

Field Museum of Natural History

Financial Statements as of and for the
Years Ended December 31, 2008 and 2007,
Additional Information for the
Year Ended December 31, 2008, and
Independent Auditors' Report

FIELD MUSEUM OF NATURAL HISTORY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The Field Museum of Natural History (the "Museum") as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Museum. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Museum as of December 31, 2008 and 2007, and the changes in its net assets and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the consolidated financial statements include investments valued at \$113,153,301 (21% of total assets) and \$241,015,143 (38% of total assets) as of December 31, 2008 and 2007, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are provided by external investment managers and are examined through a valuation review process performed by management.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Museum taken as a whole. The additional information included in the Schedule of Department Expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. This schedule is the responsibility of the management of the Museum. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have issued our report dated May 26, 2009, on our consideration of the Museum's internal control over financial reporting and our tests of its compliance with certain provisions, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Deloitte & Touche LLP

May 26, 2009

FIELD MUSEUM OF NATURAL HISTORY

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
Cash	\$ 926,721	\$ 171,316
Interest and dividends receivable	187,401	669,398
Accounts receivable	3,420,343	3,002,744
Pledges receivable	26,254,316	15,024,141
Museum stores inventory	1,687,697	1,915,213
Investments	229,759,092	335,149,306
Museum property	276,511,712	278,607,069
Other assets	4,645,605	5,028,367
Collections	<u>1</u>	<u>1</u>
TOTAL	<u>\$ 543,392,888</u>	<u>\$ 639,567,555</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Line of credit	\$ 6,740,000	\$ 8,000,000
Accounts payable	3,788,781	3,932,593
Accrued expenses	4,387,580	3,641,986
Deferred revenue	7,938,391	9,233,642
Accrued pension cost	7,526,561	2,526,973
Asset retirement obligations	8,950,389	8,601,312
Interest rate swap	20,810,438	3,207,591
Notes payable	<u>179,000,000</u>	<u>179,000,000</u>
Total liabilities	<u>239,142,140</u>	<u>218,144,097</u>
NET ASSETS:		
Unrestricted	196,720,103	319,478,400
Temporarily restricted	46,880,383	54,277,043
Permanently restricted	<u>60,650,262</u>	<u>47,668,015</u>
Total net assets	<u>304,250,748</u>	<u>421,423,458</u>
TOTAL	<u>\$ 543,392,888</u>	<u>\$ 639,567,555</u>

See notes to financial statements.

FIELD MUSEUM OF NATURAL HISTORY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES:				
Chicago Park District property tax remittances	\$ 7,011,000	\$ -	\$ -	\$ 7,011,000
Government grants	3,062,113			3,062,113
Private grants and contracts	2,725,561			2,725,561
Investment return	15,857,000			15,857,000
Contributions	7,632,535	14,114,217	10,982,247	32,728,999
Sponsorships	2,876,377			2,876,377
Memberships	2,261,247			2,261,247
Admissions	9,822,559			9,822,559
Program service fees	2,524,655			2,524,655
Business enterprises (Museum stores, special events, and food services)	10,359,279			10,359,279
Other	611,275			611,275
Total operating revenues	64,743,601	14,114,217	10,982,247	89,840,065
NET ASSETS RELEASED FROM RESTRICTIONS FOR OPERATIONS	3,988,062	(3,988,062)		-
Total revenue and other support	68,731,663	10,126,155	10,982,247	89,840,065
OPERATING EXPENSES:				
Collections and research	20,213,889			20,213,889
Environment, culture, and conservation	3,353,174			3,353,174
Exhibitions	11,577,173			11,577,173
Education and library	3,152,997			3,152,997
Other Museum services	16,754,268			16,754,268
Administration	2,714,763			2,714,763
Institutional advancement	4,032,297			4,032,297
Marketing and public relations	2,522,354			2,522,354
Business enterprises (Museum stores, special events, and food services)	5,865,272			5,865,272
Interest and amortization	6,522,452			6,522,452
Total operating expenses	76,708,639	-	-	76,708,639
CHANGE IN NET ASSETS RESULTING FROM OPERATING REVENUES AND EXPENSES	(7,976,976)	10,126,155	10,982,247	13,131,426
NONOPERATING ITEMS:				
Investment return	(100,473,500)	(12,839,821)		(113,313,321)
Government grants for capital improvements	243,666			243,666
Private grants and contracts for capital improvements	2,090,366			2,090,366
Capital campaign contributions	3,927,289	1,203,000		5,130,289
Capital campaign expenses	(2,726,366)			(2,726,366)
Unrealized loss on interest rate swap	(17,612,847)			(17,612,847)
Capital grant expense	(100,000)			(100,000)
Net assets released from restrictions for:				-
Capital improvements	1,643,827	(1,643,827)		-
Capital campaign	4,237,167	(4,237,167)		-
Change in donor designation	(1,995,000)	(5,000)	2,000,000	-
Pension-related changes other than net periodic pension cost	(4,015,923)			(4,015,923)
Total nonoperating items	(114,781,321)	(17,522,815)	2,000,000	(130,304,136)
CHANGE IN NET ASSETS	(122,758,297)	(7,396,660)	12,982,247	(117,172,710)
NET ASSETS — Beginning of year	319,478,400	54,277,043	47,668,015	421,423,458
NET ASSETS — End of year	\$ 196,720,103	\$ 46,880,383	\$ 60,650,262	\$ 304,250,748

See notes to financial statements.

