

LOS ANGELES COUNTY
MUSEUM OF NATURAL HISTORY
FOUNDATION



Financial Statements &
Supplemental Information
June 30, 2006 and 2005

**Los Angeles County
Museum of Natural History Foundation
Financial Statements
and Supplementary Information
June 30, 2006 and 2005**

Los Angeles County Museum of Natural History Foundation
Index to Financial Statements and Supplementary Information
June 30, 2006 and 2005

	Page
Report of Independent Auditors	1
Statements of Financial Position.....	2
Statement of Activities and Changes in Net Assets – 2006.....	3
Statement of Activities and Changes in Net Assets– 2005.....	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplemental Schedule of Activities Information.....	14

Report of Independent Auditors

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

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of the Los Angeles County Museum of Natural History Foundation (the "Foundation") at June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Supplemental Schedule of Activities Information on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

October 13, 2006

Los Angeles County Museum of Natural History Foundation
Statements of Financial Position
June 30, 2006 and 2005

	2006	2005
Assets		
Cash and cash equivalents	\$ 6,256,219	\$ 5,046,133
Investments (Note 3)	91,018,116	86,944,333
Investments held in trust under split-interest agreements	1,588,694	1,126,717
Accounts receivable	211,385	249,880
Grants & contributions receivable, net (Notes 4 and 8)	1,234,954	1,317,581
Prepaid exhibit expenses	193,927	1,559,133
Property, building improvements, equipment and exhibits, net (Notes 5 and 8)	7,488,166	5,760,489
Other assets	40,454	87,723
Collections (Note 6)	<u>—</u>	<u>—</u>
Total assets	<u>\$ 108,031,915</u>	<u>\$ 102,091,989</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 2,092,283	\$ 1,929,020
Obligations under split-interest agreements	406,938	181,506
Deferred revenue	<u>390,752</u>	<u>485,771</u>
Total liabilities	<u>2,889,973</u>	<u>2,596,297</u>
Net assets (Note 9)		
Unrestricted		
Board-designated	83,412,597	82,082,623
Net investment in property, building improvements, equipment and exhibits	<u>7,488,166</u>	<u>5,760,489</u>
Total unrestricted	90,900,763	87,843,112
Temporarily restricted	10,612,196	8,223,597
Permanently restricted	<u>3,628,983</u>	<u>3,428,983</u>
Total net assets	<u>105,141,942</u>	<u>99,495,692</u>
Total liabilities and net assets	<u>\$ 108,031,915</u>	<u>\$ 102,091,989</u>

