8)	2,410	2,616
Asset retirement obligation	1,116	1,050
Capital leases (Note 10)	2,909	3,160
Total liabilities	18,254	17,323
Net assets (Note 11)		
Unrestricted		
Unrestricted operating	231	219
Board designated operating reserves	8,079	1,821
Board designated quasi-endowment	7,997	8,507
Net investment in plant	51,443	54,462
Total unrestricted	67,750	65,009
Temporarily restricted		
Gifts, grants, and endowment income	26,078	24,427
Unappropriated endowment gains	49,655	55,255
Total temporarily restricted	75,733	79,682
Permanently restricted		
Endowment principal and other	38,353	38,081
Total permanently restricted	38,353	38,081
Total net assets	181,836	182,772
Total liabilities and net assets	\$ 200,090	\$ 200,095

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

Museum of Science

Statement of Activities for the Year Ended June 30, 2012

(in thousands)	Unrestricted		Total unrestricted	Temporarily restricted	Permanently restricted	2012 Total	2011 Total
	Operating / Designated	Quasi- Endowment / Plant					
Income							
Support							
Contributions, grants, and pledges (Note 3)	\$ 5,084		\$ 5,084	\$ 8,482	\$ 311	\$ 13,877	\$ 11,651
Contributed services and gifts in kind (Note 12)	2,499	\$ 353	2,852	-	-	2,852	6,743
Government grants (Note 13)	6,609	420	7,029	-	-	7,029	6,507
Total support	14,192	773	14,965	8,482	311	23,758	24,901
Revenue							
Admissions	13,286	-	13,286	-	-	13,286	10,242
Memberships	7,001	16	7,017	-	-	7,017	6,869
Program fees	6,252	-	6,252	-	-	6,252	4,719
Ancillary services	6,570	-	6,570	-	-	6,570	5,626
Endowment income per spending policy (Note 5)	1,711	-	1,711	2,638	-	4,349	4,384
Other income	1,548	455	2,003	96	-	2,099	2,589
Net assets released from restrictions (Note 11)	7,713	1,576	9,289	(9,296)	7	-	-
Total revenue	44,081	2,047	46,128	(6,562)	7	39,573	34,429
Total income	58,273	2,820	61,093	1,920	318	63,331	59,330
Expenses							
Program services							
Exhibits	8,023	-	8,023	-	-	8,023	6,956
Visitor and outreach programs	9,839	-	9,839	-	-	9,839	10,001
Formal education programs	5,037	-	5,037	-	-	5,037	4,012
Visitor and member services	4,241	-	4,241	-	-	4,241	3,939
Other program activities	8,996	-	8,996	-	-	8,996	8,237
Total program services	36,136	-	36,136	-	-	36,136	33,145
Supporting services							
Administration and general	5,387	-	5,387	-	-	5,387	5,185
Facility operations	4,917	-	4,917	-	-	4,917	5,152
Fundraising	4,270	-	4,270	-	-	4,270	4,155
Interest expense	153	-	153	-	-	153	178
Depreciation, amortization, and losses on disposal	91	6,780	6,871	-	-	6,871	4,729
Transfers from operating fund	268	(268)	-	-	-	-	-
Funding of underwater endowment funds (Note 5)	33	-	33	(33)	-	-	-
Other transfers	740	(731)	9	10	(19)	-	-
Total supporting services	15,859	5,781	21,640	(23)	(19)	21,598	19,399
Total expenses	51,995	5,781	57,776	(23)	(19)	57,734	52,544
Change in net assets before investment gains and change in value of split interest agreements	6,278	(2,961)	3,317	1,943	337	5,597	6,786
Investment earnings, net of endowment income per spending policy (Notes 4 and 5)	(8)	(568)	(576)	(5,633)	(5)	(6,214)	8,721
Change in value of split-interest agreements	-	-	-	(259)	(60)	(319)	772
Change in net assets	6,270	(3,529)	2,741	(3,949)	272	(936)	16,279
Net assets, beginning of year	2,040	62,969	65,009	79,682	38,081	182,772	166,493
Net assets, end of year	\$ 8,310	\$ 59,440	\$ 67,750	\$ 75,733	\$ 38,353	\$ 181,836	\$ 182,772

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

Museum of Science

Statement of Activities for the Year Ended June 30, 2011

(in thousands)	Unrestricted					Total
	Operating / Designated	Quasi- Endowment / Plant	Total unrestricted	Temporarily restricted	Permanently restricted	
Income						
Support						
Contributions, grants, and pledges (Note 3)	\$ 4,125	\$ -	\$ 4,125	\$ 6,388	\$ 1,138	\$ 11,651
Contributed services and gifts in kind (Note 12)	2,823	3,920	6,743	-	-	6,743
Government grants (Note 13)	5,700	807	6,507	-	-	6,507
Total support	12,648	4,727	17,375	6,388	1,138	24,901
Revenue						
Admissions	10,242	-	10,242	-	-	10,242
Memberships	6,842	27	6,869	-	-	6,869
Program fees	4,719	-	4,719	-	-	4,719
Ancillary services	5,622	-	5,622	4	-	5,626
Endowment income per spending policy (Note 5)	1,723	-	1,723	2,661	-	4,384
Other income	1,827	656	2,483	106	-	2,589
Net assets released from restrictions (Note 11)	7,076	4,274	11,350	(11,358)	8	-
Total revenue	38,051	4,957	43,008	(8,587)	8	34,429
Total income	50,699	9,684	60,383	(2,199)	1,146	59,330
Expenses						
Program services						
Exhibits	6,956	-	6,956	-	-	6,956
Visitor and outreach programs	10,001	-	10,001	-	-	10,001
Formal education programs	4,012	-	4,012	-	-	4,012
Visitor and member services	3,939	-	3,939	-	-	3,939
Other program activities	8,237	-	8,237	-	-	8,237
Total program services	33,145	-	33,145	-	-	33,145
Supporting services						
Administration and general	5,185	-	5,185	-	-	5,185
Facility operations	5,152	-	5,152	-	-	5,152
Fundraising	4,155	-	4,155	-	-	4,155
Interest expense	178	-	178	-	-	178
Depreciation, amortization, and losses on disposal	92	4,637	4,729	-	-	4,729
Transfers from operating fund	682	(681)	1	(1)	-	-
Recovery of underwater endowment funds (Note 5)	(306)	-	(306)	306	-	-
Other transfers	987	(987)	-	82	(82)	-
Total supporting services	16,125	2,969	19,094	387	(82)	19,399
Total expenses	49,270	2,969	52,239	387	(82)	52,544
Change in net assets before investment gains and change in value of split interest agreements	1,429	6,715	8,144	(2,586)	1,228	6,786
Investment earnings, net of endowment income per spending policy (Notes 4 and 5)	(15)	783	768	7,922	31	8,721
Change in value of split-interest agreements	-	-	-	571	201	772
Change in net assets	1,414	7,498	8,912	5,907	1,460	16,279
Net assets, beginning of year	626	55,471	56,097	73,775	36,621	166,493
Net assets, end of year	\$ 2,040	\$ 62,969	\$ 65,009	\$ 79,682	\$ 38,081	\$ 182,772