FIELD MUSEUM OF NATURAL HISTORY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES:				
Chicago Park District property tax remittances	\$ 6,108,327	\$ -	\$ -	\$ 6,108,327
Government grants	3,194,382			3,194,382
Private grants and contracts	2,237,434			2,237,434
Investment return	13,915,000			13,915,000
Contributions	6,794,533	4,670,305	1,166,588	12,631,426
Sponsorships	1,929,236			1,929,236
Memberships	1,908,899			1,908,899
Admissions	8,756,011			8,756,011
Program service fees	1,644,483			1,644,483
Business enterprises (Museum stores, special events, and food services)	9,536,553			9,536,553
Other	962,456			962,456
Total operating revenues	56,987,314	4,670,305	1,166,588	62,824,207
NET ASSETS RELEASED FROM RESTRICTIONS FOR OPERATIONS	4,672,208	(4,672,208)		-
Total revenue and other support	61,659,522	(1,903)	1,166,588	62,824,207
OPERATING EXPENSES:				
Collections and research	18,710,648			18,710,648
Environment, culture, and conservation	3,781,902			3,781,902
Exhibitions	10,775,869			10,775,869
Education and library	3,361,286			3,361,286
Other Museum services	16,203,369			16,203,369
Administration	2,473,703			2,473,703
Institutional advancement	3,505,474			3,505,474
Marketing and public relations	3,000,341			3,000,341
Business enterprises (Museum stores, special events, and food services)	6,158,852			6,158,852
Interest and amortization	7,351,536			7,351,536
Total operating expenses	75,322,980	-	-	75,322,980
CHANGE IN NET ASSETS RESULTING FROM OPERATING REVENUES AND EXPENSES	(13,663,458)	(1,903)	1,166,588	(12,498,773)
NONOPERATING ITEMS:				
Investment return	10,571,844	3,561,669		14,133,513
Government grants for capital improvements	18,008			18,008
Private grants and contracts for capital improvements	1,385,450			1,385,450
Capital campaign contributions	3,637,776	2,312,157		5,949,933
Capital campaign expenses	(3,423,760)			(3,423,760)
Proceeds from sales of collection items	750,000			750,000
Unrealized loss on interest rate swap	(1,625,156)			(1,625,156)
Net assets released from restrictions for:				
Capital improvements	2,950,980	(2,950,980)		-
Capital campaign	5,040,962	(5,040,962)		-
Change in donor designation	713,289	(213,289)	(500,000)	-
Net assets transfer	(5,058,781)	3,658,909	1,399,872	-
Total nonoperating items	14,960,612	1,327,504	899,872	17,187,988
CUMULATIVE EFFECT OF ADOPTION OF SFAS No. 158	(742,978)			(742,978)
CHANGE IN NET ASSETS	554,176	1,325,601	2,066,460	3,946,237
NET ASSETS — Beginning of year	318,924,224	52,951,442	45,601,555	417,477,221
NET ASSETS — End of year	\$319,478,400	\$54,277,043	\$47,668,015	\$421,423,458

See notes to financial statements.

FIELD MUSEUM OF NATURAL HISTORY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in net assets	\$ (117,172,710)	\$ 3,946,237
Adjustments to reconcile net change in net assets to net cash provided by operating activities:		
Cumulative effect of change in accounting principle — SFAS 158		742,978
Pension-related changes other than net periodic pension cost	4,015,923	
Depreciation	11,453,891	10,862,290
Net change in appreciation/(depreciation)	100,272,014	(25,252,429)
Contributions permanently restricted for endowment	(10,982,247)	(1,166,588)
Changes in operating assets and liabilities:		
Interest and dividends receivable	481,997	(254,881)
Accounts receivable	(417,599)	6,459,095
Pledges receivable	(11,230,175)	2,587,671
Museum stores inventory	227,516	(84,051)
Other assets	382,762	(196,969)
Accounts payable	551,501	(1,889,059)
Accrued expenses	18,348,441	1,654,215
Deferred revenue	(1,295,251)	379,816
Accrued pension cost	983,665	818,799
	<u>(4,380,272)</u>	<u>(1,392,876)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(52,072,324)	(74,768,754)
Proceeds from sales of investments	57,190,524	81,473,547
Purchases of Museum property	<u>(9,704,770)</u>	<u>(12,318,474)</u>
	<u>(4,586,570)</u>	<u>(5,613,681)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions permanently restricted for endowment	10,982,247	1,166,588
Borrowings under line of credit	34,987,000	27,815,000
Repayment of line of credit borrowings	(36,247,000)	(21,815,000)
Repayment of notes payable		<u>(300,000)</u>
	<u>9,722,247</u>	<u>6,866,588</u>
NET INCREASE (DECREASE) IN CASH	755,405	(139,969)
CASH — Beginning of year	<u>171,316</u>	<u>311,285</u>
CASH — End of year	<u>\$ 926,721</u>	<u>\$ 171,316</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 6,374,839</u>	<u>\$ 7,358,562</u>
Accounts payable for construction in progress	<u>\$ 159,212</u>	<u>\$ 854,525</u>

See notes to financial statements.

FIELD MUSEUM OF NATURAL HISTORY

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. BASIS OF PRESENTATION

The Field Museum of Natural History (the “Museum”) is a private institution providing collection-based research, exhibits, and public education. The Museum focuses on diversity in the world’s physical environments and cultures. The Museum’s collections amount to more than 24 million natural objects and man-made artifacts spanning the Museum’s four disciplines — Anthropology, Botany, Geology, and Zoology. The Museum’s collection is also the basis for the Environment, Culture, and Conservation endeavors.

The financial statements of the Museum for the years ended December 31, 2008 and 2007, have been prepared on the accrual basis of accounting. To ensure observance of limitations and restrictions placed on the use of resources available to the Museum, the accounts of the Museum are maintained in accordance with the principles of fund accounting. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into net asset categories. Accordingly, all financial transactions have been recorded by fund and reported by category.

The Museum classifies all business operations as revenues and expenses in the statements of activities except nonoperating items. Operating expenses are classified by functional categories that reflect Museum operations. Nonoperating items include government and private grants for capital improvement reimbursements, the excess of investment earnings under the total return concept (see Note 2), capital campaign activity, proceeds from sales of collection items, and the unrealized loss on interest rate swap, as these funds are not available for operating purposes.

Net assets released from restriction pledged to the capital campaign and for capital improvements are classified as nonoperating items.