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

Los Angeles County Museum of Natural History Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2006 (with comparative totals for 2005)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006 Totals	2005 Totals
Operating revenue and support					
Private gifts, grants and contracts	\$ 1,077,392	\$ 3,251,432	\$ 200,000	\$ 4,528,824	\$ 6,446,426
Endowment income used for operations	3,338,378	25,751	—	3,364,129	3,409,664
Grant income	888,622	—	—	888,622	713,487
Museum admission fees	2,098,795	—	—	2,098,795	2,089,873
Support from the County of Los Angeles (Note 8)	6,092,000	—	—	6,092,000	5,574,000
Membership dues	2,164,943	12,560	—	2,177,503	1,848,937
Program income	863,402	44,509	—	907,911	824,257
Museum use and services	163,960	—	—	163,960	508,557
Museum shops and cafeteria	404,328	—	—	404,328	414,405
Change in value of obligations under split-interest agreements	—	23,705	—	23,705	(112,346)
Museum catalogs and other	220,481	—	—	220,481	38,951
Special events revenue, net of cost of direct benefit to donors of \$460,015 in 2005	—	—	—	—	541,260
	<u>17,312,301</u>	<u>3,357,957</u>	<u>200,000</u>	<u>20,870,258</u>	<u>22,297,471</u>
Net assets released from restrictions	<u>1,151,212</u>	<u>(1,151,212)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total operating revenue and support and net assets released from restrictions	<u>18,463,513</u>	<u>2,206,745</u>	<u>200,000</u>	<u>20,870,258</u>	<u>22,297,471</u>
Operating expenses (Note 8)					
Program services					
Education	2,275,239	—	—	2,275,239	2,329,129
Research	4,374,619	—	—	4,374,619	4,579,821
Exhibits	4,056,339	—	—	4,056,339	3,031,013
Total program services	<u>10,706,197</u>	<u>—</u>	<u>—</u>	<u>10,706,197</u>	<u>9,939,963</u>
Supporting services					
General and administration	6,116,449	—	—	6,116,449	7,087,786
Fund-raising	2,281,792	—	—	2,281,792	2,551,107
Total supporting services	<u>8,398,241</u>	<u>—</u>	<u>—</u>	<u>8,398,241</u>	<u>9,638,893</u>
Other expenses					
Ancillary service					
Museum use and services	183,412	—	—	183,412	200,924
Depreciation	549,751	—	—	549,751	804,266
Total other expenses	<u>733,163</u>	<u>—</u>	<u>—</u>	<u>733,163</u>	<u>1,005,190</u>
Total operating expenses	<u>19,837,601</u>	<u>—</u>	<u>—</u>	<u>19,837,601</u>	<u>20,584,046</u>
Change in net assets from operations	<u>(1,374,088)</u>	<u>2,206,745</u>	<u>200,000</u>	<u>1,032,657</u>	<u>1,713,425</u>
Other non-operating revenues, gains and losses					
Investment income	7,510	234,457	—	241,967	255,594
Realized and unrealized gains (losses) on investments, net	7,762,607	(26,852)	—	7,735,755	(5,319,257)
Endowment income used for operations	(3,338,378)	(25,751)	—	(3,364,129)	(3,409,664)
Total non-operating revenues, gains and losses	<u>4,431,739</u>	<u>181,854</u>	<u>—</u>	<u>4,613,593</u>	<u>(8,473,327)</u>
Change in net assets	3,057,651	2,388,599	200,000	5,646,250	(6,759,902)
Net assets at the beginning of the year	<u>87,843,112</u>	<u>8,223,597</u>	<u>3,428,983</u>	<u>99,495,692</u>	<u>106,255,594</u>
Net assets at the end of the year	<u>\$90,900,763</u>	<u>\$10,612,196</u>	<u>\$ 3,628,983</u>	<u>\$ 105,141,942</u>	<u>\$99,495,692</u>

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

Los Angeles County Museum of Natural History Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	2005 Totals
Operating revenue and support				
Special events revenue				
Receipts, net of cost of direct benefit to donors of \$460,015 in 2005	\$ 541,260	\$ —	\$ —	\$ 541,260
Private gifts, grants and contracts	1,073,448	5,372,978	—	6,446,426
Endowment income used for operations	3,309,617	100,047	—	3,409,664
Grant income	713,487	—	—	713,487
Museum admission fees	2,089,873	—	—	2,089,873
Support from the County of Los Angeles (Note 8)	5,574,000	—	—	5,574,000
Membership dues	1,835,442	13,495	—	1,848,937
Program income	824,257	—	—	824,257
Museum use and services	508,557	—	—	508,557
Museum shops and cafeteria	414,405	—	—	414,405
Change in value of obligations under split-interest agreements	—	(112,346)	—	(112,346)
Museum catalogs and other	38,951	—	—	38,951
Total revenue and support	16,923,297	5,374,174	—	22,297,471
Net assets released from restrictions	3,960,031	(3,960,031)	—	—
Total operating revenue and support and net assets released from restrictions	20,883,328	1,414,143	—	22,297,471
Operating expenses (Note 8)				
Program services				
Education	2,329,129	—	—	2,329,129
Research	4,579,821	—	—	4,579,821
Exhibits	3,031,013	—	—	3,031,013
Total program services	9,939,963	—	—	9,939,963
Supporting services				
General and administration	7,087,786	—	—	7,087,786
Fund-raising	2,551,107	—	—	2,551,107
Total supporting services	9,638,893	—	—	9,638,893
Other expenses				
Ancillary service				
Museum use and services	200,924	—	—	200,924
Depreciation	804,266	—	—	804,266
Interest on indebtedness	—	—	—	—
Total other expenses	1,005,190	—	—	1,005,190
Total operating expenses	20,584,046	—	—	20,584,046
Change in net assets from operations	299,282	1,414,143	—	1,713,425
Other non-operating revenues, gains and losses				
Investment income	255,594	—	—	255,594
Realized and unrealized (losses) gains on investments, net	(5,319,257)	—	—	(5,319,257)
Endowment income used for operations	(3,409,664)	—	—	(3,409,664)
Total non-operating revenues and losses	(8,473,327)	—	—	(8,473,327)
Change in net assets	(8,174,045)	1,414,143	—	(6,759,902)
Net assets at the beginning of the year	96,017,157	6,809,454	3,428,983	106,255,594
Net assets at the end of the year	\$ 87,843,112	\$ 8,223,597	\$ 3,428,983	\$ 99,495,692