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

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Statement of Cash Flows for the Years Ended June 30, 2012 and 2011

<i>(in thousands)</i>	2012	2011
Cash flows from operating activities		
Change in net assets	\$ (936)	\$ 16,279
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation, capital amortization, and loss on disposal	6,780	4,637
Net realized and unrealized investment gains (losses) before appropriation for endowment spending policy	2,231	(12,701)
Dividends and interest retained for investing activities	(157)	(272)
Contributions of securities	(481)	(400)
Capital noncash contributions	(353)	(3,920)
Contributions and grants restricted for financing activities	(3,887)	(5,715)
Change in value of split interest agreements	319	(772)
Changes in assets and liabilities:		
Accounts receivable	(600)	(608)
Grants receivable	(411)	801
Pledges receivable	775	2,712
Prepaid expenses and other assets	(150)	245
Accounts payable, accrued liabilities, and other liabilities	733	(2,090)
Deferred revenue	423	(589)
Net cash provided by (used in) operating activities	<u>4,286</u>	<u>(2,393)</u>
Cash flows from investing activities		
Purchases of pooled investments	(34,970)	(45,418)
Sales of pooled investments	38,696	47,620
Purchases of other investment assets	(24)	(65)
Sales of other investment assets	533	352
Additions to property, plant, and equipment	(2,718)	(6,777)
Net cash provided by (used in) investing activities	<u>1,517</u>	<u>(4,288)</u>
Cash flows from financing activities		
Proceeds from contributions and grants restricted for:		
Investment in permanent endowment	1,003	1,934
Investment in exhibits and other	2,884	3,781
Net additions to (payments on) capital leases	(251)	320
Net increase (decrease) of split interest agreements	(29)	74
Net cash provided by financing activities	<u>3,607</u>	<u>6,109</u>
Net change in cash and cash equivalents	9,410	(572)
Cash and cash equivalents at beginning of year	11,867	12,439
Cash and cash equivalents at end of year	<u>\$ 21,277</u>	<u>\$ 11,867</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 153	\$ 178

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

Museum of Science

Notes to Financial Statements – June 30, 2012 and 2011

NOTE 1 – ORGANIZATION

The Museum of Science (the “Museum”) is a private, non-profit corporation chartered in 1831 as the Boston Society of Natural History by a special act of the Legislature of the Commonwealth of Massachusetts. In 1968, the legal name of the corporation was changed to Museum of Science by another special act of the Massachusetts Legislature. The Museum is accredited by the American Association of Museums, the Association of Science-Technology Centers, and the Association of Zoos and Aquariums.

The Museum serves approximately 1.5 million on-site visitors annually through informal science- and technology-related programs and exhibits, as well as large national and international audiences through curriculum programs and networks with other formal and informal educational institutions.

NOTE 2 – ACCOUNTING POLICIES

The Museum prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States (“US GAAP”). The significant accounting policies followed by the Museum are as follows:

Unrestricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations. Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions or law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose having been accomplished and/or the stipulated time period having elapsed, are reported as net assets released from restrictions between the applicable classes of net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts, unconditional promises to give (pledges), trusts and remainder interests, income, and gains which can be expended but for which restrictions have not yet been met. Such restrictions include restrictions where donors have specified the purpose for which the net assets are to be spent, or time limitations imposed by donors or implied by the nature of the gift (capital projects, unconditional promises to give to be paid in the future, life income funds) or by interpretations of law (gains available for appropriation but not appropriated in the current period).

Permanently Restricted Net Assets

Permanently restricted net assets include the historical dollar amount of gifts (including unconditional promises to give), trusts and remainder interests and investment earnings required by donors to be permanently retained.

Fair Value

The Museum reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy. Fair value is defined as the price that would be received or paid in the most advantageous market on the measurement date. Recurring fair value measures include the Museum’s investments and assets of split interest agreements. Non-recurring measures include pledges receivable and asset retirement obligations. Fair value standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the Museum reports certain investments using the net asset value per share as determined by its investment managers under

Museum of Science

Notes to Financial Statements – June 30, 2012 and 2011

the so-called “practical expedient”. The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the Museum to classify its assets and liabilities into a three-level hierarchy, based on the priority of inputs to the valuation technique, as discussed below, or in accordance with the net asset value practical expedient rules which allow for either Level 2 or Level 3 reporting, depending on lock-up and notice periods associated with redemption of the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include mutual funds and listed equity and debt securities traded on a stock exchange.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Also included are investments reported at net asset value per share, or its equivalent, with lock-up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Also included are investments reported at net asset value per share with lock-up periods in excess of 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds, and treasury bills with a maturity of ninety days or less when acquired.