Net Assets — Unrestricted net assets include the current operating, special purpose, unrestricted long-term investment, and property accounts. The current operating accounts consist of revenues available for support of Museum operations and the related expenses, along with related assets and liabilities. The special purpose accounts include assets that have been designated by the Board of Trustees or Museum administration for special projects and the changes in net assets related thereto. Unrestricted long-term investment accounts include assets that have been designated by the Board of Trustees to function as endowments and the related changes in net assets. Board designated funds were \$149,163,048 and \$246,594,956 at December 31, 2008 and 2007. Property accounts include (i) the building, building improvements, equipment, and exhibits, as well as the depreciation thereto, (ii) accounts pertaining to Chicago Park District capital improvement reimbursements, and (iii) accounts related to the Museum’s notes payable to the Illinois Finance Authority (see Note 7).

Temporarily restricted net assets consist of contributions, and investment income that have been restricted by donors for specified purposes or the existence of time restrictions on gifts. When restricted purposes have been met, such net assets are transferred as “net assets released from restrictions.”

Permanently restricted net assets include assets that are subject to restrictions of the gift requiring that the principal be invested in perpetuity and only the income be expended, as well as income that is similarly restricted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cash — Cash reflects currency and deposits in checking accounts with a financial institution that may be deposited or withdrawn without restriction or penalty.

Museum Stores Inventories — Inventories are stated at the lower of average cost or market.

Investments and Investment Income — Other than the Museum's investment in a limited partnership, investments are reported at fair value. Equity securities with readily determinable fair values and debt securities are valued at the last sales price (if quotations are readily available) or at the closing bid price in the principal market in which such securities are normally traded (if no sales price is available). Certain fixed-income securities are valued based on dealer-supplied valuations.

The estimated fair values of equity securities that do not have readily determined fair values, and of other investments, are based on estimates provided by external investment managers and are examined through a valuation review process performed by management. A range of possible values exists for these securities, and therefore the estimated values may differ from the values that would have been used had a ready market for these securities existed (see Note 3).

The investment in the limited partnership is stated at the appraisal value as of the date of the gift and will be adjusted on a periodic basis as appropriate to its estimated fair market value. Investment income is recorded in net assets appropriate to the restriction, as follows:

- a. The Museum utilizes the "total return" concept to allocate investment income earned on permanently restricted and unrestricted long-term investments.

Under the total return concept, a Board-approved spending rate (5.5% of a three-year moving average fund balance as of June 30 in 2008 and 2007) is first satisfied from interest and dividend income, and the balance is provided, if necessary, from realized capital gains. Investment income is recorded as unrestricted unless the donor imposed restrictions on the use of such income.

- b. Unless specified by the donor, investment income earned on temporarily restricted investments is recorded in unrestricted net assets.

Properties — Properties are stated at cost and are depreciated on a straight-line basis over their estimated useful lives, which range between 5 and 40 years. Interest on borrowings used to fund capital projects is capitalized and amortized over the life of the asset. Maintenance and repair costs are charged to expense as incurred and betterments are capitalized. Cost and the equivalent accumulated depreciation are netted from the financial statement amounts when an asset is fully depreciated.

Deferred Revenue and Charges — The Museum recognizes revenue and expenses of auxiliary activities during the period in which the activity is conducted.

Issuance costs associated with long-term notes payable are deferred and amortized ratably over the life of the related notes.

Asset Retirement Obligations — Asset retirement obligations include those for which the Museum has a legal obligation to perform an asset retirement activity, however, the timing and (or) method of settling the obligation are conditional on a future event that may or may not be within the Museum's control. The Museum records all known asset retirement obligations for which the fair value of the liability can be reasonably estimated, including certain obligations relating to regulatory remediation.

Collections — The Museum's collections are made up of artifacts of historical, cultural, or scientific significance that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, 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 deposited in the endowment with earnings to be used to acquire other items for collections or provide for the direct care of existing collections.

In accordance with the practice generally followed by museums, the value of objects in the collections is excluded from the financial statements; collections are reflected in the accompanying financial statements at a nominal value of \$1. Such collections were acquired through purchases and contributions since the Museum's inception. 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 are restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in net assets.

During 2008, there were no sales of collection items. During 2007, the Museum sold collection items for \$750,000. In accordance with Museum policy, the proceeds were deposited in the Board-designated endowment with earnings to be used for future collection acquisitions.

Contributions — Contributions are recognized as revenue upon the earlier of the receipt of a donor's unconditional written pledge to contribute or upon receipt of the contribution. The contributions are classified based upon the existence or absence of donor-imposed restrictions.

Contributed Services — The Museum records certain types of in-kind support, including professional services, as contribution revenue. Contributed professional 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 amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of the Museum's programs. Such services do not meet the criteria for recognition as a contribution as described above and, therefore, their value is not reflected in the accompanying financial statements.

Chicago Property Tax Revenues — The Museum receives support from property taxes that are collected by the Chicago Park District. These tax revenues are accrued to match the fiscal year allocation by the Chicago Park District.

Income Taxes — The Museum is exempt from income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code and comparable Illinois statute.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. The Museum adopted FIN 48 for the year ended December 31, 2007. The adoption had no impact on the financial statements for 2008 or 2007.

Fair Value of Financial Instruments — The Museum's financial instruments include cash, interest and dividends receivable, accounts receivable, pledges receivable, investments, accounts payable, and notes payable. The fair values of cash, interest and dividends receivable, and investments are based upon market quotes (see Note 3). The fair values of accounts receivable, pledges receivable, accounts payable, and notes payable are estimated by management to approximate their carrying values at December 31, 2008 and 2007.

Derivative Financial Instrument — The Museum uses interest rate swaps to hedge overall exposure to variable rate debt. The swap agreements are not designated as a hedge for accounting purposes and are recorded at fair value.

Institutional Advancement — Institutional advancement consists of expenses related to fund raising activities, the membership program, and activities of Museum support groups.

Functional Allocation of Expenses — The costs of providing Museum programs and administration have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to the various functions to the extent possible.

