

Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

THE AMERICAN MUSEUM OF NATURAL HISTORY

For the years ended June 30, 2011 and 2010

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
The American Museum of Natural History:

We have audited the accompanying consolidated statements of financial position of The American Museum of Natural History (the “Museum”), which includes The American Museum of Natural History Planetarium Authority, as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Museum’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The American Museum of Natural History, which includes The American Museum of Natural History Planetarium Authority, as of June 30, 2011 and 2010, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the consolidated financial statements, the Museum adopted the provision of Financial Accounting Standards Board Accounting Standards Codification 958-205 during fiscal 2011.



New York, New York
November 7, 2011

THE AMERICAN MUSEUM OF NATURAL HISTORY
Consolidated Statements of Financial Position
At June 30, 2011 and 2010

ASSETS	2011	2010
Cash and cash equivalents	\$ 37,487,477	\$ 35,010,954
Accounts receivable, less allowance for doubtful accounts of \$1,583,315 and \$582,240 in 2011 and 2010, respectively	5,233,944	6,011,633
Inventory, less allowance of \$40,000 and \$137,500 in 2011 and 2010, respectively	1,138,537	438,967
Prepaid expenses and other assets	19,649,643	21,393,487
Government grants receivable, net	13,220,882	13,324,085
Contributions receivable, net	23,218,585	24,568,924
Deferred bond issuance costs, net	3,162,878	3,365,347
Long-term investments	591,344,833	521,220,829
Plant and equipment, net	462,000,234	455,180,804
Total assets	<u>\$ 1,156,457,013</u>	<u>\$ 1,080,515,030</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 22,889,350	\$ 24,228,619
Accrued interest payable	2,746,372	2,748,034
Deferred revenue	6,603,057	6,432,126
Bank borrowings	13,000,000	13,300,000
Loans from Trust for Cultural Resources	272,064,527	273,426,679
Interest rate swaps	27,029,510	31,843,415
Accrued postretirement and other employee benefits	64,555,853	61,216,633
Total liabilities	<u>408,888,669</u>	<u>413,195,506</u>
 NET ASSETS		
Unrestricted	323,011,210	377,484,101
Temporarily restricted	266,756,331	143,209,197
Permanently restricted	157,800,803	146,626,226
Total net assets	<u>747,568,344</u>	<u>667,319,524</u>
Total liabilities and net assets	<u>\$ 1,156,457,013</u>	<u>\$ 1,080,515,030</u>

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

THE AMERICAN MUSEUM OF NATURAL HISTORY
Consolidated Statements of Activities
For the years ended June 30, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND SUPPORT								
Investment return designated for operations	\$ 9,666,405	\$ 17,475,146	\$ -	\$ 27,141,551	\$ 19,609,014	\$ 8,272,553	\$ -	\$ 27,881,567
Contributions and grants	27,649,381	16,840,480	-	44,489,861	25,307,204	9,515,919	-	34,823,123
Operating support from the City of New York	16,969,308	-	-	16,969,308	16,968,262	-	-	16,968,262
Visitors' contributions and admissions	41,522,475	-	-	41,522,475	42,413,644	-	-	42,413,644
Membership fees	5,503,865	-	-	5,503,865	5,484,942	-	-	5,484,942
Auxiliary activities	30,580,271	-	-	30,580,271	31,485,074	-	-	31,485,074
Miscellaneous fees and other revenue	4,718,134	-	-	4,718,134	3,692,343	-	-	3,692,343
Net assets released from restrictions	29,573,757	(29,573,757)	-	-	22,788,371	(22,788,371)	-	-
Total operating revenue and support	166,183,596	4,741,869	-	170,925,465	167,748,854	(4,999,899)	-	162,748,955
OPERATING EXPENSES								
Scientific research	33,609,367	-	-	33,609,367	32,349,735	-	-	32,349,735
Education	15,261,270	-	-	15,261,270	14,346,214	-	-	14,346,214
Exhibitions	7,538,886	-	-	7,538,886	7,276,766	-	-	7,276,766
Membership	1,725,809	-	-	1,725,809	1,561,195	-	-	1,561,195
Visitor services	7,685,941	-	-	7,685,941	7,824,321	-	-	7,824,321
Auxiliary activities	20,798,045	-	-	20,798,045	23,201,967	-	-	23,201,967
General and administrative	16,554,876	-	-	16,554,876	16,779,021	-	-	16,779,021
Fundraising	5,162,834	-	-	5,162,834	5,027,053	-	-	5,027,053
Communications	7,436,440	-	-	7,436,440	6,698,456	-	-	6,698,456
Information technology	5,346,490	-	-	5,346,490	5,384,443	-	-	5,384,443
Guardianship, maintenance and operating costs	29,991,684	-	-	29,991,684	28,473,237	-	-	28,473,237
Total operating expenses	151,111,642	-	-	151,111,642	148,922,408	-	-	148,922,408
Designated contributions and transfers to plant and long-term investment	14,983,305	-	-	14,983,305	18,764,705	-	-	18,764,705
Operating revenue and support in excess of (less than) operating expenses, designated contributions and transfers	88,649	4,741,869	-	4,830,518	61,741	(4,999,899)	-	(4,938,158)
NONOPERATING REVENUE, SUPPORT AND EXPENSES								
Revenue and support for plant:								
Contributions, grants and miscellaneous revenue	3,109,403	1,574	-	3,110,977	5,367,404	695,778	-	6,063,182
Capital support from the City of New York	20,055,298	-	-	20,055,298	854,739	-	-	854,739
Net assets released from restrictions	4,070,460	(4,070,460)	-	-	2,662,471	(2,662,471)	-	-
Transfer from long-term investments and operations to plant	17,015,876	-	-	17,015,876	19,355,705	-	-	19,355,705
Plant expenses:								
Interest expense not capitalized	12,563,488	-	-	12,563,488	12,973,666	-	-	12,973,666
Change in value of interest rate swaps	(4,813,905)	-	-	(4,813,905)	9,477,848	-	-	9,477,848
Depreciation and amortization	23,290,344	-	-	23,290,344	23,020,955	-	-	23,020,955
Plant expenses not capitalized	291,862	-	-	291,862	1,033,420	-	-	1,033,420
Net loss on bond refinancing and related activities	-	-	-	-	32,009	-	-	32,009
Long-term investments and other:								
Contributions and bequests	(28,705)	547,146	3,392,298	3,910,739	2,794,714	486,256	1,258,698	4,539,668
Investment return in excess of amounts designated for operations	25,305,851	31,620,421	7,782,279	64,708,551	17,899,498	7,022,402	3,994,941	28,916,841
Net assets released from restrictions	3,713,798	(3,713,798)	-	-	7,957,770	(7,957,770)	-	-
Transfers from plant and operations to long-term investments and other, net	(2,032,571)	-	-	(2,032,571)	(591,000)	-	-	(591,000)
Other pension related activities	(18,779)	-	-	(18,779)	(4,152,494)	-	-	(4,152,494)
Changes in net assets	39,947,491	29,126,752	11,174,577	80,248,820	5,672,650	(7,415,704)	5,253,639	3,510,585
Reclassification of net assets due to change in law	(94,420,382)	94,420,382	-	-	-	-	-	-
Changes in net assets after cumulative effect of reclassification of net assets due to change in law	(54,472,891)	123,547,134	11,174,577	80,248,820	5,672,650	(7,415,704)	5,253,639	3,510,585
Net assets, beginning of year	377,484,101	143,209,197	146,626,226	667,319,524	371,811,451	150,624,901	141,372,587	663,808,939
Net assets, end of year	\$ 323,011,210	\$ 266,756,331	\$ 157,800,803	\$ 747,568,344	\$ 377,484,101	\$ 143,209,197	\$ 146,626,226	\$ 667,319,524

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

THE AMERICAN MUSEUM OF NATURAL HISTORY
Consolidated Statements of Cash Flows
For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 80,248,820	\$ 3,510,585
Adjustments to reconcile changes in net assets to net cash flows used in operations:		
Depreciation and amortization	23,290,344	23,020,955
Loss on disposal of plant and equipment	-	749,082
Net realized gains on sales of investments	(32,412,852)	(2,909,431)
Unrealized gains on investments	(57,970,905)	(52,520,951)
Change in value of interest rate swaps	(4,813,905)	8,698,875
Amortization and write-off of deferred bond issuance costs	202,469	325,091
Amortization of deferred bond premium	(202,152)	(202,151)
Contributions permanently restricted	(3,392,298)	(1,258,698)
Contributions and grants restricted for plant and equipment	(23,166,275)	(6,917,921)
Changes in operating assets and liabilities:		
Accounts receivable, inventory, prepaid expenses and other assets	1,805,517	2,023,427
Contributions and grants receivable, net	1,343,775	8,001,135
Accounts payable and other liabilities	(1,170,000)	4,655,704
Accrued postretirement and other employee benefits	3,339,220	4,615,515
Net cash used in operating activities	<u>(12,898,242)</u>	<u>(8,208,783)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(30,092,948)	(21,127,683)
Proceeds from disposition of investments	525,590,440	336,611,745
Purchases of investments	<u>(505,314,241)</u>	<u>(326,358,614)</u>
Net cash used in investing activities	<u>(9,816,749)</u>	<u>(10,874,552)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond issuance costs	-	(490,261)
Contributions permanently restricted	3,716,764	4,079,467
Contributions and grants restricted for plant and equipment	22,951,576	6,910,829
Proceeds from loan from Trust for Cultural Resources	-	19,638,830
Payments on loan from Trust for Cultural Resources	(1,160,000)	(18,245,000)
Payments on capital lease obligation	(16,826)	-
(Repayments) proceeds from bank borrowings, net	<u>(300,000)</u>	<u>6,500,000</u>
Net cash flows provided by financing activities	<u>25,191,514</u>	<u>18,393,865</u>
Increase (decrease) in cash and cash equivalents	2,476,523	(689,470)
Cash and cash equivalents, beginning of year	<u>35,010,954</u>	<u>35,700,424</u>
Cash and cash equivalents, end of year	<u>\$ 37,487,477</u>	<u>\$ 35,010,954</u>
Supplemental disclosures:		
Interest paid	<u>\$ 11,766,948</u>	<u>\$ 13,395,198</u>
Assets acquired under capital lease	<u>\$ 269,211</u>	<u>\$ -</u>

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

THE AMERICAN MUSEUM OF NATURAL HISTORY

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

1. ORGANIZATION

The American Museum of Natural History (the “Museum”) is a nonprofit, educational corporation chartered in 1869 as a museum and library by a special act of the Legislature of the State of New York. It is a member institution of the University of the State of New York under the auspices of the Regents of the State of New York and is accredited by the American Association of Museums.