Pledges Receivable and Contribution Revenue

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period committed. Conditional promises to give are not recognized until such time as the conditions on which they depend are substantially met. Intentions to give which are not legally enforceable are recorded when the gift is received.

Contributions of assets other than cash are recorded at their estimated fair value when originally pledged or donated. The initially recorded fair value is generally considered a Level 1 or Level 2 measurement depending on the nature of the donated asset. Contributions to be received after one year are discounted using risk-adjusted discount rates at the date of the pledge agreement. These discount rates range from approximately one to seven percent. This is considered a Level 2 fair value measurement. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based on management’s judgment of potential defaults based on the performance and circumstances associated with each pledge.

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Notes to Financial Statements – June 30, 2012 and 2011

Investments

Investments are carried at fair value. Investments associated with the Museum's endowment are pooled, with returns being allocated based on the source of the funds.

Interest, dividends, and net gains or losses on investments are reported as increases or decreases in permanently restricted net assets if the terms of the original gift require that they be applied to the principal of a permanent endowment fund; as increases or decreases in temporarily restricted net assets if the terms of the gift and/or relevant state law impose restrictions on the current use of income or net gains and losses; and as increases or decreases in unrestricted net assets in all other cases.

Assets and Liabilities under Split Interest Agreements

Assets recorded under split-interest agreements are recorded at fair value and in the appropriate net asset category based on donor stipulation. Contributions related to the agreement are recognized as contribution revenue equal to the present value of future benefits less the liability for income payable to the donor or the donor's designee. Liabilities have been established for those split interest agreements for which the Museum is a trustee. During the term of these agreements, changes in the value of split interest agreements are recognized in the Statement of Activities based on accretion of the discounted amount of the contribution, reevaluations of the expected future benefits to be received by the Museum and reevaluations of the expected future payment to other beneficiaries, based on changes in life expectancy and other actuarial assumptions. The initially recorded fair value of the donated investments are determined based on the nature of the investment received, and have generally represented Level 1 measurements. The initial measurement of the related obligations are Level 3, due to unobservable inputs relating to actuarial assumptions made with respect to the income beneficiaries.

Museum Collections

The Museum's collections consist of approximately 30,000 artifacts used primarily for educational activities, encompassing interpretations, discovery spaces, exhibits, lectures, classes, demonstrations, reference services, or other programs. The Museum also has a historical and archival collection that documents the history of the institution. The composition of the Museum's collections by artifact type is as follows:

Natural Sciences	20,000 items
Cultural/Physical Science	5,000 items
Artwork	2,000 items
Institutional History	3,000 items
Archives	300 linear feet

The Museum's Collections Management Policy stipulates that the Museum will only acquire objects useful in fulfilling the educational purpose stated in its mission. The Museum accepts only those objects that can be immediately put on display in an exhibit, used in educational programs, or in future programming.

Items may be de-accessioned from the collections if they are determined to be no longer useful or relevant in assisting the Museum in fulfilling its mission. Consistent with the American Association of Museums' Code of Ethics, Museum policy specifies that proceeds from the de-accessioning of an item may only be used for the conservation or acquisition of other collections items.

In accordance with current practice generally followed by museums, collections are not recorded as assets in the accompanying financial statements. Purchased additions to the collections are recorded as expenses at the time acquired. Although artifacts from the collections may from time to time be incorporated into exhibits, the Museum's exhibits themselves are not considered part of its collections and may be capitalized under the Museum's property, plant, and equipment policies.

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Notes to Financial Statements – June 30, 2012 and 2011

Property, Plant, and Equipment

Property, plant and equipment are stated at cost, or fair value at the date of donation in the case of gifts. The level of the fair value measurement depends on the nature of the donated asset. Betterments which materially add to the value of the related assets or materially extend the useful life of the assets are capitalized. Normal replacements and minor equipment purchases are included as operating expenses. The Museum capitalizes the cost of standing exhibits, while traveling exhibitions and other exhibits of a short-term duration are expensed as incurred.

Depreciation is recorded on a straight-line basis over the following estimated useful lives:

Building and improvements	10 – 40 years
Equipment	3 – 20 years
Exhibits	5 – 40 years

Recognition of Earned Revenue and Deferred Revenue

Government grant revenue consists of federal, state, and international government funds awarded in support of the Museum's exhibits and programs, and is recorded as revenue as expenditures are made for the supported activities.

Admissions revenue consists of fees paid for entrance to the Museum's exhibit halls, theaters, and special attractions, and is recorded as revenue on the date of visit.

Membership revenue consists of fees paid for household, library, and corporate memberships, and is recorded proportionally over the period of the membership.

Program fees include revenue received for the Museum's overnights program, courses, traveling and outreach programs, professional development, rental of traveling exhibits, and sale of curriculum materials. These fees are recorded at the time the related service is provided.

Ancillary services revenue includes income derived from the Museum's events and conference services, garage, food services, and store, and is recorded on the date the related service is provided.

Other income includes facility rental income, fund-raising and other event ticket sales, and corporate sponsorships. Sponsorship agreements provide for the sponsors' name and/or logo to be displayed on Museum signage, exhibits, advertising, and website, and also provide certain admission and event privileges. Sponsorship revenue is recognized proportionally over the term of the sponsorship agreement. The remaining components of other income are recognized as the related services are provided.

In accordance with these revenue recognition policies, prepayments and deposits are recorded as deferred revenue until the corresponding revenue recognition processes are complete.

Asset Retirement Obligation

The Museum recognizes the initial fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. This is considered a Level 2 fair value measurement. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. The asset retirement obligations will be adjusted on an ongoing basis due to the passage of time, new laws and regulations and revisions to either the timing or amounts of original estimates. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

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Contributed Services and Gifts in Kind

Donated materials are reported as contributions in the accompanying financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Museum personnel. Fair value determination of these contributions is generally a Level 1 or Level 2 measurement depending on the nature of the donated goods or services.