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

Los Angeles County Museum of Natural History Foundation
Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Change in net assets	\$ 5,646,250	\$ (6,759,902)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	549,751	804,266
Realized and unrealized (gains)/losses on investments, net	(7,735,755)	5,319,257
Contributions restricted for long-term investment or capital projects	(200,000)	(5,000,000)
Change in value of annuity obligations	(461,977)	39,448
Changes in operating assets and liabilities		
Accounts receivable	38,495	(133,902)
Grants and contributions receivable	82,627	2,744,831
Other assets	47,269	(4,054)
Prepaid exhibit expenses	1,365,206	(223,582)
Accounts payable and accrued liabilities	163,263	21,540
Obligations under split-interest agreements	225,432	71,984
Deferred revenues	<u>(95,019)</u>	<u>35,126</u>
Net cash used in operating activities	<u>(374,458)</u>	<u>(3,084,988)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	6,058,742	5,696,093
Purchases of investments	(2,396,770)	(2,535,817)
Purchases of property, building improvements, equipment and exhibits	<u>(2,277,428)</u>	<u>(851,870)</u>
Net cash provided by investing activities	<u>1,384,544</u>	<u>2,308,406</u>
Cash flows from financing activities		
Contributions restricted for long-term investment or capital projects	<u>200,000</u>	<u>5,000,000</u>
Net cash provided by financing activities	<u>200,000</u>	<u>5,000,000</u>
Net increase in cash and cash equivalents	1,210,086	4,223,418
Cash and cash equivalents at the beginning of the year	<u>5,046,133</u>	<u>822,715</u>
Cash and cash equivalents at the end of the year	<u>\$ 6,256,219</u>	<u>\$ 5,046,133</u>

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

Los Angeles County Museum of Natural History Foundation

Notes to Financial Statements

1. Nature of Organization

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

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

The County reimburses the Foundation for certain services it provides for the Museum, and the amount of the reimbursement is reflected as part of the Foundation's revenue and support in the accompanying statements of activities. In addition, the County provides funds directly to providers of services to the Museum, which are not included in the accompanying financial statements. For a description of the funding agreement between the County and the Foundation, see Notes 8 and 11.

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

Natural History Museum of Los Angeles County

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

Page Museum at the La Brea Tar Pits

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

William S. Hart Museum

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

Los Angeles County Museum of Natural History Foundation

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash equivalents consist of short-term, highly liquid invested funds with original maturities of less than three months.

Investments

Investments in marketable equity securities with readily determinable fair values and all debt securities are recorded using quoted market values.

Grants and Contributions Receivable

The Foundation receives numerous grants from federal agencies that are not considered contributions under accounting principles generally accepted in the United States of America. The Foundation recognizes income from these grants as revenue and support only to the extent that expenditures have been made for the purposes specified by the grant agreement.

Contributions receivable are recorded at the present value of expected future cash flows. The discount rate used for the year ended June 30, 2006 and 2005 for new pledges was 3.0% and 3.37%, respectively. The Foundation does not consider it necessary to provide an allowance for doubtful contributions receivable based on donor reputation and past giving history.

Prepaid Exhibit Expenses

Prepaid exhibit expenses include exhibit fees and fabrication and installation expenses, which will be amortized over the future period of the related exhibits.