Early Retirement Program — The Museum offered an Early Retirement program in 2008. The total cost was \$1.1 million. These salary expenses were allocated to the various departments as incurred.

Pension Plan — In September 2007, the FASB issued Statement of Financial Accounting Standard No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). SFAS No. 158 requires an entity to recognize the overfunded or underfunded status of a defined benefit pension plan as an asset or liability in its statement of financial position. The Museum adopted SFAS No. 158 as of December 31, 2007 resulting in a charge to unrestricted net assets of \$742,978 in 2007.

Net Asset Transfers — During 2007, the Museum recorded an out-of-period adjustment to the financial statements resulting from the accounting in prior years for certain endowment earnings as (1) unrestricted when there was a donor-restriction on the earnings or (2) temporarily restricted when no donor-restriction existed. This adjustment is reflected as net asset transfers in the financial statements. The use of endowment earnings was compliant with donor intent and Museum management endowment policy. Management believes the accounting adjustment is not material to the financial statements as of and for the year ended December 31, 2007.

Accounting Pronouncements — In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 redefines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Museum has adopted SFAS No. 157 for 2008. See the impact of SFAS No. 157 in Note 3.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 provides entities an option to report selected financial assets at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption had no impact on the financial statements for 2008.

FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* In August 2008, the FASB issued FSP FAS 117-1 requiring an organization subject to an enacted version of the 2006 Uniform Prudent management of Institutional funds Act (UPMIFA) to classify a portion of a perpetual donor-restricted endowment fund as permanently restricted net assets — however, the State of Illinois introduced legislation in 2008 for UPMIFA, but has not yet enacted it as of December, 31, 2008.

Also, FSP 117-1 requires all not-for-profits organizations with donor–restricted or board-restricted endowment funds to make extensive new disclosures about such funds regardless of whether an organization is subject to an enacted version of UPMIFA. The objective of the disclosures is to provide information so that financial statements users can understand the fund classification, fund composition, changes in fund composition, spending policies, and related investment policies pertaining to an organization’s endowment funds. See the impact of FSP 117-1 in Note 4.

In March 2008, the FASB issued FASB Statement No. 161, *Disclosure about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133*. FASB Statement No. 161, which is effective for fiscal years beginning after November 15, 2008, expands the disclosure requirements in Statement No. 133 about an entity’s derivative instruments and hedging activities. The Museum continues to assess the impact of the application of FASB Statement No. 161 on its financial statements.

FSP FAS 132(R)-1, *Employers’ Disclosures about PostRetirement Benefit Plan Assets* (FSP No. 132(R)-1). In December 2008, The FASB issued FSP No. 132(R)-1 to provide guidance on an employer’s disclosure about plan assets of a defined benefit pension or other postretirement plan. The new disclosure requirements for FSP FAS 132(R)-1 are effective for fiscal years ending after December 15, 2009. The Museum will assess the impact of the application of FSP FAS 132(R)-1 on its consolidated financial statements.

3. INVESTMENTS

Under the Museum Articles of Incorporation and its By-Laws, overall responsibility for the establishment of policies and general governance of the Museum is entrusted to its Board of Trustees. The Investment Committee reports to the Board and is responsible for recommending, reviewing and monitoring policies and programs affecting the finances of the Museum. There were no changes in 2008 to the Endowment Investment Policy.

Investments at December 31, 2008 and 2007 consisted of the following:

	2008	2007
Money market funds	\$ 15,218,561	\$ 1,548,720
Equity securities	86,116,094	154,382,710
Fixed income securities	45,077,950	48,516,699
Hedged equity funds	28,867,406	60,053,684
Absolute return funds	52,475,239	68,887,493
Investment in limited partnership	1,760,000	1,760,000
Other investments	<u>243,842</u>	<u> </u>
Total	<u>\$ 229,759,092</u>	<u>\$ 335,149,306</u>

Following is a summary of the investment return and its classification for the years ended December 31, 2008 and 2007, in the statements of activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
For the year ended December 31, 2008:				
Interest and dividends	\$ 3,188,464	\$ 441,861	\$ -	\$ 3,630,325
Net realized gains (loss)	(4,701,779)	(775,239)		(5,477,018)
Change in net unrealized gains (loss)	(82,288,553)	(12,506,443)		(94,794,996)
Investment manager fees	<u>(814,632)</u>	<u> </u>	<u> </u>	<u>(814,632)</u>
Total return reported in the statement of activities	<u>\$ (84,616,500)</u>	<u>\$ (12,839,821)</u>	<u>\$ -</u>	<u>\$ (97,456,321)</u>
Classified as follows:				
Operating revenues	\$ 15,857,000	\$ -	\$ -	\$ 15,857,000
Nonoperating items	<u>(100,473,500)</u>	<u>(12,839,821)</u>	<u> </u>	<u>(113,313,321)</u>
Total	<u>\$ (84,616,500)</u>	<u>\$ (12,839,821)</u>	<u>\$ -</u>	<u>\$ (97,456,321)</u>
For the year ended December 31, 2007:				
Interest and dividends	\$ 3,326,732	\$ 425,229	\$ -	\$ 3,751,961
Net realized gains	14,510,666	2,098,228		16,608,894
Change in net unrealized gains	7,654,213	989,322		8,643,535
Investment manager fees	<u>(955,877)</u>	<u> </u>	<u> </u>	<u>(955,877)</u>
Total return on investments	24,535,734	3,512,779	-	28,048,513
Investment return reclassified based on donor-imposed restrictions — interest and dividends	<u>(48,890)</u>	<u>48,890</u>	<u> </u>	<u>-</u>
Total return reported in the statement of activities	<u>\$ 24,486,844</u>	<u>\$ 3,561,669</u>	<u>\$ -</u>	<u>\$ 28,048,513</u>
Classified as follows:				
Operating revenues	\$ 13,915,000	\$ -	\$ -	\$ 13,915,000
Nonoperating items	<u>10,571,844</u>	<u>3,561,669</u>	<u> </u>	<u>14,133,513</u>
Total	<u>\$ 24,486,844</u>	<u>\$ 3,561,669</u>	<u>\$ -</u>	<u>\$ 28,048,513</u>

FASB Statement No. 157, Fair Value Measurements — FASB Statement No. 157 establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurements.