Transfers

Transfers from the operating fund include the use of operating funds to fund capital projects and other discretionary transfers. Other transfers include allocations from board designated funds to fund capital projects, redesignation of reserves to quasi-endowment, and other redesignations.

Income Taxes

The Museum is exempt from income taxation on activities related to its charitable purposes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is qualified to receive tax-deductible gifts and bequests under the U.S. tax code. The Museum is subject to tax on income from any business it conducts which is unrelated to its charitable purposes. The Museum's unrelated business income tax is limited and no tax provision has been made in the accompanying financial statements.

The Museum accounts for the effect of any uncertain tax positions based on a "more-likely-than-not" threshold applied to the likelihood of positions taken or expected to be taken in a tax return being sustained upon examination by the relevant taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Museum has identified its status as a tax-exempt entity and the determination of income as related or unrelated to its exempt purpose to be its only significant tax positions and has determined that such tax positions do not result in an uncertainty requiring recognition. The Museum is not currently under examination by any taxing jurisdiction. The Museum's Federal and state tax returns are generally open for examination for three years following the date filed.

Use of Accounting Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include allowances for doubtful accounts and pledges receivable, present value factors used for pledges, fair values of certain investments, useful lives assigned to depreciable assets, obligations under annuity and split-interest arrangements, and obligations associated with asset retirement obligations.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform with the current year presentation.

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Notes to Financial Statements – June 30, 2012 and 2011

NOTE 3 – PLEDGES RECEIVABLE

Pledges are expected to be realized in the following time frame:

<i>(in thousands)</i>	2012	2011
In one year or less	\$ 3,367	\$ 3,671
Between one and five years	9,352	8,688
Greater than five years	1,500	3,000
Less allowance for unfulfilled pledges	(303)	(359)
Less discount to present value	(872)	(1,181)
Net present value of pledges receivable, net of allowances	<u>\$ 13,044</u>	<u>\$ 13,819</u>

Net present value of pledges by purpose as of June 30, 2012 and 2011 are as follows:

<i>(in thousands)</i>	2012	2011
Purpose Restrictions		
Operating and similar funds		
Exhibits	\$ 55	
Visitor and outreach programs	811	\$ 822
Formal education programs	482	673
Other program activities	145	44
General and other	1,846	2,120
Capital exhibits, property, plant, and equipment	2,835	3,851
Total operating and similar funds	<u>6,174</u>	<u>7,510</u>
Endowment and quasi-endowment		
Visitor and outreach programs	5,639	6,337
Total endowment and quasi-endowment	<u>5,639</u>	<u>6,337</u>
Unrestricted pledges with effective time restrictions	1,534	331
Less allowance for unfulfilled pledges	(303)	(359)
Net present value of pledges receivable, net of allowances	<u>\$ 13,044</u>	<u>\$ 13,819</u>

Concentration of Risk

As of June 30, 2012 and 2011, 63% and 68%, respectively, of gross pledges consisted of pledges from a single donor.

Conditional Promises to Give

As of June 30, 2012, the Museum had \$180,000 in conditional pledges.

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NOTE 4 – INVESTMENTS AND ASSETS OF SPLIT INTEREST AGREEMENTS

Investments and assets of split interest agreements at June 30 were as follows:

(in thousands)

	2012			Total fair value
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments				
Cash and cash equivalents	\$ (14)			\$ (14)
Domestic equities	4,060			4,060
Fixed income	108			108
Mutual funds				
Domestic equity (growth)	3,663			3,663
International equity	3,501			3,501
US government debt	4,207			4,207
Commingled trust funds				
Global fixed income	-	\$ 3,398		3,398
Large cap international equity	-	2,945		2,945
Natural resources	-	5,902		5,902
Equity hedge funds				
Domestic equity	-	8,752		8,752
Emerging market equity	-	3,280		3,280
Hedge fund of funds				
Equity long/short	-	-	\$ 10,891	10,891
Multi-strategy	-	4,530	7,141	11,671
Private investments	-	-	3,294	3,294
Other alternative investments				
Distressed / undervalued assets	-	-	5	5
Emerging market debt	-	5,234	-	5,234
Other debt	-	3,027	3,414	6,441
Emerging market equity	-	6,471	-	6,471
Natural resources	-	2,193	-	2,193
Real estate	-	-	5,130	5,130
Total investments	15,525	45,732	29,875	91,132
Assets of split interest agreements				
Internally managed	2,508	-	-	2,508
Administered by external trustees	-	-	7,665	7,665
Total assets of split interest agreements	2,508	-	7,665	10,173
Total investments and assets of split interest agreements	\$ 18,033	\$ 45,732	\$ 37,540	\$ 101,305

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Notes to Financial Statements – June 30, 2012 and 2011

<i>(in thousands)</i>	2011			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Investments				
Cash and cash equivalents	\$ 4,622			\$ 4,622
Domestic equities	5,063			5,063
Fixed income	353			353
Mutual funds				
Domestic equity (growth)	2,241			2,241
International equity	3,117			3,117
US government debt	4,147			4,147
Commingled trust funds				
Global fixed income	-	\$ 6,003		6,003
Large cap international equity	-	3,527		3,527
Natural resources	-	6,851		6,851
Equity hedge funds				
Domestic equity	-	7,935		7,935
Emerging market equity	-	2,833		2,833
Hedge fund of funds				
Equity long/short	-	-	\$ 16,384	16,384
Multi-strategy	-	4,631	7,167	11,798
Private equities	-	-	3,242	3,242
Other alternative investments				
Distressed / undervalued assets	-	-	-	-
Emerging market debt	-	5,462	-	5,462
Other debt	-	-	2,769	2,769
Emerging market equity	-	3,178	-	3,178
Natural resources	-	3,007	-	3,007
Real estate	-	-	4,392	4,392
Total investments	19,543	43,427	33,954	96,924
Assets of split interest agreements				
Internally managed	2,563	-	-	2,563
Administered by external trustees	-	-	7,930	7,930
Total assets of split interest agreements	2,563	-	7,930	10,493
Total investments and assets of split interest agreements	\$ 22,106	\$ 43,427	\$ 41,884	\$ 107,417

Included in Level 3 are interests in certain split-interest agreements of which the Museum is not the trustee. The fair value consists of market values of assets held as reported by the trustees, net of the present value of the distributions expected to be paid to the income beneficiaries during their lives. Market price data is generally available for the assets held by these trusts, however the actuarial assumptions relating to the income beneficiaries render these trusts other than Level 1.