The Museum established the Richard Gilder Graduate School (the “Graduate School”) in fiscal 2007 to confer the degrees of Doctor of Philosophy (“Ph.D.”) and Master of Philosophy (“M. Phil”). The Graduate School is accredited by the Board of Regents of the State of New York. The activities of the graduate school are included in the accompanying consolidated financial statements.

The American Museum of Natural History Planetarium Authority (the “Planetarium Authority”) was chartered in 1933 by a special act of the Legislature of the State of New York as a public benefit corporation to fund the building of the Hayden Planetarium. The Hayden Planetarium was rebuilt in 2000 as part of the Rose Center for Earth and Space with new exhibition halls and educational programming. The Museum leases the planetarium, exhibition halls and facilities to provide educational programs to the public, free of rent and, for an indefinite term, in consideration for the Museum paying the costs of operation, maintenance and reasonable repair. In July 2009, the State of New York adopted a revision to the charter of the Planetarium Authority, pursuant to which the Board of the Planetarium Authority now consists of three to five independent members appointed by the Museum’s Board. Accordingly, the activities of the Planetarium Authority are included in the accompanying consolidated financial statements.

The Museum is exempt from corporate federal income tax under 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 Planetarium Authority is also exempt from corporate federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements present the consolidated financial position, changes in net assets, and cash flows of the Museum.

Basis of Presentation – The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All inter-institutional amounts/transactions have been eliminated in consolidation.

Net Asset Accounting - Museum resources are classified and reported in the accompanying consolidated financial statements as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

- **Permanently restricted net assets** - The part of the net assets resulting (a) from contributions and other inflows of assets whose use by the Museum is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Museum, and (b) from other asset enhancements and diminishments subject to the same kinds of stipulations.

THE AMERICAN MUSEUM OF NATURAL HISTORY
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- Temporarily restricted net assets - The part of the net assets resulting (a) from contributions and other inflows of assets whose use by the Museum is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Museum pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Museum pursuant to those stipulations. In addition, earnings on certain donor-restricted endowment funds are classified as temporarily restricted, pursuant to New York Prudent Management of Institutional Funds Act (“NYPMIFA”) until appropriated for spending by the Board of Trustees.
- Unrestricted net assets - The part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations or by NYPMIFA.

Contribution and grants, including unconditional promises to give, are reported in the period received as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. 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 stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed and/or the Board of Trustees has appropriated such net assets for spending) are reported as net assets released from restrictions in the consolidated statement of activities.

Federal government grants and contracts are included in unrestricted contributions and grants in the consolidated statement of activities. Revenue from grants and contracts is recognized when earned, that is, generally as the related costs are incurred under the grant or contract agreements. Amounts expended in excess of reimbursements are reported as government grants receivable.

The City of New York (the “City”) and the State of New York grants for capital projects are recorded as unrestricted revenue as the work is performed.

Investments

Investments in publicly traded debt and equity securities are recorded at fair value, generally determined on the basis of quoted market values. Investments in alternative investments, that are not readily marketable, are reported at fair value as determined by the respective investment manager. Interests in split-interest agreements and perpetual trusts are reported at fair value based on the underlying assets.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are determined based on average cost and are recorded in the consolidated statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned. The Museum’s investments are pooled to facilitate their management. Investment return is allocated to unrestricted, temporarily restricted and permanently restricted funds based on donor restrictions or absence thereof on a unit basis that reflects the ratio of the related funds invested in the pooled portfolio to the total fair value.

THE AMERICAN MUSEUM OF NATURAL HISTORY

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

Inventory

Inventory consists of retail shop merchandise and is valued at cost, principally using the average cost method, that is not in excess of net realizable value. The Museum provides an allowance for inventory obsolescence and shrinkage based on amounts ultimately expected to be realized upon sale.

Plant and Equipment

The Museum's and the Planetarium Authority's facilities consist of permanent exhibition halls, including the Rose Center for Earth and Space, on an 18-acre campus on the Upper West Side of Manhattan.

The buildings occupied by the Museum and the land on which they reside are owned by the City and are occupied by the Museum pursuant to an 1877 lease with the City. The lease grants to the Museum, free of rent, the exclusive use of the land and buildings erected and to be erected thereon for so long as the leased properties are used for purposes consistent with the Museum's charter. The Museum includes the net asset value of these buildings and grounds in its consolidated financial statements consistent with U.S. GAAP, which permits the recording of assets contributed to institutions pursuant to a long-term lease.

The Planetarium Authority holds title to the land and buildings used by the Museum for the Planetarium Authority and related activities. The land was donated by the City to the Planetarium Authority subject to a reversion of title in certain events, in which case, title to the real property would revert to the City but under lease to the Museum, under the same provisions as the City's lease of land and buildings to the Museum.

The Museum also has research facilities located in Portal, Arizona named "Southwest Research Station", and off the coast of Long Island, New York named "Great Gull Island".

The gross value of plant represents the cost of Museum expenditures for construction and leasehold improvements. The gross value of equipment represents the cost of Museum expenditures and the value of donated equipment. Plant and equipment purchased for a value greater than \$5,000 and with depreciable lives greater than one year are reported at cost, net of depreciation and amortization which is calculated on a straight-line basis over the estimated useful lives of such assets which range from 5 to 40 years.

Exhibitions

The Museum capitalizes exhibition costs as they are incurred. Upon the opening of an exhibition, the capitalized costs are amortized on a straight-line basis over its estimated useful life of five years. The net unamortized exhibition costs are included in prepaid expenses and other assets on the consolidated statement of financial position. The costs incurred to building infrastructure to accommodate exhibitions are capitalized in plant and equipment in the consolidated statement of financial position.

Collections

The Museum has extensive collections of specimens and artifacts that constitute a record of life on Earth. These valuable, and sometimes irreplaceable, collections have been acquired through field expeditions, contributions and purchases since the Museum's inception and represent one of the largest natural history collections in the world. New collection areas include the Museum's frozen tissue collection of DNA and tissue samples as well as access to large scientific databases of genomic and astrophysical data. The collections provide a resource for scientists around the world. The collections grow significantly each year.

THE AMERICAN MUSEUM OF NATURAL HISTORY

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The collections are the property of the Museum and are not recognized as assets in the consolidated statement of financial position. They are held under the care of the curatorial staff for scientific research, educational and public exhibition purposes, in furtherance of the Museum's mission.

The Museum's collections policy requires that the proceeds from the sale of collection items be used for acquisitions to the collections. If the assets used to purchase the collection items are restricted by donors, proceeds from the sale of those items are recorded as increases in temporarily restricted net assets. The cost of collections purchased is recorded as a decrease in net assets in the year purchased. The value of donated collection items is not recorded.

Deferred Revenue

Deferred revenue consists of advance payments for traveling exhibitions; advance ticket sales, recognized as revenue when the tickets are used; and other miscellaneous deferred items, recognized as revenue upon performance of the underlying obligation.

Income Taxes

U.S. GAAP requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Museum does not believe its consolidated financial statements include any uncertain tax positions for the open tax years of 2010, 2009 and 2008.

Measure of Operations

The Museum's measure of operations includes all unrestricted operating revenues and expenses that are an integral part of its programs and supporting activities, including net assets released from donor restrictions to support operating activities. The measure of operations also includes distributions from the endowment made in accordance with the Museum's endowment spending policy (see Note 5). The measure of operations excludes net income and gains or losses on the endowment that exceed or are less than the distribution determined by the spending policy and changes in fair value of split-interest and other agreements, plant revenue, noncapitalizable plant expenses, depreciation and amortization of plant and equipment, interest expense, other pension related activities, contributions permanently and temporarily restricted for long-term investment, all bequests over \$100,000, planned-giving gifts, unrestricted gifts designated by the Museum for nonoperating purposes and other transfers and nonrecurring items.

Volunteer and Other Donated Services and Goods

Hundreds of volunteers, including members of the Museum's Board of Trustees, have made significant contributions of time in furtherance of the Museum's mission. The value of this contributed time does not meet the criteria for recognition and therefore is not reflected in the accompanying consolidated statements of activities. Contributed goods and services received from the City and other donors that do qualify for recognition have been included as revenue and expense in the consolidated statement of activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates relate to actuarial assumptions

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used to calculate postretirement benefit obligations, the determination of allowances for doubtful accounts, the useful lives of plant and equipment, conditional asset retirement obligations, the fair value of certain alternative investments, the valuation of interest rate swaps and other assets, accrued expenses and other liabilities. Actual results could differ from those estimates.