4. ENDOWMENT

The Museum's endowment is comprised of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Funds With Deficiencies — The market 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. At December 31, 2008, these deficiencies totaled \$6,072,623, with \$1,366,932 reported as unrestricted net assets and \$4,705,691 reported as temporarily restricted net assets. These deficiencies resulted from extraordinary market conditions in 2008. There were no such deficiencies as of December 31, 2007.

Cumulative Endowment Contributions by Type of Fund as of December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 9,289,171	\$ (1,131,828)	\$ 54,075,683	\$ 62,233,026
Board designated endowment funds	<u>152,420,475</u>	<u>10,561,433</u>	<u> </u>	<u>162,981,908</u>
Total funds	<u>\$ 161,709,646</u>	<u>\$ 9,429,605</u>	<u>\$ 54,075,683</u>	<u>\$ 225,214,934</u>

Changes in Endowment Funds for the year ended December 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds — beginning of year	<u>\$ 259,584,036</u>	<u>\$ 21,919,231</u>	<u>\$ 46,882,493</u>	<u>\$ 328,385,760</u>
Investment return:				
Investment income	3,004,466	400,175		3,404,641
Net depreciation (realized and unrealized)	<u>(89,886,622)</u>	<u>(12,020,028)</u>	<u> </u>	<u>(101,906,650)</u>
Total investment return	<u>(86,882,156)</u>	<u>(11,619,853)</u>	<u>-</u>	<u>(98,502,009)</u>
Additions (New cash gifts and pledge payments)	<u>34,566</u>	<u>499,050</u>	<u>5,993,190</u>	<u>6,526,806</u>
Appropriation of endowment assets for expenditure	<u>(14,797,852)</u>	<u>(1,445,439)</u>	<u> </u>	<u>(16,243,291)</u>
Other changes:				
Transfers	<u> </u>	<u>45,562</u>	<u>1,200,000</u>	<u>1,245,562</u>
Transfers to create board-designated endowment funds	<u>3,771,052</u>	<u>31,054</u>	<u> </u>	<u>3,802,106</u>
Endowment funds — end of year	<u>\$ 161,709,646</u>	<u>\$ 9,429,605</u>	<u>\$ 54,075,683</u>	<u>\$ 225,214,934</u>

Cumulative Endowment Contributions by Type of Fund as of December 31, 2007:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 25,670,295	\$ 11,933,464	\$ 46,882,493	\$ 84,486,252
Board designated endowment funds	<u>233,913,741</u>	<u>9,985,767</u>	<u> </u>	<u>243,899,508</u>
Total funds	<u>\$ 259,584,036</u>	<u>\$ 21,919,231</u>	<u>\$ 46,882,493</u>	<u>\$ 328,385,760</u>

Changes in Endowment Funds for the year ended December 31, 2007:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds — beginning of year	<u>\$ 253,104,237</u>	<u>\$ 11,358,263</u>	<u>\$ 44,787,922</u>	<u>\$ 309,250,422</u>
Investment return:				
Investment income	3,059,044	378,157		3,437,201
Net appreciation (realized and unrealized)	<u>22,160,806</u>	<u>2,732,079</u>	<u> </u>	<u>24,892,885</u>
Total investment return	<u>25,219,850</u>	<u>3,110,236</u>	<u> </u>	<u>28,330,086</u>
Additions				
(New cash gifts and pledge payments)	<u>801,332</u>	<u>821,336</u>	<u>1,194,700</u>	<u>2,817,368</u>
Appropriation of endowment assets for expenditure	<u>(13,255,499)</u>	<u>(1,280,720)</u>	<u> </u>	<u>(14,536,219)</u>
Other Changes:				
Transfers	<u>(8,809,987)</u>	<u>7,910,116</u>	<u>899,871</u>	<u> </u>
Transfers to create board-designated endowment funds	<u>2,524,103</u>	<u> </u>	<u> </u>	<u>2,524,103</u>
Endowment funds — end of year	<u>\$ 259,584,036</u>	<u>\$ 21,919,231</u>	<u>\$ 46,882,493</u>	<u>\$ 328,385,760</u>

5. MUSEUM PROPERTY

Museum property at December 31, 2008 and 2007, consisted of the following:

	2008	2007
Building and building improvements	\$ 281,621,146	\$ 275,734,592
Exhibit hall improvements (excluding artifacts and historical treasures)	91,836,468	89,599,670
Research and office equipment	<u>13,033,354</u>	<u>11,652,085</u>
Total property and equipment	386,490,968	376,986,347
Less accumulated depreciation	<u>(110,690,738)</u>	<u>(99,585,929)</u>
Net depreciable property and equipment	275,800,230	277,400,418
Construction in progress	<u>711,482</u>	<u>1,206,651</u>
Net property and equipment	<u>\$ 276,511,712</u>	<u>\$ 278,607,069</u>

The Museum operates on land owned by the Chicago Park District and made available to the Museum at no charge. The value of this arrangement is not readily determinable and, accordingly, is not reflected in the accompanying financial statements.

At December 31, 2008, the Museum had construction projects in progress that will cost approximately \$2.6 million to complete.

The Museum has an obligation under the City of Chicago Municipal Code to make changes to its fire suppression systems. The entire building is required to be in compliance with the code by January 1, 2016. The costs of these changes will be approximately \$12.5 million and will be capitalized as incurred.

Asset retirement obligations at December 31, 2007, were adjusted during 2008 as follows:

Balance — January 1, 2008	\$ 8,601,312
Accretion expense	<u>349,077</u>
Balance — December 31, 2008	<u>\$ 8,950,389</u>

6. PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges and revenue of the appropriate net asset category. Pledges are recorded after discounting to the present value of the expected future cash flows using discount rates ranging between 1.55% and 4.70%.