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Notes to Financial Statements – June 30, 2012 and 2011

The composition and investment strategies of the Museum's alternative investments are as follows:

Commingled Trust Funds

Global fixed income consists of a globally diversified portfolio of primarily debt or debt-like securities.

Large cap international equity seeks to achieve long-term capital appreciation by investing primarily in the equity of non-U.S. issuers whose equity market capitalizations exceed \$1 billion at the time of purchase.

Natural resources seeks a long term total return in excess of a customized blended benchmark by investing in real asset funds.

Equity Hedge Funds

Domestic equity holdings include long and short positions primarily in equity securities of companies within and outside of the S&P 500 index. Derivative instruments, such as forward contracts, options and swaps may be used to attempt to hedge existing long and short positions in order to maximize returns and reduce risk.

Emerging market equity funds seek long-term capital growth by investing in emerging markets.

Hedge Fund of Funds

Equity long/short funds seek to achieve long-term equity-like returns with minimal correlation to the major market averages by investing in a diversified group of long/short equity and absolute return investment funds.

Multi-strategy funds seek capital appreciation through investing in a number of private investment funds.

Private Equities

Private equities consists of directly-held shares in a non-public financial services corporation.

Other Alternative Investments

Distressed / undervalued assets funds seek to generate capital appreciation by investing in property, property related companies or companies in which underlying investment value is linked to property assets, primarily in Europe.

Emerging market debt funds invest in emerging market currencies or instruments whose value is derived from the performance of an underlying emerging market currency.

Other debt funds include positions in several funds which seek to provide current income while generating long-term capital appreciation. The underlying investments are in global credit markets and include: stressed/distressed debt, bank loans and securities, undervalued credit investments, mezzanine and private placement investments, structured products and special situation investments.

Emerging market equity funds seek to provide long-term returns by investing in equity securities of companies operating within one or more global developing markets.

Natural resources funds represent a diversified portfolio of publicly traded equity securities of global natural resources companies, commodities, and financial instruments.

Real estate funds seek to achieve attractive risk-adjusted rates of return by investing in U.S. publicly traded real estate companies, including REITs, real estate operating companies, homebuilders, and companies that have a significant component that is real-estate-related. Other funds in this class purchase, hold for investment, and oversee the liquidation or disposition of a portfolio of primarily indirect real estate investments acquired in secondary market transactions.

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Notes to Financial Statements – June 30, 2012 and 2011

As of June 30, 2012, investments utilizing net asset value as a practical expedient to fair value are as follows:

	Fair value (in thousands)	Unfunded commitments	Redemption frequency	Redemption notice period
Commingled trust funds				
Global fixed income	\$ 3,398	-	Monthly	10 days
Large cap international equity	2,945	-	Monthly	10 days
Natural resources	5,902	-	Monthly	10 days
Equity hedge funds				
Domestic equity	8,752	-	Quarterly	60 days
Emerging market equity	3,280	-	Monthly	30 days
Hedge fund of funds				
Equity long/short	10,891	-	Annually	95 days
Multi-strategy	11,671	-	Quarterly	45-95 days
Private investments	3,294	-	None	
Other alternative investments				
Emerging market debt	5,234	-	Monthly	60 days
Other debt	3,027	-	Monthly	none
Other debt - illiquid	3,414	4,384	None	
Emerging market equity	6,471	-	Monthly	30 days
Natural resources	2,193	-	Quarterly	60 days
Real estate	3,264	-	Annually	60 days
Real estate - illiquid	1,866	325	None	
	<u>\$ 75,602</u>	<u>\$ 4,709</u>		

Investments utilizing net asset value at June 30, 2011, were composed of substantially similar instruments as in the current year.

Certain of the funds above are also subject to further lock-up periods. Some investment managers reserve the right under unusual circumstances to suspend withdrawals notwithstanding the redemption and notice periods noted above; however, none of the Museum's managers has exercised those rights for the two years ended June 30, 2012 and 2011.

As of June 30, 2012, the Museum had outstanding purchase commitments of \$3,259,000 with two investment managers other than those utilizing net asset value as a practical expedient.

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Notes to Financial Statements – June 30, 2012 and 2011

The following table shows the changes in instruments for which Level 3 inputs were used to determine fair value:

<i>(in thousands)</i>	Hedge fund of funds	Private investments	Other alternative	Split interest agreements	Total Level 3 investments
Fair Value, June 30, 2010	\$ 21,951	\$ 2,673	\$ 5,546	\$ 7,294	\$ 37,464
Realized gains/(losses)	633	-	63	-	696
Unrealized gains	1,057	569	813	-	2,439
Purchases	-	-	1,742	-	1,742
Sales	(59)	-	(989)	-	(1,048)
Income net of expenses and fees	(31)	-	(14)	-	(45)
Change in value of split interests	-	-	-	636	636
Fair Value, June 30, 2011	23,551	3,242	7,161	7,930	41,884
Realized gains/(losses)	(327)	-	148	-	(179)
Unrealized gains/(losses)	519	52	14	-	585
Purchases	-	-	2,160	-	2,160
Sales	(5,679)	-	(846)	-	(6,525)
Income net of expenses and fees	(32)	-	(88)	-	(120)
Change in value of split interests	-	-	-	(265)	(265)
Fair Value, June 30, 2012	\$ 18,032	\$ 3,294	\$ 8,549	\$ 7,665	\$ 37,540