Fair Value Measurements

The Financial Accounting Standards Board (“FASB”) issued under Topic 820, under the FASB Accounting Standards Codification, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities, subject to the standard, measured and reported at fair value are classified and disclosed in one of the following categories:

- Level I - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of investments in Level I include listed equities held in the name of the Museum, and exclude listed equities and other securities held indirectly through commingled funds.
- Level II - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Also included in Level II are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which the Museum has generally considered to be within 90 days.
- Level III- Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests. Also included in Level III are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Cash and Cash Equivalents

Cash consists of cash on premises generated through the course of daily activities and cash on deposit with banks and other financial institutions. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase. Cash and cash equivalents managed by the Museum’s investment managers as part of its long-term investment strategy are included in investments.

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Concentrations of Credit Risk

Financial instruments that potentially subject the Museum to concentrations of credit risk consist principally of cash and cash equivalents and investments in fixed income funds, equity funds, limited partnerships and similar interests. The Museum maintains its cash and cash equivalents in various bank accounts and money market funds that, at times, may exceed federally insured limits. The Museum's cash and cash equivalent accounts were placed with high credit quality financial institutions. The Museum has not experienced, nor does it anticipate, any losses in such accounts.

Subsequent Events

The Museum evaluated its June 30, 2011 consolidated financial statements for subsequent events through November 7, 2011, the date the consolidated financial statements were issued. The Museum is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

3. CONTRIBUTIONS RECEIVABLE, NET

The Museum recognizes promises to give as contributions when such promises are received and terms are confirmed by the Museum. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts to present value are calculated as of the financial statement date using interest rates paid on U.S. Treasury obligations with maturities equivalent to the years in which the payments are expected to be received, adjusted for appropriate credit risk. Discount factors are established in the fiscal year in which the respective contribution originates and are not subsequently adjusted. The rates used to discount contributions to present value at June 30, 2011 and 2010 ranged from .7% to 5.3% and .8% to 5.3%, respectively.

Contributions receivable, net, consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Gross Contributions Due:		
Within one year	\$ 7,055,965	\$ 5,837,434
1 to 5 years	17,777,862	21,130,054
Over 5 years	<u>549,652</u>	<u>618,921</u>
Gross Contributions Receivable	25,383,479	27,586,409
Less:		
Discount to Present Value	(1,764,894)	(2,617,485)
Allowance for Doubtful Accounts	<u>(400,000)</u>	<u>(400,000)</u>
Contributions Receivable, net	<u>\$ 23,218,585</u>	<u>\$ 24,568,924</u>

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Allowances are recorded for estimated uncollectable contributions based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

The Museum has been notified of certain intentions to give. If received, these gifts will be used to support operations, fund capital expenditures or for long-term investment. However, these amounts have not been recorded in the accompanying consolidated financial statements due to their conditional nature (e.g., challenge grants).

Consistent with common practice for not-for-profit organizations, Board members have made contributions to the Museum in support of capital and programmatic initiatives or to the endowment.

4. GOVERNMENT GRANTS RECEIVABLE, NET

Government grants receivable, net, consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Due from the City (primarily for capital projects)	\$ 2,476,980	\$ 3,595,355
Due from the City for Urban Advantage	3,090,212	3,344,866
Due from the State of New York (primarily for capital projects)	5,572,148	3,588,308
Due from Federal agencies	<u>2,360,542</u>	<u>3,074,556</u>
Gross Government Grants Receivable	13,499,882	13,603,085
Less: Allowance for Doubtful Accounts	<u>(279,000)</u>	<u>(279,000)</u>
Government Grants Receivable, net	<u>\$ 13,220,882</u>	<u>\$ 13,324,085</u>

The Museum is also the recipient of government grants that have been awarded primarily for research and education that will be recorded as revenue in the future as the terms of the respective agreements are satisfied. The remaining balances of these grants, which have not been reflected in the accompanying consolidated financial statements at June 30, 2011, total approximately \$12,200,000.

5. LONG-TERM INVESTMENTS

Investment objectives and policies are approved by the Museum's Board of Trustees based on recommendations by its Investment Committee and are carried forward and implemented by external investment managers which are selected and monitored by the Investment Committee and staff of the Museum in consultation with its investment advisors.

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Long-term investments consist of the following at June 30, 2011 and 2010:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents*	\$ 28,274,897	\$ 28,274,897	\$ 30,262,437	\$ 30,262,437
Accrued interest and dividends receivable	160,824	160,824	144,378	144,378
U.S. common and preferred stocks	52,542,777	63,596,796	53,906,678	55,371,148
Foreign common and preferred stocks, including ADR's	65,761,912	81,266,478	71,993,673	71,565,888
Fixed income	62,464,962	62,705,882	55,592,379	57,377,201
Alternative investments	237,414,525	339,229,571	223,720,684	292,752,546
Pooled Endowment	446,619,897	575,234,448	435,620,229	507,473,598
Investments restricted for plant	17,000	17,000	17,000	17,000
Split-interest agreements and perpetual trusts	6,106,073	7,860,764	6,159,501	6,716,173
Operating investments**	8,208,044	8,232,621	7,001,185	7,014,058
Long-Term Investments	\$460,951,014	\$ 591,344,833	\$448,797,915	\$ 521,220,829

* Includes pending trade receivables and (payables) of \$12,576,750 and \$(18,215) and \$18,272,366 and \$(918,780) at June 30, 2011 and 2010, respectively.

** Represents operating cash that has been invested in various fixed income instruments with maturities in excess of ninety days. These investments include certificates of deposit, treasury bills and notes and other federal agency notes.

Alternative investments represent limited partnership and similar interests held by the Museum in funds that invest in public and private securities and follow a variety of investment strategies. Terms and conditions of these investments, including liquidity provisions, differ for each fund. The Museum believes that the reported amount of its alternative investments is a reasonable estimate of the fair value of such investments at June 30, 2011 and 2010. As is typical of investment portfolios of similar types of institutions, alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

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The Museum uses the Net Asset Value per share or its equivalent (“NAV”) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments by major category:

2011							
Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions
Marketable Alternative Assets:							
Fund of Funds	2	\$ 40,181,060	N.A.	None	N.A.	Annual with 90 days' notice.	None
Equity Long/Short	10	80,118,481	N.A.	None	N.A.	Ranges between quarterly redemption with 30 days' notice to a rolling 3 year redemption with 60 days' notice. One fund has a redemption fee if liquidated prior to March 2013.	Two funds have remaining lock-ups which expire in fiscal 2012 and fiscal 2014. Side pockets exist for three funds.
Multi-Strategy	3	26,130,563	N.A.	None	N.A.	Ranges between annual redemption with 45 days' notice to a rolling 3 year redemption with 65 days' notice.	All funds contain side pockets.
Relative Value	2	20,138,068	N.A.	None	N.A.	Rolling 3 year redemption with 90 days' notice.	One fund consists of side pockets only.
Event Driven / Distressed / High Yield	5	64,080,297	N.A.	None	N.A.	Ranges between quarterly redemption with 65 days' notice to a rolling 2 year redemption with 90 days' notice.	Side pockets exist for three funds. One fund has a lock-up which expires 50% in fiscal 2013 and 50% in fiscal 2014.
Inflation Hedging	2	24,191,015	N.A.	None	N.A.	Ranges between monthly redemption to quarterly redemption with 60 days' notice.	One fund has a lock-up which expires in fiscal 2012.
Total Marketable Alternative Assets	24	\$ 254,839,484					

2011							
Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions
Nonmarketable Alternative Assets:							
Fund of Funds	1	\$ 269,452	1 year	\$ -	N.A.	As underlying investments are sold.	None
Buyouts and Growth Capital	16	36,161,666	1 to 10 yrs	13,526,653	1 to 10 yrs	As underlying investments are sold.	None
Venture Capital	9	17,472,946	1 to 10 yrs	3,401,302	2 to 10 yrs	As underlying investments are sold.	None
Distressed	4	10,351,804	6 to 11 yrs	2,723,308	11 years	As underlying investments are sold.	None
Private/Mezzanine Debt	3	1,958,824	2 to 6 yrs	4,146,185	3 years	As underlying investments are sold.	None
Real Assets	4	14,942,887	5 to 9 yrs	3,815,437	5 to 9 yrs	As underlying investments are sold.	None
Secondary Funds	3	3,232,508	1 to 3 yrs	-	N.A.	As underlying investments are sold.	None
Total Nonmarketable Alternative Assets	40	84,390,087		27,612,885			
Total Alternative Investments	64	\$ 339,229,571		\$ 27,612,885			

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2010							
Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions
Marketable Alternative Assets Fund of Funds	2	\$ 36,419,995	N.A.	None	N.A.	Annual with 90 days' notice.	None
Equity Long/Short	8	74,096,249	N.A.	None	N.A.	Ranges between quarterly redemption with 30 days' notice to annual redemption with 45 days' notice. One fund has a redemption fee if liquidated prior to March 2013.	Two funds have remaining lock-ups which expire in fiscal 2011. Side pockets exist for two funds.
Multi-Strategy	3	24,172,357	N.A.	None	N.A.	Ranges between annual redemption with 45 days' notice to a rolling 3 year redemption with 65 days' notice.	All funds contain side pockets.
Relative Value	2	18,130,319	N.A.	None	N.A.	Rolling 3 year redemption with 90 days' notice.	One fund consists of side pockets only.
Event Driven/Distressed/High Yield	4	56,062,459	N.A.	None	N.A.	Ranges between quarterly redemption with 65 days' notice to annual redemption with 90 days' notice.	Side pockets exist for two funds.
Inflation Hedging	1	14,164,069	N.A.	None	N.A.	Monthly	None
Total Marketable Alternative Assets	20	\$ 223,045,448					