Pledges at December 31, 2008, are expected to be realized in the following periods:

Due within one year	\$ 14,043,681
Due between two to five years	<u>12,820,895</u>
	26,864,576
Allowance for uncollectible accounts	(295,510)
Present value discount	<u>(314,750)</u>
Net pledges receivable	<u>\$ 26,254,316</u>

7. NOTES PAYABLE

Notes payable at December 31, 2008 and 2007, consist of the following amounts due to the Illinois Finance Authority, which issued bonds on the Museum's behalf:

	Original Principal	Principal Outstanding 2008	Principal Outstanding 2007	Maturity Date
Series 2002	\$ 90,000,000	\$ 90,000,000	\$ 90,000,000	November 1, 2036
Series 2000	30,000,000	29,800,000	29,800,000	November 1, 2034
Series 1998	29,000,000	28,900,000	28,900,000	November 1, 2032
Series 1990	20,000,000	20,000,000	20,000,000	November 1, 2025
Series 1985	<u>17,000,000</u>	<u>10,300,000</u>	<u>10,300,000</u>	November 1, 2025
Total	<u>\$ 186,000,000</u>	<u>\$ 179,000,000</u>	<u>\$ 179,000,000</u>	

The Adjustable Rate Demand Revenue Bonds, Series 2000, 1998, and 1990, have adjustable methods of interest rate determination, demand features, and interest payment dates. The Series 1990 Bonds are currently in a commercial paper rate mode, and the Series 1998 and 2000 Bonds are in a weekly rate mode. As of December 31, 2008 and 2007, the Series 1990 Bonds bore interest of 1.70% and 3.45%, respectively. As of December 31, 2008 and 2007, the Series 1998 Bonds bore interest of .75% and 3.43%, respectively. As of December 31, 2008 and 2007, the Series 2000 Bonds bore interest of .75% and 3.43%, respectively.

The Variable Rate Demand Bonds, Series 1985, are subject to redemption beginning November 1, 2016, with sinking fund payments each year until maturity. These bonds are currently in a weekly rate mode. The bonds outstanding at December 31, 2008 and 2007 bore interest of .75% and 3.43%, respectively.

The Series 1985, prior to election to convert to a fixed rate of interest, are secured by credit facilities issued by The Northern Trust Company. In addition, the Series 1985 Bonds are secured by deposits held by the Bond Trustee in a Debt Service Reserve Fund and a Security Fund. The Series 1990 and 1998 Bonds, prior to election to convert to a fixed rate of interest, are secured by credit facilities issued by Bank of America. The Series 2000 Bonds, prior to conversion to a fixed rate of interest, are secured by a credit facility issued by JPMorgan Chase. Effective December 31, 2008, the Museum did not meet the required liquidity ratios for the 1985, 1990, 1998, and 2000 credit facilities. These requirements were waived by the respective banks on May 26, 2009.

The Series 2002 was issued September 12, 2002, as Adjustable Medium Term Revenue Bonds. The bonds are rated A by Standard & Poor's and A2 by Moody's, and are not secured by a letter of credit. The initial adjustable rate periods end November 1, 2009 through November 1, 2016, and the Bonds bear interest at an initial rate of 3.70% to 4.75%, depending on duration. The current blended rate is 4.34%, and interest is payable each November 1 and May 1.

Assets held for debt service totaled \$1,272,062 and \$1,148,438 at December 31, 2008 and 2007, respectively, and are reported with investments in the statements of financial position.

The total interest costs incurred on these bonds in 2008 and 2007 was \$6,376,458 and \$6,998,651, respectively. Capitalized interest is classified as a depreciable asset within property and equipment.

The Museum entered into two interest rate swap agreements to hedge variable interest rate exposure.

- The first swap was in September 2005 which expires on November 1, 2032, effectively fixes the interest rate on a notional value of \$45 million at 3.258% through October 31, 2008, and 4.369% from November 1, 2008 to November 1, 2032.
- The second swap was in June 2008 which is effective January 1, 2009 and expires November 1, 2032. This agreement effectively fixes the interest rate on a notional value of \$43 million at 3.43% for the duration of the 2008 swap.

These agreements are considered derivative financial instruments and are reported at their fair value as a liability of \$20,810,438 and \$3,207,591 at December 31, 2008 and 2007, respectively. The fair value is recorded in accrued liabilities in the statements of financial position. The net change in fair value of the agreement since inception is reported as a separate line item in the nonoperating section of the statements of activities. The differential to be paid is recognized as an adjustment to interest expense, and the related amount payable to the counterparty is included in financial statements.

8. PENSION PLAN

The Museum sponsors a defined benefit pension plan (the "Plan") covering substantially all of its employees that provides pension benefits based on years of service and average compensation, as determined under the Plan. The Museum's funding policy is to contribute amounts necessary to maintain the long-term stability of the Plan.

The change in benefit obligations, change in plan assets, and the composition of the amounts recognized in the accompanying statements of financial position for the years ended December 31, 2008 and 2007, is as follows:

	2008	2007
Accumulated benefit obligation	<u>\$ 14,403,005</u>	<u>\$ 13,953,820</u>
Change in benefit obligation:		
Benefit obligation — beginning of year	\$ 18,227,738	\$ 16,743,722
Service cost	1,093,861	1,068,848
Interest cost	1,090,101	927,736
Actuarial loss (gain)	(1,694,685)	171,967
Benefits paid	<u>(981,594)</u>	<u>(684,535)</u>
Benefit obligation — end of year	<u>\$ 17,735,421</u>	<u>\$ 18,227,738</u>
Change in plan assets:		
Fair value of plan assets — beginning of year	\$ 15,700,764	\$ 15,286,940
Actual return on plan assets	(4,510,310)	1,098,359
Benefits paid	<u>(981,594)</u>	<u>(684,535)</u>
Fair value of plan assets — end of year	<u>\$ 10,208,860</u>	<u>\$ 15,700,764</u>
Accrued pension cost — end of year	<u>\$ (7,526,561)</u>	<u>\$ (2,526,974)</u>