Los Angeles County Museum of Natural History Foundation

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Property, Building Improvements, Equipment and Exhibits

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

Building improvements	10 to 30 years
Equipment and furnishings	5 years
Exhibits	5 to 10 years

The Foundation reviews property, building improvements, equipment and exhibits for impairment whenever events or changes in circumstances indicate that the carrying value of property, building improvements, equipment and exhibits may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2006 and 2005, there were no events or changes in circumstances indicating that the carrying amount of the property, building improvements, equipment and exhibits may not be recoverable.

Collections

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

Endowment Funds Used for Operations

As a part of the annual budgeting process, the Board has approved a spending level from accumulated endowment gains of their unrestricted investments. This amount is calculated as 4%, based on a three year quarterly average as of April of each year (for the subsequent operating year). Such amount is reflected in the accompanying statements of activities as operating revenues. The amount is offset by a non-operating charge in the same amount, also entitled endowment funds used for operations. For the years ended June 30, 2006 and 2005, these amounts were \$3,486,256 and \$3,409,664, respectively.

Contributed Materials and Services

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

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

Los Angeles County Museum of Natural History Foundation

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

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

Functional Expenses

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

Non-operating (expense)/income

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

Use of Estimates

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

3. Investments

Investments consisted of the following at June 30:

	2006	2005
Investment securities		
Common and preferred stock	\$ 91,300,479	\$ 86,803,672
Corporate bonds	98,555	378,313
Money market funds	619,497	4,572
Mutual funds	<u>588,279</u>	<u>884,493</u>
Total investments	92,606,810	88,071,050
Less investments held in trust under split-interest agreements	<u>(1,588,694)</u>	<u>(1,126,717)</u>
	<u>\$ 91,018,116</u>	<u>\$ 86,944,333</u>

At June 30, 2006 and 2005, the Foundation had an investment in 945 and 986 shares, respectively, of Berkshire Hathaway, Inc. – Class A common stock with a fair value of \$86,617,755 and \$82,231,000, respectively.

Los Angeles County Museum of Natural History Foundation

Notes to Financial Statements

4. Grants and Contributions Receivable

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

	2006	2005
Within one year	\$ 1,027,146	\$ 1,133,504
Within two to five years	4,000	4,000
After five years	<u>300,000</u>	<u>300,000</u>
	1,331,146	1,437,504
Less discount to reflect contributions receivable at present value	<u>(96,192)</u>	<u>(119,923)</u>
	<u>\$ 1,234,954</u>	<u>\$ 1,317,581</u>

5. Leasehold Improvements, Equipment and Exhibits

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

	2006	2005
Leasehold improvements	\$ 22,107,282	\$ 21,992,529
Equipment and furnishings	8,615,540	8,446,143
Work-in-progress	<u>6,549,992</u>	<u>4,556,714</u>
Subtotal	37,272,814	34,995,386
Less accumulated depreciation and amortization	<u>(29,784,648)</u>	<u>(29,234,897)</u>
	<u>\$ 7,488,166</u>	<u>\$ 5,760,489</u>

6. Collections

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

7. Line of Credit

The Foundation has an uncollateralized \$4,500,000 revolving line of credit with Wells Fargo Bank that expires on July 1, 2007. As of June 30, 2006 and 2005, no amounts were outstanding under the line of credit. Interest is payable monthly at 0.25% above the bank's prime rate, which was 8.25% and 6.25% at June 30, 2006 and 2005, respectively.

Los Angeles County Museum of Natural History Foundation

Notes to Financial Statements

8. Affiliation with the County of Los Angeles

Funding Agreement

As discussed in Note 1, the Foundation provides support and assistance in the maintenance and development of the Museum's educational, scientific and cultural programs and services and expansion of collections. In connection with this assistance, the County of Los Angeles and the Foundation have entered into a funding agreement that extends to June 30, 2019 (see also Note 11). Under the terms of the funding agreement, the County provided approximately \$12.1 million and \$11.5 million to the Foundation for the years ended June 30, 2006 and 2005, respectively. These funds were used to operate and generally administer the Museum and maintain and preserve the Museum and all structures and facilities in good repair and working order. At June 30, 2006 and 2005, \$6,092,000 and \$5,574,000, respectively, were received directly by the Foundation as reimbursements for certain Foundation services and are included in the accompanying statements of activities as support from the County of Los Angeles. The remaining amounts of \$6,030,154 and \$5,929,318 were provided directly by the County to other providers of services to the Museum and are not reflected in the accompanying financial statements.