2010							
Alternative Investment Strategy	Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions
Nonmarketable Alternative Assets: Fund of Funds	1	\$ 323,261	1 year	\$ -	N.A.	As underlying investments are sold.	None
Buyouts and Growth Capital	16	28,817,384	1 to 11 yrs	16,944,722	1 to 11 yrs	As underlying investments are sold.	None
Venture Capital	8	11,675,807	1 to 7 yrs	2,663,662	1 to 7 yrs	As underlying investments are sold.	None
Distressed	5	10,975,452	1 to 7 yrs	475,480	1 to 7 yrs	As underlying investments are sold.	None
Private/Mezzanine Debt	2	1,361,298	1 year	-	N.A.	As underlying investments are sold.	None
Real Assets	4	13,288,531	6 to 10 yrs	4,770,545	6 to 10 yrs	As underlying investments are sold.	None
Secondary Funds	3	3,265,365	1 to 4 yrs	181,499	3 to 4 yrs	As underlying investments are sold.	None
Total Nonmarketable Alternative Assets	39	69,707,098		25,035,908			
Total Alternative Investments	59	\$ 292,752,546		\$ 25,035,908			

The Museum's investment portfolio is exposed to various risks, such as interest rate, market risk and credit risk. Because of the level of risk associated with such investments, changes in their values will occur and such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

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The following table summarizes investments within the fair value hierarchy as of June 30, 2011:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Cash equivalents	\$ 15,716,362	\$ -	\$ -	\$ 15,716,362
U.S. common and preferred stocks	63,613,796	-	-	63,613,796
Foreign common and preferred stocks, including ADR's	16,824,964	64,441,514	-	81,266,478
Fixed income	42,823,854	19,882,028	-	62,705,882
Marketable alternative investments	-	83,742,617	171,096,867	254,839,484
Nonmarketable alternative investments	-	-	84,390,087	84,390,087
Split-interest agreements	-	5,040,086	-	5,040,086
Perpetual trusts	-	-	2,820,678	2,820,678
Operating investments*	<u>-</u>	<u>8,232,621</u>	<u>-</u>	<u>8,232,621</u>
 Total	 <u>\$ 138,978,976</u>	 <u>\$ 181,338,866</u>	 <u>\$ 258,307,632</u>	 <u>\$ 578,625,474</u>

*Operating investments consist of operating cash invested in certificates of deposit, treasuries and government agencies.

The following table summarizes investments within the fair value hierarchy as of June 30, 2010:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Cash equivalents	\$ 12,908,851	\$ -	\$ -	\$ 12,908,851
U.S. common and preferred stocks	55,388,148	-	-	55,388,148
Foreign common and preferred stocks, including ADR's	24,442,972	47,122,916	-	71,565,888
Fixed income	41,895,245	15,481,956	-	57,377,201
Marketable alternative investments	-	53,225,667	169,819,781	223,045,448
Nonmarketable alternative investments	-	-	69,707,098	69,707,098
Split-interest agreements	-	4,254,922	-	4,254,922
Perpetual trusts	-	-	2,461,251	2,461,251
Operating investments*	<u>-</u>	<u>7,014,058</u>	<u>-</u>	<u>7,014,058</u>
 Total	 <u>\$ 134,635,216</u>	 <u>\$ 127,099,519</u>	 <u>\$ 241,988,130</u>	 <u>\$ 503,722,865</u>

*Operating investments consist of operating cash invested in certificates of deposit, treasuries and government agencies.

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Excluded from the summary of investments within the fair value hierarchy but included in the Museum's long-term investments is pending trade receivables and payables, and accrued interest and dividends receivable.

The following tables summarize the changes in fair values associated with Level III investments for the years ended June 30, 2011 and 2010:

Level III Investments	Beginning Balance at June 30, 2010	Realized Gains	Change in Unrealized Gains (Losses)	Net Purchases (Sales and Settlements)	Net Transfers Out of Level III	Ending Balance at June 30, 2011
Marketable Alternative Investments:						
Fund of Funds	\$ 36,419,995	\$ -	\$ 3,761,065	\$ -	\$ -	\$ 40,181,060
Equity Long/Short	44,255,778	17,013,130	(9,270,246)	(17,513,129)	-	34,485,533
Multi-Strategy	24,172,357	174,282	1,958,206	(174,282)	-	26,130,563
Relative Value	18,130,319	-	2,113,737	(105,988)	-	20,138,068
Event Driven/Distressed/ High Yield	46,841,332	-	3,376,671	10,000,000	(15,434,783)	44,783,220
Inflation Hedging	-	-	(621,577)	6,000,000	-	5,378,423
Nonmarketable Alternative Assets:						
Fund of Funds	323,261	42,320	(53,809)	(42,320)	-	269,452
Buyouts and Growth Capital	28,817,384	1,872,326	6,451,826	(979,870)	-	36,161,666
Venture Capital	11,675,807	-	4,934,821	862,318	-	17,472,946
Distressed	10,975,452	210,243	2,078,689	(2,912,580)	-	10,351,804
Private/Mezzanine Debt	1,361,298	200,047	(37,217)	434,696	-	1,958,824
Real Assets	13,288,531	-	4,256,031	(2,601,675)	-	14,942,887
Secondary Funds	3,265,365	212,854	252,819	(498,530)	-	3,232,508
Perpetual Trusts	2,461,251	-	359,427	-	-	2,820,678
Total	\$ 241,988,130	\$ 19,725,202	\$ 19,560,443	\$ (7,531,360)	\$ (15,434,783)	\$ 258,307,632

Level III Investments	Beginning Balance at June 30, 2009	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Net Purchases (Sales and Settlements)	Net Transfers In (Out) of Level III	Ending Balance at June 30, 2010
Marketable Alternative Investments:						
Fund of Funds	\$ 33,493,588	\$ -	\$ 2,926,407	\$ -	\$ -	\$ 36,419,995
Equity Long/Short	39,561,313	-	4,694,465	-	-	44,255,778
Multi-Strategy	21,697,773	78,279	2,474,584	(78,279)	-	24,172,357
Relative Value	14,955,559	-	3,174,760	-	-	18,130,319
Event Driven/Distressed/ High Yield	49,944,565	-	5,385,634	-	(8,488,867)	46,841,332
Inflation Hedging	12,908,694	-	-	-	(12,908,694)	-
Nonmarketable Alternative Assets:						
Fund of Funds	426,615	231,179	(103,354)	(231,179)	-	323,261
Buyouts and Growth Capital	23,740,684	481,408	3,681,845	913,447	-	28,817,384
Venture Capital	11,742,280	(226,177)	492,193	(332,489)	-	11,675,807
Distressed	7,980,119	39,851	3,036,801	(81,319)	-	10,975,452
Private/Mezzanine Debt	1,541,004	8,092	150,682	(338,480)	-	1,361,298
Real Assets	11,918,435	-	709,888	660,208	-	13,288,531
Secondary Funds	3,305,330	143,152	217,811	(400,928)	-	3,265,365
Perpetual Trusts	-	-	163,958	-	2,297,293	2,461,251
Total	\$ 233,215,959	\$ 755,784	\$ 27,005,674	\$ 110,981	\$ (19,100,268)	\$ 241,988,130

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The gains and losses shown in the tables above are reflected in the accompanying 2011 and 2010 consolidated statements of activities.

During the year ended June 30, 2011, the Museum transferred \$24,655,910 from Level III to Level II due to the absence of side pocket arrangements at June 30, 2011 for one fund. Additionally, \$9,221,127 was transferred from Level II to Level III due to the lapsing of a liquidity restriction.

The Museum's current endowment spending policy, as authorized by the Museum's Board of Trustees, is to distribute an amount equal to 5% of the average of the estimated fair value of the total Pooled Endowment for the 12 preceding quarters, calculated annually as of March 31st, to be distributed in the following fiscal year to support Museum operations. Additionally, the Board may from time to time authorize additional draws for plant and other purposes. Distributions are allocated among funds on a unit basis.

The following table presents a summary of investment returns, net of investment return designated for operations, pursuant to the Museum's endowment spending policy, for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 4,034,760	\$ 3,873,811
Realized gains	32,412,852	2,909,431
Unrealized gains*	<u>57,970,905</u>	<u>52,520,951</u>
Total gains on investments, before investment expenses	94,418,517	59,304,193
Investment expenses	<u>(1,740,332)</u>	<u>(1,634,842)</u>
Total gains on investments, after investment expenses	92,678,185	57,669,351
Less: Distribution from endowment to operations and plant pursuant to spending policy**	<u>(27,969,634)</u>	<u>(28,752,510)</u>
Investment gains, net of amounts designated for operations	<u>\$ 64,708,551</u>	<u>\$ 28,916,841</u>

* Included in unrealized gains is the change in value of split-interest agreements and perpetual trusts of \$641,346 and \$1,659,593 in 2011 and 2010, respectively, and operating investments of \$11,704 and \$12,873 in 2011 and 2010, respectively.