NOTE 5 – ENDOWMENT

The Museum's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments ("quasi-endowments"). The endowment consists of 104 individual donor-restricted endowment funds and 26 quasi-endowment funds established for a variety of purposes. The net assets associated with endowment funds including quasi-endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

In July 2009, the Commonwealth of Massachusetts passed the "Uniform Prudent Management of Institutional Funds Act" ("UPMIFA") with an effective date of June 30, 2009. The Board of Trustees of the Museum has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Museum and the donor-restricted endowment fund
- 3) General economic conditions

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Notes to Financial Statements – June 30, 2012 and 2011

- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Museum
- 7) The investment policies of the Museum.

Endowment funds segregated by net asset class at June 30, 2012 and 2011 are as follows:

<i>(in thousands)</i>	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	\$ (38)	\$ 51,619	\$ 30,982	\$ 82,563
Board-designated funds	7,997	-	-	7,997
Total endowment net assets	<u>\$ 7,959</u>	<u>\$ 51,619</u>	<u>\$ 30,982</u>	<u>\$ 90,560</u>
	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	\$ (5)	\$ 57,219	\$ 29,959	\$ 87,173
Board-designated funds	8,507	-	-	8,507
Total endowment net assets	<u>\$ 8,502</u>	<u>\$ 57,219</u>	<u>\$ 29,959</u>	<u>\$ 95,680</u>

The following schedules summarize the change in endowment net assets for the years ended June 30, 2012 and 2011:

<i>(in thousands)</i>	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 8,502	\$ 57,219	\$ 29,959	\$ 95,680
Investment return:				
Investment income, net of fees	138	227	-	365
Net appreciation (realized and unrealized)	(199)	(2,018)	(5)	(2,222)
Total investment return	(61)	(1,791)	(5)	(1,857)
Contributions and other additions to corpus	58	-	1,028	1,086
Endowment income per spending policy	(507)	(3,842)	-	(4,349)
Other changes:				
Funding of underwater funds	(33)	33	-	-
Endowment net assets, end of year	<u>\$ 7,959</u>	<u>\$ 51,619</u>	<u>\$ 30,982</u>	<u>\$ 90,560</u>

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	2011			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$ 7,377	\$ 49,603	\$ 27,904	\$ 84,884
Investment return:				
Investment income, net of fees	156	247	-	403
Net appreciation (realized and unrealized)	1,149	11,537	31	12,717
Total investment return	1,305	11,784	31	13,120
Contributions and other additions to corpus	36	-	2,024	2,060
Endowment income per spending policy	(522)	(3,862)	-	(4,384)
Other changes:				
Recovery of underwater funds	306	(306)	-	-
Endowment net assets, end of year	\$ 8,502	\$ 57,219	\$ 29,959	\$ 95,680

Endowment Funds with Deficits (i.e. Underwater funds)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. When such endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$38,000 and \$5,000 as of June 30, 2012 and 2011, respectively. These deficits resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions or other endowment additions.

In order to preserve the original gift in accordance with the Board's interpretation of UPMIFA, the Museum does not appropriate for expenditure that portion of a fund which represents the value of the initial and subsequent gift amounts. For donor-restricted endowment funds, the Museum's 5% Spending Allocation Policy (see below) is suspended during any month when such appropriation would leave the fund in deficit, and only current period interest and dividend income is allocated for spending.

Return Objectives and Risk Parameters

The Museum has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places greater emphasis on investments whose underlying holdings are equity-based to achieve its long-term objectives within prudent risk constraints.

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Notes to Financial Statements – June 30, 2012 and 2011

Endowment Spending Allocation Policy and Relationship to Investment Objectives

The Museum has a policy of appropriating for expenditure an amount of up to 5 percent of the 20-quarter moving average of the fair value of the endowment as measured at the December 31 preceding the fiscal year in which the distribution is planned. On a monthly basis, one twelfth of this amount is allocated among the individual endowment funds on the basis of each fund's fair value as compared to the pool as a whole. Donor-restricted funds with deficits in any month are excepted from this policy during that month and allocated only their share of interest and dividend income received. In establishing this policy, the Board considered the expected long term rate of return on its endowment. Accordingly, over the long term, the Museum expects its current asset allocation policy to provide sufficient endowment growth to fund its spending policy and also maintain the purchasing power of the endowment assets. The asset allocation and spending policies are reviewed periodically and may be adjusted as necessary to meet these objectives.

NOTE 6 – BENEFICIAL INTEREST IN PERPETUAL TRUST

The Museum receives distributions from certain funds held by a community foundation. The underlying fair value of the funds was \$1,444,000 and \$1,538,000 at June 30, 2012 and 2011, respectively. The endowment is not recorded by the Museum given the variance power the community foundation holds over the funds. Distributions were approximately \$74,000 and \$77,000 during the years ended June 30, 2012 and 2011, respectively, and have been included in other income.

NOTE 7 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at June 30, 2012 and 2011 consist of the following:

<i>(in thousands)</i>	2012				
	In service	Construction in progress	Total before depreciation	Accumulated depreciation	Net
Building and improvements	\$ 69,105	\$ 3,256	\$ 72,361	\$ (43,092)	\$ 29,269
Equipment	26,538	333	26,871	(11,548)	15,323
Exhibits	26,307	3,281	29,588	(16,029)	13,559
	<u>\$ 121,950</u>	<u>\$ 6,870</u>	<u>\$ 128,820</u>	<u>\$ (70,669)</u>	<u>\$ 58,151</u>
	2011				
	In service	Construction in progress	Total before depreciation	Accumulated depreciation	Net
Building and improvements	\$ 70,832	\$ 2,993	\$ 73,825	\$ (43,696)	\$ 30,129
Equipment	18,242	5,804	24,046	(6,430)	17,616
Exhibits	25,953	3,146	29,099	(15,053)	14,046
	<u>\$ 115,027</u>	<u>\$ 11,943</u>	<u>\$ 126,970</u>	<u>\$ (65,179)</u>	<u>\$ 61,791</u>

Depreciation expense amounted to \$5,829,000 and \$4,510,000 for the years ended June 30, 2012 and 2011, respectively.