In accordance with SFAS No. 158 adopted by the Museum as of December 31, 2007, the pension plan items not previously recognized as a component of periodic pension, but included as a cumulative separate charge to net assets for the year ended December 31, 2008 and 2007 are as follows:

	2008	2007
Net actuarial loss	\$ 4,665,731	\$ 641,073
Prior service cost	<u>93,169</u>	<u>101,905</u>
Net amount recognized	<u>\$ 4,758,900</u>	<u>\$ 742,978</u>

Net periodic benefit costs expected to be recognized in the next fiscal year are as follows:

	2009	2008
Net actuarial loss	\$ 221,794	\$ -
Prior service cost	<u>8,470</u>	<u>8,736</u>
Net amount recognized	<u>\$ 230,264</u>	<u>\$ 8,736</u>

	2008	2007
Pension liability — beginning of year	\$ (2,526,974)	\$ (1,456,782)
Net periodic pension cost	(983,664)	(818,799)
Pension-related changes other than net periodic pension cost:		
Net actuarial loss	(4,024,659)	(260,128)
Amortization of prior service cost	<u>8,736</u>	<u>8,735</u>
Pension liability — end of year	<u>\$ (7,526,561)</u>	<u>\$ (2,526,974)</u>

The components of net periodic benefit costs for the years ended December 31, 2008 and 2007, is as follows:

	2008	2007
Service cost	\$ 1,093,861	\$ 1,068,848
Interest cost	1,090,101	927,736
Expected return on plan assets	(1,209,033)	(1,186,520)
Amortization of prior-service cost	<u>8,736</u>	<u>8,735</u>
Net periodic pension cost	<u>\$ 983,665</u>	<u>\$ 818,799</u>

The estimated net actuarial loss and prior service cost for the defined benefit pension plan that were amortized into net periodic benefit cost during 2007 and 2008 were \$8,735 and \$8,736, respectively.

The following table presents the key actuarial assumptions used in developing the data:

	2008	2007
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	6.25 %	6.00 %
Rate of compensation increase	4.00	4.50
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	6.00	5.75
Expected return on plan assets	8.00	8.00
Rate of compensation increase	4.50	4.00

The Museum determines the long-term expected rate of return on plan assets by examining historic capital market returns, correlations between asset classes, and the Plan's normal asset allocation. Current and near-term market factors such as inflation and interest rates are then evaluated to arrive at the expected return on plan assets. Peer group, or benchmarking data are also reviewed to ensure a reasonable and appropriate assumption.

The following table represents the Museum’s estimated future benefit payments in each of the next five years and in the aggregate for the five fiscal years thereafter:

Estimated future benefit payments:	
2009	\$ 1,074,000
2010	1,370,000
2011	1,130,000
2012	1,558,000
2013	1,146,000
2014–2018	8,802,000

The following table presents the Museum’s pension plan asset allocation at December 31, 2008 and 2007, by asset category:

	2008	2007	Range
Cash and cash equivalents	1 %	1 %	0–5%
Equity securities	65	71	50–90
Fixed income securities	34	28	20–40
High yield funds	_____	_____	0–10
Total	<u>100 %</u>	<u>100 %</u>	

The Museum’s investment approach is based on modern portfolio theory. Multiple asset classes are implemented in order to obtain the benefits of diversification and maximize long-term return for a given level of risk. Risk tolerance is developed by reviewing the funded status of the plan, duration of the plan liabilities, the income and liquidity requirements, legal constraints, and the financial condition of the Museum. The investment portfolio comprises a diversified combination of cash, equity securities, fixed income securities, and high yield funds. The allocation among equity securities, fixed income securities, high yield funds, and cash is determined by prevailing market conditions and relative valuations among asset classes. The plan’s financial condition is monitored on an ongoing basis by means of quarterly investment portfolio reviews, an annual independent actuarial valuation, and periodic assets/liability studies.

The Museum will contribute to its pension plan in 2009.

9. LINE OF CREDIT

The Museum has an agreement for an unsecured line of credit for \$20,000,000. The agreement bears interest at Federal Fund Rate, plus 0.50% (.64% at December 31, 2008). The Museum is not to exceed \$15,000,000 borrowed without Board of Trustee approval. Total interest costs incurred on the line of credit in 2008 and 2007, were \$73,888 and \$280,779, respectively. At December 31, 2008, \$6,740,000 was borrowed against the line of credit. At December 31, 2007, \$8,000,000 was borrowed against the line of credit.

10. RELATED-PARTY TRANSACTIONS

The Museum Campus Corporation (the “Campus”) is a tax-exempt organization consisting of the Field Museum, Shedd Aquarium, and the Adler Planetarium whose purpose is to attract visitors to the Museum Campus’ centrally located facilities. As of December 31, 2008 and 2007, the Museum has no receivable due from or payable to the Campus.

11. CONTINGENCIES

The Museum participates in a number of federal and state grant programs. The Museum's participation in these programs is subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. A contingent liability was not established because management is not aware of potential reimbursements.

The Museum is also subject to legal proceedings and claims which are incidental to its normal business activities. Management is not aware of any contingent liabilities that would have a material effect on the financial statements.