** Included in plant contributions, grants and miscellaneous income is \$828,083 and \$870,943 in 2011 and 2010, respectively, of investment return from endowment to operations and plant pursuant to the Museum's spending policy.

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Under the Museum's charitable gift annuities program and for charitable remainder trusts where the Museum is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or other life beneficiaries. Upon termination of a life interest, the share of the corpus attributable to the life interest holder becomes available to the Museum, if any. Changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments are recognized annually by the Museum, based on actuarially determined valuations. The discount rates used to value split-interest agreements at June 30, 2011 and 2010 ranged from 2.0% to 8.2%, each year, and are set at the time the original gift is made. Contribution revenue is recognized at the date split-interest agreements are established.

6. ENDOWMENT

The Museum's endowment consists of approximately 215 individual funds established to support a variety of Museum purposes. The endowment consists of donor-restricted endowment funds (funds contributed by a donor with the intent that the funds be invested, spent in part, and otherwise preserved as endowment). The endowment also includes Board-designated gifts (gifts that could be spent currently but instead were set aside by the Board to be invested and spent in a manner similar to donor-restricted endowment funds). As required by U.S. GAAP, net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions or relevant law.

One of the financial objectives of the Museum's endowment, per the Museum's endowment spending policy, is to provide support for the Museum's annual operations and to provide funding for certain non-operating activities, including capital needs, as such needs or opportunities arise.

In order to accomplish this financial objective, the primary investment strategy for the endowment over the long-term is to generate an average total return equal to the Museum's spending policy, plus an amount sufficient to fund investment-related expenses and inflation. While this is the Museum's long-term objective, it is recognized that due to market circumstances the Museum may not be able to achieve this objective in a particular year or years, and may surpass this objective in other years.

In order to meet this investment objective, while also maintaining prudent levels of risk and liquidity, the Museum maintains a highly diversified investment portfolio.

The portfolio is invested by external investment managers in consultation with external advisors. Investments are made through separate accounts or commingled vehicles, including funds, trusts, and limited partnerships and similar interests.

In September 2010, the New York Prudent Management of Institutional Funds Act became effective. All not-for-profit organizations formed in New York, including the Museum, must comply with this law, commencing with the Museum's 2011 fiscal year. The application of NYPMIFA resulted in a reclassification of \$94,420,382 of unspent earnings (e.g., interest, income, dividends and appreciation) from unrestricted net assets to temporarily restricted net assets by reason of a provision in NYPMIFA that deems all unspent donor-restricted endowment as restricted until appropriated by the Board of the Museum (hence "temporarily restricted"). In accordance with NYPMIFA, the Museum applies a standard of prudence and considers the following factors prescribed by NYPMIFA in making a determination to appropriate for expenditure or to accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund

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- (2) The purposes of the Museum and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or 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, and
- (8) Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on the Museum.

The Museum classifies the following donor-restricted funds as permanently restricted net assets, unless otherwise stipulated by the donor: (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. Board-designated endowment is classified as unrestricted.

Total endowment net assets include the pooled endowment and accrued endowment expenses and exclude endowment related pledges, split-interest agreements, perpetual trusts, and operating investments.

The following table summarizes endowment net asset composition by type of fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (249,701)	\$ 226,014,958	\$ 147,607,723	\$373,372,980
Board-designated endowment funds	<u>202,034,856</u>	<u>-</u>	<u>-</u>	<u>202,034,856</u>
Total endowment funds	<u>\$201,785,155</u>	<u>\$ 226,014,958</u>	<u>\$ 147,607,723</u>	<u>\$575,407,836</u>

The following table summarizes endowment net asset composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (2,373,174)	\$100,144,940	\$136,553,150	\$234,324,916
Board-designated endowment funds	<u>272,940,212</u>	<u>-</u>	<u>-</u>	<u>272,940,212</u>
Total endowment funds	<u>\$270,567,038</u>	<u>\$100,144,940</u>	<u>\$136,553,150</u>	<u>\$507,265,128</u>

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The following tables summarize changes in endowment net assets for the fiscal years 2011 and 2010:

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$270,567,038	\$100,144,940	\$136,553,150	\$507,265,128
Net asset reclassification based on change in law (NYPMIFA adoption)	(94,420,382)	94,420,382	-	-
Endowment net assets after reclassification	<u>176,146,656</u>	<u>194,565,322</u>	<u>136,553,150</u>	<u>507,265,128</u>
Contributions and bequests	140,252	3,699,564	3,769,570	7,609,386
Appropriation of endowment assets for expenditure	(10,265,397)	(17,704,237)	-	(27,969,634)
Interest and dividends	1,410,594	2,567,657	-	3,978,251
Investment gains (realized and unrealized)	33,548,252	46,600,450	7,285,003	87,433,705
Net distributions to support non-operating purposes	(2,909,000)	-	-	(2,909,000)
Other, primarily net assets released from restrictions	<u>3,713,798</u>	<u>(3,713,798)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u><u>\$201,785,155</u></u>	<u><u>\$226,014,958</u></u>	<u><u>\$147,607,723</u></u>	<u><u>\$575,407,836</u></u>

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$245,737,866	\$ 93,536,511	\$128,917,982	\$468,192,359
Contributions and bequests	2,843,294	6,153,407	3,793,401	12,790,102
Appropriation of endowment net assets for expenditure	(16,904,538)	(11,847,972)	-	(28,752,510)
Interest and dividends	2,179,341	1,694,469	-	3,873,810
Investment gains (realized and unrealized)	32,291,121	17,093,108	3,841,767	53,225,996
Net distributions to support non-operating purposes	(2,791,000)	-	-	(2,791,000)
Other, primarily net assets released from restrictions and redesignations	<u>7,210,954</u>	<u>(6,484,583)</u>	<u>-</u>	<u>726,371</u>
Endowment net assets, end of year	<u><u>\$270,567,038</u></u>	<u><u>\$100,144,940</u></u>	<u><u>\$136,553,150</u></u>	<u><u>\$507,265,128</u></u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Museum to retain as a fund of perpetual duration. In accordance with U.S. GAAP, cumulative deficiencies of this nature that have been charged to unrestricted net assets totaled \$249,701 and \$2,373,174, respectively, at June 30, 2011 and 2010. These deficiencies generally resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

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7. PLANT AND EQUIPMENT, NET

Plant and equipment, net, consists of the following at June 30, 2011 and 2010:

	Range of Estimated Useful Lives	2011	2010
Buildings and leasehold improvements	5 - 40 years	\$ 665,380,722	\$ 598,651,137
Equipment, furniture and fixtures	5 years	64,680,021	61,031,797
Construction-in-progress		<u>47,726,835</u>	<u>87,994,870</u>
Gross Plant and Equipment		777,787,578	747,677,804
Less: Accumulated Depreciation and Amortization		<u>(315,787,344)</u>	<u>(292,497,000)</u>
Plant and Equipment, net		<u>\$ 462,000,234</u>	<u>\$ 455,180,804</u>

In accordance with U.S. GAAP, the Museum accounts for conditional asset retirement obligations to reflect the cost associated with the eventual remediation of asbestos on certain Museum collections and portions of the buildings in which they reside. At June 30, 2011 and 2010, the Museum's present value liability for conditional asset retirement obligations totaled approximately \$2,200,000 and is included in the accompanying consolidated statements of financial position in accounts payable and accrued liabilities.

Because the Museum's buildings and land are owned by the City, responsibility for remediation costs associated with the removal of asbestos and other hazardous materials within the construct of the buildings is allocated between the City and the Museum at the time of project origination. Until a project exists, the range of time over which remediation may be required is unknown and the costs to the Museum cannot reasonably be estimated. Accordingly, any building remediation where a remediation project has not been entered into between the City and the Museum cannot be measured and has not been recorded in the accompanying consolidated financial statements.

During fiscal year 2011, the Museum entered into a capital lease for office equipment. The lease extends through fiscal year 2015 and has total remaining cash payments due, inclusive of interest, of \$474,335 (with monthly payments of \$10,541). The net book value of the equipment is \$252,385 at June 30, 2011, and is included in plant and equipment, net, in the accompanying 2011 consolidated statement of financial position. Additionally, the amount due under this capital lease of \$252,385 is included in accounts payable and accrued liabilities in the accompanying 2011 consolidated statement of financial position.

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8. LINE OF CREDIT

The Museum has a Loan Agreement with Bank of America (“B of A”) that became effective on April 1, 2004, has been successively renewed upon each scheduled maturity and is currently set to expire on June 26, 2012. Payment is due at maturity, unless the agreement continues to be renewed. The amount available under the B of A Loan Agreement is \$40,000,000. As of June 30, 2011 and 2010, \$13,000,000 and \$13,300,000, respectively, was outstanding under this Loan Agreement. Amounts borrowed under this Loan Agreement bear interest based on LIBOR or the Federal Funds Rate and are reset every 30 days. The interest rate in effect at June 30, 2011 and 2010 was 0.6927% and 0.64969%, respectively. There are no financial covenants under the B of A Loan Agreement.

9. LOANS FROM TRUST FOR CULTURAL RESOURCES

Since 1991, the Trust for Cultural Resources of the City of New York (the “Trust”) has periodically issued tax-exempt bonds on behalf of the Museum. The proceeds of these bond issuances have been loaned to the Museum for the purpose of paying a portion of the costs incurred for the construction, expansion, improvement and rehabilitation of facilities operated by the Museum and to refinance outstanding debt. For each series of bonds issued, the Museum has entered into a loan agreement with the Trust that obligates the Museum to make payments to the Trust equal to principal installments (including any sinking fund requirements), interest, and any premium payable on redemption of the bonds.