The amount provided under the agreement with the County will be adjusted annually by the Consumer Price Index, but no such annual adjustment shall exceed 5%. The Foundation is responsible for contributing each fiscal year towards its operations for the benefit of the Museum an amount no less than 80% of the amount provided by the County. During 2006 and 2005, the Foundation provided approximately \$14.8 million and \$15.2 million, respectively, excluding unrealized gains and losses on investments, representing 122% of the amounts required under the agreement for 2006 and 132% for 2005.

9. Net Assets

Unrestricted net assets at June 30, 2006 and 2005 include Board-designated amounts totaling \$84,848,118 and \$82,082,623, respectively, which comprise the balance of the unrestricted portion of the Foundation's endowments. The net investment in property, building improvements, equipment and exhibits amounts totaling \$7,488,166 and \$5,760,489 at June 30, 2006 and 2005, respectively, are comprised of property, building improvements, equipment and exhibits, net.

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

	2006	2005
Research and Collections	\$ 5,363,264	\$ 1,460,393
Education	1,027,777	1,001,188
Administration	60,460	154,623
Capital projects	4,037,132	5,241,313
Exhibits	123,563	264,580
Other	<u>—</u>	<u>101,500</u>
	<u>\$ 10,612,196</u>	<u>\$ 8,223,597</u>

Permanently restricted net assets totaling \$2,193,462 at June 30, 2006 and \$3,428,983 at June 30, 2005 are contributions restricted by donors for investment in perpetuity, the earnings from which are generally restricted for specific purposes.

Los Angeles County Museum of Natural History Foundation

Notes to Financial Statements

10. Retirement Plan

The Foundation contracts with certain multi-employer defined contribution retirement plans (the "Plans"), which are offered to all of its full-time employees. Contributions are made by the Foundation as well as voluntarily by employees. The Foundation matches participant contributions up to a maximum of 3% to 5% of each participant's salary (as defined in the agreements). The Foundation has the right to terminate its involvement with the Plans at any time. It is the Foundation's policy to fund the costs of the Plans as incurred. The retirement plans expense totaled approximately \$288,218 and \$281,948 for the years ended June 30, 2006 and 2005, respectively.

11. Subsequent Events

In September 2006, the Board of Supervisors of the County of Los Angeles took the following actions related to the Foundation:

- Approved a ground lease between the County of Los Angeles and the State of California (the "State") for a portion of the Exposition Park site on which the Museum's facilities are located (the "Ground Lease"). The rental rate of the Ground Lease will be \$1.00 per year, plus certain shared costs related to maintenance and operation of common areas within Exposition Park, and the term will expire in September 2081.
- Approved an amendment to the funding agreement between the County and the Foundation (see note 8) to extend expiration of the term from June 2019 to September 2081, which would run concurrently with the term of the Ground Lease. The amendment requires the County's continued obligations to the State under the Ground Lease, including escalations, and the County's obligation to support the Museum's operations under the funding agreement.
- Authorized the Foundation to carry out the seismic upgrade of the Museum's 1913 Building, historic preservation and other life safety upgrades, and possible enhancement of the Museum's 1920's Building (the "Project"). The 1913 Building is listed on the National Register of Historic Places and portions of the 1920's Building also include important historic features. In addition to the seismic upgrade and renovation of the 1913 Building, the Foundation is planning significant upgrades to the exhibit galleries in the 1913 Building and the 1920's Building as part of the Project.
- Approved a lease-leaseback agreement (the "Leaseback Agreement"), whereby the County will lease portions of the Museum buildings to the Foundation to facilitate the Foundation's management and construction activities with respect to the Project. Upon completion of the upgrades and renovation, the Foundation will lease those portions back to the County for one year, which is coincident with the warranty period on the improvements. At the conclusion of the one-year period, the Leaseback Agreement will terminate.