Net losses on disposal of property, plant, and equipment were \$871,000 and \$59,000 for the years ended June 30, 2012 and 2011, respectively.

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The Museum's total expenditures for constructing, hosting, and refurbishing exhibits for the years ended June 30, 2012 and 2011 were as follows:

<i>(in thousands)</i>	2012	2011
Traveling exhibitions, shorter duration exhibits, and refurbishment costs charged to operations	\$ 2,369	\$ 2,301
Standing exhibits added to property, plant, and equipment	1,649	1,832
	<u>\$ 4,018</u>	<u>\$ 4,133</u>

The Museum has a 99-year lease with the Massachusetts Department of Conservation and Recreation (formerly the Metropolitan District Commission) for the land occupied by the Museum's buildings. The lease calls for payment of \$1 per year over the term of the lease and expires on December 1, 2047, with an option to renew for another 99 years under the same terms and conditions as the original lease.

All capitalized assets associated with asset retirement obligations have been fully depreciated in prior years.

NOTE 8 – MANAGEMENT AGREEMENTS AND OTHER VENDOR CONTRACTS

In March 2005 the Museum entered into a 10-year food services agreement with an outside vendor. The agreement includes a provision for two additional 5 year terms by mutual consent between the Museum and the vendor. In connection with this agreement, the vendor has made capital investments totaling \$4,056,000. The Museum is permitted to terminate the agreement with notice by paying the vendor the outstanding balance of their capital investment which is being amortized on a straight line basis over the 20-year term of the agreement and renewal terms. At June 30, 2012 and 2011, the unamortized balance under this agreement was \$2,615,000 and \$2,821,000, respectively.

In addition to the food services agreement, the Museum has contracted with an outside vendor to operate its gift shop. This contract expires in 2017. Both agreements provide for minimum annual rental payments to the Museum, with additional amounts due based on each vendor's revenue. The total minimum rent due each year under these contracts is \$1,825,000.

NOTE 9 – ANNUITY PAYABLE AND DEFERRED COMPENSATION

The Museum has entered into an annuity agreement with a related party individual which provides for fixed annual payments for life. Using standard actuarial methods and life tables, management has estimated the net present value of this obligation as \$258,000 and \$291,000 at June 30, 2012 and 2011, respectively. Of these amounts, the current portion of \$45,000 is included in accounts payable and accrued expenses each year.

In addition, the Museum has a non-qualified deferred compensation plan under section 457 of the Internal Revenue Code covering three employees. Assets associated with these agreements are included in other assets, with the corresponding obligation to the employee included in deferred compensation. For the years ended June 30, 2012 and 2011, the Museum contributed \$33,000 and \$28,000, respectively to the 457 plan.

The Museum has offered certain employees retention compensation conditional on the employees' satisfactory performance and continued service through a specified future date. Due to their conditional nature, no amount is recorded for these incentives on the financial statements.

The Museum has a long-term employment agreement with its President and Director that provides a variety of benefits typical in the education sector. As these provisions are conditional

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Notes to Financial Statements – June 30, 2012 and 2011

on the President and Director's continued employment and/or termination in good standing, no amounts are recorded for the future portion of this contract on the financial statements.

NOTE 10 – LEASES

The Museum leases certain energy conservation and other facility equipment under a capital lease which expires in July, 2024. The lease allows for an annual prepayment at the election of the Museum with a modest prepayment penalty.

The Museum also leases certain pieces of office equipment under capital leases which expire at various dates through March, 2016.

Future minimum lease payments under capital leases with terms of more than one year at June 30, 2012 are as follows:

(in thousands)

2013	\$	393
2014		393
2015		377
2016		338
2017		323
After 2017		2,291
Total minimum lease payments		<u>4,115</u>
Interest		<u>(955)</u>
Present value of net minimum lease payments		3,160
Current portion of capital lease obligations included in accounts payable and accrued liabilities		<u>(251)</u>
Long term obligations under capital leases	\$	<u>2,909</u>

The net book value of assets acquired under capital leases was \$3,741,000 and \$4,203,000 as of June 30, 2012 and 2011, respectively.

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Notes to Financial Statements – June 30, 2012 and 2011

NOTE 11 – NET ASSETS

The following tables present the three categories of net assets by purpose as of June 30:

<i>(in thousands)</i>	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating funds, gifts and grants, and endowment income available for spending				
Exhibits	\$ 869	\$ 2,401		\$ 3,270
Visitor and outreach programs	1,102	3,906		5,008
Formal education programs	1,085	969		2,054
Visitor and member services	-	111		111
Other program activities	-	208		208
General and other	6,240	100		6,340
Capital exhibits, property, plant, and equipment	50,495	1,986		52,481
Split interest agreements	-	6,972	\$ 1,788	8,760
Total operating and similar funds	59,791	16,653	1,788	78,232
Endowment and quasi-endowment corpus and accumulated gains not allocated for spending				
Exhibits	1,997	26,007	11,465	39,469
Visitor and outreach programs	4,868	10,088	12,246	27,202
Formal education programs	402	705	284	1,391
Visitor and member services	-	39	8	47
Other program activities	495	740	1,787	3,022
General and other	197	14,040	5,192	19,429
Total endowment and quasi-endowment	7,959	51,619	30,982	90,560
Pledges receivable	-	7,461	5,583	13,044
Total net assets	\$ 67,750	\$ 75,733	\$ 38,353	\$ 181,836