On June 24, 2008, the Trust issued a total of \$174,630,000 of tax-exempt bonds (the “Series 2008 Bonds”), comprised of \$39,290,000 Series 2008A1 Bonds, \$39,290,000 Series 2008A2 Bonds, \$49,490,000 Series 2008B1 Bonds, \$25,225,000 Series 2008B2 Bonds, and \$21,335,000 Series 2008B3 Bonds on behalf of the Museum for the purpose of refinancing the Series 2004B, Series 2004C, and Series 2007A Bonds. The Series 2004B, Series 2004C and Series 2007A Bonds are defeased and no longer outstanding.

On July 10, 2009, the Trust issued \$17,940,000 Series 2009A Bonds on behalf of the Museum for the purpose of refinancing the Series 1993A Bonds and terminating the Museum’s interest rate swap with AIG Financial Products (“AIG”). The Bonds were issued at an original premium of \$1,698,830, resulting in total proceeds of \$19,638,830. A portion of the proceeds of the Series 2009A Bonds was used to establish an escrow account in the amount of \$18,546,956. The balance of the bond proceeds was used to fund a swap termination fee to AIG and to pay related bond issuance costs. As a result of the refinancing, the Museum recognized a loss of \$32,009, which is reflected in the accompanying 2010 consolidated statement of activities.

A portion of the escrow account was used to redeem \$12,365,000 of the Series 1993A Bonds on July 10, 2009 and to pay accrued interest on these bonds from the last interest payment date (April 1, 2009) until July 10, 2009, and a portion, together with interest earnings thereon, was used to redeem the balance of remaining Series 1993A Bonds (\$5,880,000) on October 7, 2009, and to pay interest on these bonds from the last interest payment date (April 1, 2009) until October 7, 2009.

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The amounts outstanding as of June 30, 2011 and 2010 for all bonds issued by the Trust for the benefit of the Museum are as follows:

<u>Series</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>2011 Amount Outstanding</u>	<u>2010 Amount Outstanding</u>
Series 2004A	5.00%	July 1, 2044	\$ 79,360,000	\$ 79,360,000
Series 2008A1	Variable Rate Bonds (1)	April 1, 2027	39,290,000	39,290,000
Series 2008A2	Variable Rate Bonds (2)	April 1, 2027	39,290,000	39,290,000
Series 2008B1	Variable Rate Bonds (3)	April 1, 2044	49,490,000	49,490,000
Series 2008B2	Variable Rate Bonds (4)	April 1, 2044	25,225,000	25,225,000
Series 2008B3	Variable Rate Bonds (5)	April 1, 2029	20,175,000	21,335,000
Series 2009A	4.00% to 5.00%	April 1, 2021	17,940,000	17,940,000
	Outstanding Bonds		270,770,000	271,930,000
	Series 2009A Unamortized Bond Premium		1,294,527	1,496,679
			<u>\$ 272,064,527</u>	<u>\$ 273,426,679</u>

The Series 2008A1 Bonds bear interest at a variable rate, adjustable weekly, and can be converted to fixed interest rates at the option of the Museum. On June 30, 2011 and 2010, the interest rate on the Series 2008A1 Bonds was .04% and 0.13%, respectively. As discussed below, in 2007 the Museum entered into an interest rate swap agreement with a declining notional amount consistent with the amortization of the Series 2008A1 Bonds. This swap effectively fixes the interest rate on the Series 2008A1 Bonds at 4.4%.

- (1) The Series 2008A2 Bonds bear interest at a variable rate, adjustable weekly, and can be converted to fixed interest rates at the option of the Museum. On June 30, 2011 and 2010, the interest rate on the Series 2008A2 Bonds was .03% and 0.18%, respectively. As discussed below, in 2007 the Museum entered into an interest rate swap agreement with a declining notional amount consistent with the amortization of the Series 2008A2 Bonds. This swap effectively fixes the interest rate on the Series 2008A2 Bonds at 4.4%.
- (2) The Series 2008B1 Bonds bear interest at a variable rate, adjustable weekly, and can be converted to fixed interest rates at the option of the Museum. On June 30, 2011 and 2010, the interest rate on the Series 2008B1 Bonds was .05% and 0.25%, respectively. As discussed below, in 2005 the Museum entered into an interest rate swap agreement with a declining notional amount consistent with the amortization of the Series 2008B1 Bonds. This swap effectively fixes the interest rate on the Series 2008B1 Bonds at 3.95%.
- (3) The Series 2008B2 Bonds bear interest at a variable rate, adjustable weekly, and can be converted to fixed interest rates at the option of the Museum. On June 30, 2011 and 2010, the interest rate on the Series 2008B2 Bonds was .05% and 0.25%, respectively. As discussed below, in 2007 the Museum entered into an interest rate swap agreement with a declining notional amount consistent with the amortization of the Series 2008B2 Bonds. This swap now effectively fixes the interest rate on the Series 2008B2 Bonds at 3.62%.

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- (4) The Series 2008B3 Bonds bear interest at a variable rate, adjustable weekly, and can be converted to fixed interest rates at the option of the Museum. On June 30, 2011 and 2010, the interest rate on the Series 2008B3 Bonds was .05% and 0.25%, respectively. As discussed below, in 2005 the Museum entered into an interest rate swap agreement with a declining notional amount consistent with the amortization of the Series 2008B3 Bonds. This swap effectively fixes the interest rate on the Series 2008B3 Bonds at 3.95%.

Each series of bonds described herein is subject to optional and mandatory redemption by the Trust at the direction of the Museum, as defined in the bond resolutions for each series of bonds.

Principal and sinking fund requirements and estimated interest payments due under the loan agreements assuming: 1) interest on the Series 2008A1 and 2008A2 Bonds at 4.4%; 2) interest on the Series 2008B1 Bonds at 3.95%; 3) interest on the Series 2008B2 Bonds at 3.62%; and, 4) interest on the Series 2008B3 Bonds at 3.95% for fiscal years 2012, 2013, 2014, 2015 and 2016 is \$13,122,000, \$13,095,000, \$14,248,000, \$14,247,000 and \$14,838,000, respectively. Actual cash principal payments for the years ended June 30, 2011 and 2010 amounted to \$1,160,000 and \$0, respectively. Actual cash interest payments for the years ended June 30, 2011 and 2010 amounted to \$11,752,898 and \$13,395,198, respectively.

Payment of principal and interest on the Series 2004A Bonds is insured by MBIA Insurance Corporation (“MBIA”). The purchase price on the Series 2008A1 and Series 2008A2 Bonds, which are tendered but not remarketed, is payable according to the terms of a Standby Bond Purchase Agreement with the B of A. This Agreement terminates on June 22, 2012. The purchase price on the Series 2008B1, Series 2008B2 and Series 2008B3 Bonds, which are tendered but not remarketed, is payable according to the terms of a Standby Bond Purchase Agreement with Wells Fargo. This Agreement terminates on June 23, 2012.

The Museum’s loan agreements have covenants that include a requirement to maintain unrestricted assets, as defined under the agreements, with a market value of at least 90% of the Museum’s total indebtedness. During the years ended June 30, 2011 and 2010, the Museum was in compliance with this covenant and the terms of its loan agreements.

As described above, the Museum has entered into interest rate swap agreements relating to each of its variable rate bond issues, wherein the Museum agrees to pay a counterparty a fixed interest rate and the counterparty agrees to pay the Museum a variable interest rate intended to approximate the variable rate on the Museum’s bonds. The Museum’s swaps are considered Level II financial instruments. The fair value of the swaps, as described above, is based upon the expected future cash flows discounted at the market rate. For swaps that have collateral provisions, no credit spread is utilized when computing the reported fair value.

Under certain circumstances, the Museum or its counterparties may be required to post collateral to secure its obligations under the interest rate swap agreements. In addition, each agreement may be terminated following the occurrence of certain events, at which time the Museum or its counterparties may be required to make a termination payment to the swap counterparty. No parties have been required to post any collateral.

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Concurrent with the issuance of the Series 1993A Bonds, the Museum entered into an amortizing interest rate swap agreement with AIG, wherein the Museum agreed to pay to AIG a fixed rate of interest equal to 4.7% on a notional amount equal to the principal outstanding on the Series 1993A Bonds and receive from AIG a payment equal to the variable rate of interest due on such bonds, consistent with the scheduled amortization of the Series 1993A Bonds. The agreement was terminated in October 2009. The Museum realized a loss on the termination of the swap in the amount of \$778,973 which is included in net loss on bond refinancing and related activities in the accompanying 2010 consolidated statement of activities.

In June 2004, the Museum reached an agreement with Banc of America Securities LLC (“Banc of America”) to sell Banc of America an option to enter into an interest rate swap (“swaption”). Under the terms of the swaption, Banc of America had an option to exercise an amortizing interest rate swap with the Museum on April 3, 2007, with an initial notional amount of \$75,975,000, wherein the Museum would pay a fixed interest rate of 4.4% to Banc of America and Banc of America would pay the Museum a variable rate at 70% of LIBOR, with the amortization of the notional amount of the swap proportional to the amortization of the Series 1997A Bonds. On April 2, 2007, Banc of America exercised its rights granted pursuant to the swaption agreement. At June 30, 2011 and 2010, the notional amount of the swap was \$75,075,000 and \$75,320,000, respectively. The agreement expires on April 1, 2027, coincident with the maturity of the Series 2008A1 and Series 2008A2 Bonds. The Museum’s net benefit or (obligation) under the swap agreement is accounted for on the Museum’s consolidated statement of financial position, at fair value, as an asset or a (liability). The estimated fair value of the swap was \$(15,523,132) at June 30, 2011 and \$(17,862,944) at June 30, 2010. The changes in the fair value of the swap amounted to \$2,339,812 in fiscal 2011 and \$(3,842,844) in fiscal 2010 and were recorded as part of plant expenses in the accompanying consolidated statements of activities. Realized losses on the swap amounted to \$3,172,617 and \$3,181,419 in fiscal 2011 and 2010, respectively, and were recorded as part of interest expense in the accompanying consolidated statements of activities.