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ADDITIONAL INFORMATION

FIELD MUSEUM OF NATURAL HISTORY

SCHEDULE OF DEPARTMENT EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2008 (With Comparative Totals for 2007)

	Salaries and Wages	Pension and Employee Benefits	Cost of Sales	Supplies	Postage, Freight, and Miscellaneous	Travel, Dues, and Meetings	Printing and Publications	Professional and Outside Services	Utilities	Depreciation	Repairs and Maintenance	Interest and Amortization	Exhibits and Equipment	2008 Total	2007 Total
COLLECTIONS AND RESEARCH:															
Anthropology	\$ 1,740,879	\$ 584,143	\$ -	\$ 134,025	\$ 97,970	\$ 263,201	\$ 3,643	\$ 382,508	\$ 424,106	\$ 1,710,551	\$ -	\$ -	\$ 1,361	\$ 5,342,387	\$ 5,787,439
Botany	1,417,996	479,793		155,388	152,144	79,257	15,146	136,691	157,771	639,186			42	3,233,414	2,654,648
Geology	1,389,642	495,415		295,176	72,729	89,534	7,702	80,610	175,422	711,148			1,198	3,318,576	2,709,921
Zoology	2,377,607	826,076		274,371	161,567	174,799	46,637	375,132	457,708	1,856,835			21,463	6,572,195	6,572,495
Biodiversity synthesis center	319,022	108,716		71,842	14,265	229,350	2,650	33,857	10,850	43,317				833,869	146,704
Scientific support	172,866	54,162		357,492	82,565	13,821	46,265	51,030	10,409	41,790	83,048			913,448	839,441
Total collections and research	7,418,012	2,548,305		1,288,294	581,240	849,962	122,043	1,059,828	1,236,266	5,002,827	83,048		24,064	20,213,889	18,710,648
ENVIRONMENT, CULTURE AND CONSERVATION:															
Environmental conservation program	991,791	348,987		49,692	7,993	238,166	7,977	713,557	16,399	45,641				2,420,203	2,984,314
Center for cultural understanding and change	519,136	162,406		12,436	13,497	27,201	11,740	161,202	5,616	19,737				932,971	797,588
Total environment, culture and conservation	1,510,927	511,393		62,128	21,490	265,367	19,717	874,759	22,015	65,378				3,353,174	3,781,902
EXHIBITIONS	2,565,745	889,649		671,077	408,347	622,456	73,103	1,386,632	977,962	3,947,760	31,105		3,337	11,577,173	10,775,869
EDUCATION AND LIBRARY:															
Education	808,150	292,729		97,814	4,768	97,857	87,877	404,194	40,177	152,888	536		2,451	1,989,441	2,009,584
Library	467,808	168,286		12,507	4,039	35,735	273,794	17,530	36,081	146,666	1,110			1,163,556	1,351,702
Total education and library	1,275,958	461,015		110,321	8,807	133,592	361,671	421,724	76,258	299,554	1,646		2,451	3,152,997	3,361,286
OTHER MUSEUM SERVICES:															
Finance	875,634	303,044		3,665	4,553	2,229	1,322	10,120	3,818	11,802				1,216,187	1,150,929
Human resources	396,523	130,696		16,377	8,994	54,677	8,992	35,689	8,169	29,324				689,441	675,220
Protection services	1,196,065	429,548		22,699	183	1,984	543	296,602	11,130	33,208	60,549		7,543	2,060,054	1,933,875
Guest relations	706,849	235,566		19,005	2,775	1,447	5,509	109,651	11,671	40,611				1,133,084	1,224,687
Housekeeping	729,140	258,190		109,801	238			417,460	6,888	23,249				1,544,966	1,490,170
Facility planning and operations	949,900	338,802		185,555	86	5,760		1,106,572	322,180	1,313,018	521,800			4,743,673	4,662,895
Technology	523,448	184,110		228,085	5,656	7,590	56	213,448	24,672	32,326	4,613		25	1,224,029	1,323,615
General services	351,686	1,213,453		70,823	597,309	183,764	4,871	1,529,435	39,185	81,248	71,060			4,142,834	3,741,978
Total other Museum services	5,729,245	3,093,409		656,010	619,794	257,451	21,293	3,718,977	427,713	1,564,786	658,022		7,568	16,754,268	16,203,369
ADMINISTRATION	1,432,090	468,926		9,420	10,536	109,221	1,300	642,268	12,031	23,522	3,748		1,701	2,714,763	2,473,703
INSTITUTIONAL ADVANCEMENT:															
Development	475,526	161,964		29,335	17,640	14,187	49,584	1,176,803	31,240	121,831				2,078,110	1,531,180
Auxiliary groups	125,685	44,145		9,411	6,083	21,693	31,275	377,382	3,799	11,847				631,320	767,782
Membership	373,787	127,549		5,863	45,110	1,751	91,144	653,854	7,601	16,208				1,322,867	1,206,512
Total institutional advancement	974,998	333,658		44,609	68,833	37,631	172,003	2,208,039	42,640	149,886				4,032,297	3,505,474
MARKETING AND PUBLIC RELATIONS	555,251	193,287		10,656	12,140	11,537	80,145	1,638,164	5,339	15,835				2,522,354	3,000,341
BUSINESS ENTERPRISES	1,602,649	455,494	2,656,249	29,649	36,363	65,255	2,046	504,621	101,581	384,343	2,382		24,640	5,865,272	6,158,852
INTEREST AND AMORTIZATION												6,522,452		6,522,452	7,351,536
TOTAL EXPENSES 2008	23,064,875	8,955,136	2,656,249	2,882,164	1,767,550	2,352,472	853,321	12,455,012	2,901,805	11,453,891	779,951	6,522,452	63,761	\$ 76,708,639	
TOTAL EXPENSES 2007	\$21,340,105	\$8,289,769	\$2,464,258	\$3,063,089	\$2,494,154	\$2,861,253	\$1,044,360	\$11,633,959	\$2,483,645	\$10,862,290	\$1,245,424	\$7,351,536	\$189,138		\$75,322,980

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
The Field Museum of Natural History
Chicago, Illinois

We have audited the financial statements of The Field Museum of Natural History (the "Museum") as of and for the year ended December 31, 2008, and have issued our report thereon dated May 26, 2009, which contained an explanatory paragraph concerning investments whose fair values have been estimated by management in the absence of readily determinable fair values. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Museum's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Museum's financial statements that is more than inconsequential will not be prevented or detected by the Museum's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Museum's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Museum in a separate letter dated May 26, 2009.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, Museum management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

May 26, 2009