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating funds, gifts and grants, and endowment fund income available for spending				
Exhibits	\$ (17)	\$ 2,252		\$ 2,235
Visitor and outreach programs	842	2,872		3,714
Formal education programs	630	1,452		2,082
Visitor and member services	-	30		30
Other program activities	(19)	263		244
General and other	2,575	74		2,649
Capital exhibits, property, plant, and equipment	52,496	773		53,269
Split interest agreements	-	7,202	\$ 1,848	9,050
Total operating and similar funds	56,507	14,918	1,848	73,273
Endowment and quasi-endowment corpus and accumulated gains not allocated for spending				
Exhibits	2,140	28,667	11,471	42,278
Visitor and outreach programs	5,205	11,450	11,255	27,910
Formal education programs	430	774	589	1,793
Visitor and member services	-	42	8	50
Other program activities	479	885	1,787	3,151
General and other	248	15,401	4,849	20,498
Total endowment and quasi-endowment	8,502	57,219	29,959	95,680
Pledges receivable	-	7,545	6,274	13,819
Total net assets	\$ 65,009	\$ 79,682	\$ 38,081	\$ 182,772

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Notes to Financial Statements – June 30, 2012 and 2011

Temporarily restricted net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by the occurrence of other events specified by the donors or implied by the nature of the gift. For the years ended June 30, 2012 and 2011 restricted net assets were released for the following uses:

<i>(in thousands)</i>	2012	2011
Operating funds		
Exhibits	\$ 1,343	\$ 1,607
Visitor and outreach programs	2,766	2,889
Formal education programs	1,598	984
Visitor and member services	115	96
Other program activities	435	318
Administration and general	(40)	(115)
Facility operations	19	18
Fundraising	275	348
Total operating funds	<u>6,511</u>	<u>6,145</u>
Board designated funds and quasi-endowment		
Designated funds and reserves	1,202	931
Total board designated funds and quasi-endowment	<u>1,202</u>	<u>931</u>
Plant fund		
Capital exhibits	1,403	1,076
Other property, plant, and equipment	173	3,198
Total plant fund	<u>1,576</u>	<u>4,274</u>
Total net assets released from restrictions	<u>\$ 9,289</u>	<u>\$ 11,350</u>

NOTE 12 – CONTRIBUTED SERVICES AND GIFTS IN KIND

Contributed services and gifts in kind for the years ended June 30, 2012 and 2011 were as follows:

<i>(in thousands)</i>	2012	2011
Pro bono outside services:		
Legal	\$ 267	\$ 228
Marketing	1,358	1,603
Miscellaneous	49	146
In-house volunteers	817	802
Gifts in kind:		
Capital software	-	3,799
Miscellaneous	361	165
Total	<u>\$ 2,852</u>	<u>\$ 6,743</u>

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Notes to Financial Statements – June 30, 2012 and 2011

NOTE 13 – GOVERNMENT AWARDS

The Museum received federal, state, and non-U.S. government awards to support both its general operations and specific projects and programs. Funds expended in connection with these grants are subject to review or audit by the granting agencies. Government support for the years ended June 30, 2012 and 2011 was as follows:

<i>(in thousands)</i>	2012	2011
Direct cost support		
General operating support	\$ 58	\$ 39
Exhibits	4,524	2,869
Programs	1,523	1,557
Capital projects	391	706
	<u>6,496</u>	<u>5,171</u>
Indirect cost recovery	672	923
Net change in estimate for unbilled subawards	(139)	413
Total	<u>\$ 7,029</u>	<u>\$ 6,507</u>

The Museum's federal awards include substantial subawards. At the end of each fiscal year, the Museum estimates and accrues for charges incurred, but not yet billed, by its subawardees in order to more accurately reflect total program costs. The accrual is reversed in the subsequent fiscal year as actual subaward billings are received.

NOTE 14 – DEFINED CONTRIBUTION PLANS

The Museum has two defined contribution plans for the benefit of its employees: a 403(b) savings plan ("the Savings Plan") and a 401(a) retirement plan ("the Retirement Plan").

The Museum contributes a percentage of eligible employees' annual compensation to the Retirement Plan. The Retirement Plan also provides for a match of up to 50% of the first 6% of an eligible employee's contributions to the Savings Plan, with a maximum match of 3% of the employee's compensation. Full-time employees and those who are scheduled to work at least 17.5 hours per week who have completed one year of service are automatically enrolled in the Retirement Plan, while all employees are eligible to participate in the Savings Plan. Vesting provisions for both plans vary according to length of service.

For the years ended June 30, 2012 and 2011, the Museum incurred \$1,118,000 and \$863,000, respectively, in contribution costs to the Retirement Plan. The Museum does not make contributions to the Savings Plan.

Museum of Science

Notes to Financial Statements – June 30, 2012 and 2011

NOTE 15 – RELATED PARTIES

The Museum maintains vendor relationships with several companies, the principals of which are members of the Museum's Board of Trustees. All such relationships are subject to the same procurement requirements, policies, and controls as the Museum applies to its other vendors. For the years ended June 30, 2012 and 2011 the Museum expended funds totaling \$225,000 and \$185,000, respectively, under these relationships.

Certain companies whose principals are members of the Museum's Board may also from time to time procure the services of the Museum's Event and Conference Services department. Trustees receive a 15% discount on pricing for such events; otherwise these companies are subject to the same policies and controls as the Museum applies to its other customers. For the years ended June 30, 2012 and 2011 the Museum earned \$65,000 and \$15,000, respectively, from these transactions.

NOTE 16 – SUBSEQUENT EVENTS

The Museum has performed an evaluation of subsequent events through October 4, 2012, which is the date the financial statements were issued. No material subsequent events were noted.