In June 2005, the Museum entered into an amortizing interest rate swap agreement with Morgan Stanley (“MS”) with an initial notional amount of \$68,975,000, wherein the Museum agreed to pay to MS a fixed rate of interest equal to 3.95% and receive from MS a payment equal to the variable rate of the Securities Industry and Financial Markets Association (“SIFMA”), with the amortization of the notional amount of the swap consistent with the amortization of the Series 2004C Bonds, now 2008B1 and 2008B3 Bonds. At June 30, 2011 and 2010, the notional amount of the swap was \$68,975,000. The agreement expires coincident with the maturity of the Series 2008B1 Bonds on July 1, 2044. The Museum’s net benefit or (obligation) under the swap agreement is accounted for on the Museum’s consolidated statement of financial position, at fair value, as an asset or a (liability). The estimated fair value of the swap was \$(7,522,655) at June 30, 2011 and \$(8,624,103) at June 30, 2010. The changes in the fair value of the swap amounted to \$1,101,448 in fiscal 2011 and \$(3,917,202) in fiscal 2010 and were recorded as part of plant expenses in the accompanying consolidated statements of activities. Realized losses on the swap amounted to \$2,548,995 and \$2,532,290 in fiscal 2011 and 2010, respectively, and were recorded as part of interest expense in the accompanying consolidated statements of activities.

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In April 2007, the Museum entered into an amortizing interest rate swap agreement with Bank of New York (“BONY”) with an initial notional amount of \$25,225,000, wherein the Museum agreed to pay to BONY a fixed rate of interest equal to 3.62% and receive from BONY a variable rate payment equal to 70% of LIBOR, with the amortization of the notional amount of the swap consistent with the scheduled amortization of the Series 2004B Bonds, now 2008B2 Bonds. At June 30, 2011 and 2010, the notional amount of the swap was \$25,225,000. The agreement expires coincident with the maturity of the Series 2008B2 Bonds on July 1, 2044. The Museum’s net benefit or (obligation) under the swap agreement is accounted for on the Museum’s consolidated statements of financial position, at fair value, as an asset or a (liability). The estimated fair value of the swap was \$(3,983,723) at June 30, 2011 and \$(5,356,368) at June 30, 2010. The changes in the fair value of the swap amounted to \$1,372,645 in fiscal 2011 and \$(1,717,802) in fiscal 2010 and were recorded as part of plant expenses in the accompanying consolidated statements of activities. Realized losses on the swap amounted to \$866,984 and \$865,326 in fiscal 2011 and 2010, respectively, and were recorded as part of interest expense in the accompanying consolidated statements of activities.

The estimated fair value of the Museum’s outstanding bonds at June 30, 2011 and 2010 is \$273,303,992 and \$274,774,677, respectively.

The interest swap agreements at June 30, 2011 are summarized as follows:

Related Bond Issue	Remaining Notional Amount	Fair Value	Unrealized Gain in Fiscal 2011	Counterparty Interest Rate	Museum Fixed Interest Rate	Counterparty	Level
2008A1 Series 2008A2 Series Daily Auction Re-set	\$75,075,000 Expires 2027	\$ (15,523,132)	\$ 2,339,812	Variable rate equal to 70% of LIBOR.	4.40 %	Banc of America	II
2008B1 Series 2008B3 Series Weekly Auction Re-set	\$68,975,000 Expires 2044	(7,522,655)	1,101,448	Variable rate equal to the SIFMA index.	3.95 %	MS	II
2008B2 Series Weekly Auction Re-set	\$25,225,000 Expires 2044	<u>(3,983,723)</u>	<u>1,372,645</u>	Variable rate equal to 70% of LIBOR.	3.62 %	BONY	II
		<u>\$ (27,029,510)</u>	<u>\$ 4,813,905</u>				

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The interest rate swap agreements at June 30, 2010 are summarized as follows:

<u>Related Bond Issue</u>	<u>Remaining Notional Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain in Fiscal 2010</u>	<u>Counterparty Interest Rate</u>	<u>Museum Fixed Interest Rate</u>	<u>Counterparty</u>	<u>Level</u>
2008B2 Series Weekly Auction Re-set	\$25,225,000 Expires 2044	\$ (5,356,368)	\$ (1,717,802)	Variable rate equal to 70% of LIBOR.	3.62 %	BONY	II
2008B1 Series 2008B3 Series Weekly Auction Re-set	\$68,975,000 Expires 2044	(8,624,103)	(3,917,202)	Variable rate equal to the SIFMA index.	3.95 %	MS	II
2008A1 Series 2008A2 Series Daily Auction Re-set	\$75,320,000 Expires 2027	<u>(17,862,944)</u>	<u>(3,842,844)</u>	Variable rate equal to 70% of LIBOR.	4.40 %	Banc of America	II
		<u>\$ (31,843,415)</u>	<u>\$ (9,477,848)</u>				

10. POSTRETIREMENT HEALTH AND LIFE INSURANCE BENEFITS

The Museum provides a postretirement benefit plan for medical, dental and life insurance (“the Plan”). The Museum provides health insurance benefits for eligible employees and their dependents and life insurance benefits for a grandfathered group of employees who were eligible as of July 1, 1971 and have elected to maintain eligibility. These plans are not funded; however, their cost is accrued as a liability during the service lives of eligible employees.

The healthcare benefit is contributory with participants’ contributions adjusted periodically. The dental benefit is also contributory. The life insurance benefit is noncontributory.

The Medicare Modernization Act of 2003 was enacted into law on December 8, 2003. The Act provides a prescription benefit for Medicare eligible retirees under Part D. The Act also provides a subsidy to employers who already provide a prescription drug benefit that is equivalent to the Medicare Part D Benefit. The Museum’s plan for nonunion retirees is expected to be actuarially equivalent to Part D and the Museum is expected to apply for and receive a subsidy for its Medicare eligible retirees. In accordance with U.S. GAAP, the effect of the subsidy on the Museum’s obligations has been measured and has been reflected in the expense and obligations for 2011 and 2010. The reduction in the obligation has been treated as a gain in accordance with U.S. GAAP.

The actuarial valuation was based on certain economic assumptions including the assumption that employee contributions will increase at 4.5% per annum.

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The actuarial valuations of the postretirement health, dental and life insurance benefit obligations for fiscal 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Benefit obligation, beginning of year	\$ 48,134,805	\$ 41,645,985
Service cost	1,309,827	1,217,804
Interest cost	2,715,658	2,550,064
Plan participants' contributions	358,275	300,229
Medicare Part D payments	73,534	58,589
Actuarial loss	605,087	4,775,109
Benefits paid	<u>(2,848,845)</u>	<u>(2,412,975)</u>
Consolidated statement of financial position/benefit obligation, end of year	<u>\$ 50,348,341</u>	<u>\$ 48,134,805</u>

Change in Plan assets for fiscal 2011 and 2010 included:

	<u>2011</u>	<u>2010</u>
Fair value of Plan assets, beginning of year	\$ -	\$ -
Museum contributions	2,417,036	2,054,157
Medicare Part D	73,534	58,589
Plan participants' contributions	358,275	300,229
Benefits paid	<u>(2,848,845)</u>	<u>(2,412,975)</u>
Fair value of Plan assets, end of year	<u>\$ -</u>	<u>\$ -</u>

Amounts recognized in unrestricted net assets consist of:

Net actuarial loss	\$ 16,662,845	\$ 17,022,959
Prior unamortized service credit	<u>(19,857)</u>	<u>(237,845)</u>
Total amount recognized	<u>\$ 16,642,988</u>	<u>\$ 16,785,114</u>

Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost:

Amortization of unrecognized net loss	\$ 918,395	\$ 965,201
Amortization of prior service credit	<u>(19,857)</u>	<u>(217,988)</u>
Total amount to be recognized	<u>\$ 898,538</u>	<u>\$ 747,213</u>

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Weighted average assumptions as of June 30th (measurement date):

	<u>2011</u>	<u>2010</u>
Discount rate	5.75 %	5.75 %
Expected return on Plan assets	N/A	N/A
Initial trend for the coming fiscal year	6.50 %	7.00 %
Ultimate trend rate	4.50 %	4.50 %
Fiscal year in which ultimate trend is attained	2017	2017

The actuarially determined components of the net periodic postretirement health, dental and life insurance benefit costs consist of the following:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 1,309,827	\$ 1,217,804
Interest cost	2,715,658	2,550,064
Amortization of actuarial loss	965,201	696,249
Amortization of prior service cost	<u>(217,988)</u>	<u>(609,760)</u>
Net periodic benefit cost	<u>\$ 4,772,698</u>	<u>\$ 3,854,357</u>

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

Impact of a 1% Increase in Medical Trend:

On obligations at year end	\$ 7,803,993
On service and interest costs	\$ 704,460

Impact of a 1% Decrease in Medical Trend:

On obligations at year end	\$ (7,460,895)
On service and interest costs	\$ (599,540)

Projected cash outflows for the years ending June 30th are as follows:

	<u>Without Subsidy</u>	<u>With Subsidy</u>
2012	\$ 2,112,437	\$ 1,954,584
2013	2,245,943	2,071,437
2014	2,362,411	2,167,094
2015	2,497,191	2,282,730
2016	2,610,856	2,374,828
2017 through 2021	16,048,024	14,627,978

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11. RETIREMENT PLANS

The Museum participates in the Cultural Institution Retirement System Pension Plan (“CIRS Plan”), a multi-employer defined benefit plan funded by the participating employers. To be eligible under this plan, employees must be over 21 years old and employed for a minimum of one year.