Los Angeles County Museum of Natural History Foundation

Notes to Financial Statements

11. Subsequent Events (Continued)

- Authorized the Foundation to apply for the remaining \$3.48 million of the 1996 County Proposition A funds authorized for the Project, to be used for completion of engineering, design, and construction in the 1913 Building components of the Project. The seismic upgrade and renovation of the 1913 Building is estimated to cost \$19.5 million, including design, relocation, and construction activities. The Foundation has identified the following funding for the Project: (a) 1996 County Proposition A funds of \$4.35 million, (b) 2000 State Proposition 12 funds of \$1 million, (c) 2002 State Proposition 40 funds of \$6.75 million, and (d) Foundation contributions of \$7.4 million.

Los Angeles County Museum of Natural History Foundation
Schedule of Activities Information
For the Year Ended June 30, 2006
(Supplementary Information – See Report of Independent Accountants)

If the County's entire contribution under the funding agreement, including the reimbursement of the Foundation for services and direct payments to other providers of services for the Museum, were to be included in the Foundation's statement of activities for the year ended June 30, 2006, its total revenue and support would total \$26,900,412, which approximates the size of the Foundation's operating budget for that year.

	Los Angeles County Museum of Natural History Foundation	County of Los Angeles Support and Expenditures	Eliminations	Total Museum
Revenue and support				
Private gifts, grants and contracts	\$ 4,528,824	\$ –	\$ –	\$ 4,528,824
Endowment income used for operations	3,364,129	–	–	3,364,129
Grant income	888,623	–	–	888,623
Museum admission fees	2,098,795	–	–	2,098,795
Appropriation from the County	–	12,122,154	–	12,122,154
Support from the County of Los Angeles (Note 8)	6,092,000	–	(6,092,000)	–
Membership dues	2,177,502	–	–	2,177,502
Program income	907,911	–	–	907,911
Museum use and services	163,960	–	–	163,960
Museum shops and cafeteria	404,328	–	–	404,328
Change in value of obligations under split-interest agreements	23,705	–	–	23,705
Museum catalogs and other	220,481	–	–	220,481
Total revenue and support	<u>20,870,258</u>	<u>12,122,154</u>	<u>(6,092,000)</u>	<u>26,900,412</u>
Net assets released from restrictions	–	–	–	–
Total revenue and support and net assets released from restrictions	<u>20,870,258</u>	<u>12,122,154</u>	<u>(6,092,000)</u>	<u>26,900,412</u>
Expenses (Note 8)				
Program services				
Education	2,275,239	180,665	–	2,455,904
Research	4,374,619	1,411,877	–	5,786,496
Exhibits	4,056,339	107,559	–	4,163,898
Total program services	<u>10,706,197</u>	<u>1,700,101</u>	<u>–</u>	<u>12,406,298</u>
Supporting services				
General and administration	6,116,449	4,330,053	–	10,446,502
Operating contract with the foundation	–	6,092,000	(6,092,000)	–
Fund-raising	2,281,792	–	–	2,281,792
Total supporting services	<u>8,398,241</u>	<u>10,422,053</u>	<u>(6,092,000)</u>	<u>12,728,294</u>
Other expenses				
Ancillary services				
Museum use and services	183,412	–	–	183,412
Depreciation	549,751	–	–	549,751
Total other expenses	<u>733,163</u>	<u>–</u>	<u>–</u>	<u>733,163</u>
Total expenses	<u>19,837,601</u>	<u>12,122,154</u>	<u>(6,092,000)</u>	<u>25,867,755</u>
Change in net assets from operations	<u>1,032,657</u>	<u>–</u>	<u>–</u>	<u>1,032,657</u>
Other non-operating revenues, gains and losses				
Investment income	241,967	–	–	241,967
Realized and unrealized losses on investments, net	7,857,882	–	–	7,857,882
Endowment income used for operations	(3,486,256)	–	–	(3,486,256)
Total non-operating revenues and losses	<u>4,613,593</u>	<u>–</u>	<u>–</u>	<u>4,613,593</u>
Change in net assets	5,646,250	–	–	5,646,250
Net assets at the beginning of the year	<u>99,495,692</u>	<u>–</u>	<u>–</u>	<u>99,495,692</u>
Net assets at the end of the year	<u>\$ 105,141,942</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 105,141,942</u>