CIRS is responsible for administering all aspects of the CIRS Plan, including the investment of CIRS Plan assets that are held in trust for beneficiaries of the CIRS Plan by State Street Bank.

The Museum also participates in a 401(k) Savings Plan (“Savings Plan”) administered by CIRS. Under this plan, employees make contributions to the Savings Plan and direct the investment of their funds, based on the investment options offered by the Savings Plan. To be eligible under this plan, employees must be over 21 years old and employed for a minimum of three months. Employees are eligible for matching contributions from their employers.

CIRS is responsible for administering all aspects of the 401(k) Plan, including the selection of investment providers for the Savings Plan. Savings Plan assets are held in trust for the beneficiaries of the Savings Plan by State Street Bank.

Total CIRS Plan and Savings Plan costs paid by the Museum for eligible employees, exclusive of payments made directly by the City, amounted to \$4,964,133 and \$5,457,218 for the years ended June 30, 2011 and 2010, respectively.

The Museum established and maintains supplemental executive retirement plans for key employees. These plans are unfunded and contingent upon meeting specified service requirements and represent actuarially determined general obligations of the Museum of approximately \$3,678,201 and \$3,338,290 at June 30, 2011 and 2010, respectively. At June 30, 2011 and 2010, the aggregate amount included in unrestricted net assets is (\$61,281) and (\$222,000), respectively.

12. NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Restricted for:		
Scientific research	\$ 101,983,178	\$ 74,108,188
Education and public programs	10,953,848	9,063,585
Exhibitions	9,003,875	8,098,207
Capital projects	3,497,329	7,566,216
Passage of time	5,649,218	12,036,277
Debt service	36,425,510	32,336,724
Awaiting appropriation by Board of Trustees - otherwise unrestricted	99,243,373	-
Total	<u>\$ 266,756,331</u>	<u>\$ 143,209,197</u>

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Net assets were released from donor restrictions due to the passage of time, performance of activities satisfying the restricted purposes specified by the donors, and/or by appropriation by the Board of Trustees as follows:

	<u>2011</u>	<u>2010</u>
Operating:		
Passage of time (cash receipt of prior period pledges)	\$ 2,468,402	\$ 5,831,861
Expenditures satisfying donor-imposed purpose restrictions	17,938,229	16,956,610
Appropriation by the Board of Trustees (otherwise unrestricted)	9,167,126	-
	<u>29,573,757</u>	<u>22,788,371</u>
Nonoperating:		
Passage of time (cash receipt of prior period pledges)	3,374,564	5,653,407
Expenditures satisfying donor-imposed capital purpose restrictions	4,070,460	2,662,471
Expenditures satisfying endowment purpose restrictions	339,234	2,304,363
	<u>7,784,258</u>	<u>10,620,241</u>
Total	<u>\$ 37,358,015</u>	<u>\$ 33,408,612</u>

The Museum's permanently restricted net assets are comprised of gift arrangements where the Museum is obligated to retain the original value of the gift in perpetuity and of perpetual trusts, split-interest agreements and endowment pledges receivable. In addition, donors have restricted the income on these permanently restricted net assets to the purposes shown below:

	<u>2011</u>	<u>2010</u>
Scientific research	\$ 50,013,944	\$ 48,591,347
Education and public programs	52,573,504	47,416,878
Exhibitions	17,530,712	14,588,065
Unrestricted	36,182,643	34,537,258
Other	1,500,000	1,492,678
Total permanently restricted net assets	<u>\$ 157,800,803</u>	<u>\$ 146,626,226</u>

13. SUPPORT FROM THE CITY OF NEW YORK

The Museum bills the City for the cost of certain operating salaries, primarily guardianship, and expenses (the "DCA-Obligation Plan") up to a maximum amount determined by the City in its annual budget process. These amounts were recognized as operating revenue in the month the expenses were incurred. The Museum also receives City support for certain contractually defined capital expenditures that it records as nonoperating capital support when the Museum has met all the requirements to bill the City.

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The City pays the Museum's energy costs and pension costs for certain categories of employees. The City provides a statement of these expenditures to the Museum, which records them as operating revenue with an offsetting amount to operating expense. The City, as owner of the Museum buildings and land, also at times directly contracts for, manages, and pays the costs of certain repairs and maintenance projects and other capital projects. These costs are not reflected in the accompanying consolidated financial statements.

The following represents City support for the years ended June 30, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
Operating Support:		
Energy	\$ 7,124,221	\$ 6,035,730
Pension	1,011,378	1,118,379
DCA - Benefit Obligation Plan	<u>8,833,709</u>	<u>9,814,153</u>
	16,969,308	16,968,262
Capital Support	<u>20,055,298</u>	<u>854,739</u>
Total City Support	<u>\$ 37,024,606</u>	<u>\$ 17,823,001</u>

14. COMMITMENTS AND CONTINGENCIES

The Museum has entered into an operating lease for a facility located in the City to be used for storage purposes through fiscal year 2015. Total future minimum rental commitments due under the terms of this lease agreement are approximately as follows:

Year ending June 30:	
2012	\$ 238,000
2013	244,000
2014	249,000
2015	<u>105,000</u>
Total	<u>\$ 836,000</u>

In addition, the Museum has entered into various construction contracts. The Museum also maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not yet received during the year. Encumbrances totaled approximately \$22,488,200 at June 30, 2011. Outstanding encumbrances do not constitute expenses or liabilities and are not reflected in the accompanying consolidated financial statements.

The Museum is a defendant in several lawsuits which have arisen in the normal course of its operations. Additionally, amounts received and expended by the Museum under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, the resolution of such matters will not have a material effect on its consolidated financial statements.

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15. FUNCTIONAL EXPENSES

The following presents the natural expense classifications by program and support area for fiscal year 2011 and in total for fiscal year 2010 and reflects the allocation of depreciation, amortization and interest generally on the basis of the department for which the assets were purchased or constructed; the allocation of guardianship, maintenance and operating costs on the basis of square footage; and the allocation of plant administration expenses to general and administrative expenses. The following classification of expenses excludes the change in value of interest rate swap agreements and other pension related activities.

	<u>Scientific Research</u>	<u>Exhibitions</u>	<u>Auxiliary Activities</u>	<u>Education</u>	<u>Visitor Services</u>	<u>Membership</u>	<u>Subtotal Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Supporting Services</u>	<u>Total 2011</u>	<u>Total 2010</u>
Payroll and fringe benefits	\$ 35,221,837	\$ 15,274,315	\$ 6,843,291	\$ 10,420,440	\$ 5,643,228	\$ 1,161,176	\$ 74,564,287	\$ 17,460,468	\$ 4,066,002	\$ 21,526,470	\$ 96,090,757	\$ 93,836,701
Supplies	1,822,964	1,149,196	222,463	781,099	173,627	23,405	4,172,754	470,613	79,044	549,657	4,722,411	5,137,449
Energy services	3,041,316	3,126,194	447,924	149,783	132,665	13,552	6,911,434	174,034	47,075	221,109	7,132,543	6,035,730
Outside services and insurance	1,897,885	2,069,464	1,932,527	1,472,109	492,941	57,495	7,922,421	1,440,087	472,399	1,912,486	9,834,907	11,039,081
Professional fees	519,629	327,455	2,382,809	1,685,089	99,554	250,324	5,264,860	2,665,599	126,251	2,791,850	8,056,710	6,471,358
Depreciation and amortization	9,931,003	10,208,158	1,462,634	489,097	433,200	44,252	22,568,344	568,284	153,716	722,000	23,290,344	23,020,955
Interest	5,357,071	5,506,577	788,987	263,833	233,681	23,871	12,174,020	306,549	82,919	389,468	12,563,488	12,973,666
Other	6,298,383	1,208,908	11,206,598	1,500,979	1,806,645	287,554	22,309,067	2,649,888	607,221	3,257,109	25,566,176	26,688,312
Total 2011	<u>\$ 64,090,088</u>	<u>\$ 38,870,267</u>	<u>\$ 25,287,233</u>	<u>\$ 16,762,429</u>	<u>\$ 9,015,541</u>	<u>\$ 1,861,629</u>	<u>\$ 155,887,187</u>	<u>\$ 25,735,522</u>	<u>\$ 5,634,627</u>	<u>\$ 31,370,149</u>	<u>\$ 187,257,336</u>	
Total 2010	<u>\$ 62,256,803</u>	<u>\$ 38,018,482</u>	<u>\$ 27,606,667</u>	<u>\$ 15,819,121</u>	<u>\$ 9,128,898</u>	<u>\$ 1,694,458</u>	<u>\$ 154,524,429</u>	<u>\$ 25,188,856</u>	<u>\$ 5,489,967</u>	<u>\$ 30,678,823</u>		<u>\$ 185,203,252</u>