

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
FIELD MUSEUM OF NATURAL HISTORY
DECEMBER 31, 2011 AND 2010**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
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, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as 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 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 the 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Field Museum of Natural History as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of department expenses on pages 33 and 34 are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Chicago, Illinois
May 18, 2012

Field Museum of Natural History
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS	2011	2010
Cash	\$ 1,286,999	\$ 1,194,750
Interest and dividends receivable	229,461	302,694
Accounts receivable	2,965,572	3,151,201
Pledges receivable, net	12,283,275	7,219,215
Museum stores inventories	1,513,224	1,546,856
Investments	284,063,031	310,559,190
Museum property, net	260,508,088	264,919,119
Other assets	3,885,237	4,865,641
Collections	1	1
TOTAL ASSETS	\$ 566,734,888	\$ 593,758,667

LIABILITIES AND NET ASSETS

Liabilities		
Line of credit	\$ 4,550,000	\$ 8,900,000
Accounts payable	3,297,793	3,413,474
Accrued expenses	3,911,779	3,397,670
Deferred revenue	5,106,586	5,855,220
Accrued pension cost	8,355,276	7,828,851
Asset retirement obligations	8,950,389	8,950,389
Interest rate swaps	26,361,529	12,130,495
Notes payable	167,000,000	179,000,000
Total liabilities	227,533,352	229,476,099
Net assets		
Unrestricted	195,563,056	226,401,086
Temporarily restricted	70,539,940	71,028,387
Permanently restricted	73,098,540	66,853,095
Total net assets	339,201,536	364,282,568
TOTAL LIABILITIES AND NET ASSETS	\$ 566,734,888	\$ 593,758,667

The accompanying notes are an integral part of these statements.

Field Museum of Natural History
STATEMENT OF ACTIVITIES
Year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and other support				
Operating revenues				
Chicago Park District property tax remittances	\$ 6,276,236	\$ -	\$ -	\$ 6,276,236
Government grants	3,378,905	-	-	3,378,905
Private grants and contracts	2,650,573	-	-	2,650,573
Investment return	12,030,744	1,969,256	-	14,000,000
Contributions	6,923,977	4,888,250	-	11,812,227
Sponsorships	886,082	-	-	886,082
Memberships	2,920,220	-	-	2,920,220
Admissions	11,198,705	-	-	11,198,705
Program service fees	3,242,920	-	-	3,242,920
Business enterprises	10,336,640	-	-	10,336,640
Other	706,826	-	-	706,826
Total operating revenues	60,551,828	6,857,506	-	67,409,334
Net assets released from restrictions for operations	7,492,402	(7,492,402)	-	-
Total revenue and other support	68,044,230	(634,896)	-	67,409,334
Operating expenses				
Collections and research	12,719,168	-	-	12,719,168
Environment, culture and conservation	4,859,649	-	-	4,859,649
Exhibitions	6,782,370	-	-	6,782,370
Education and library	2,244,610	-	-	2,244,610
Museum services	12,854,756	-	-	12,854,756
Administration	3,340,872	-	-	3,340,872
Institutional advancement	3,146,644	-	-	3,146,644
Marketing and public relations	3,160,465	-	-	3,160,465
Business enterprises	5,820,728	-	-	5,820,728
Debt service	8,101,710	-	-	8,101,710
Total operating expenses	63,030,972	-	-	63,030,972
Change in net assets resulting from operating revenues and expenses	5,013,258	(634,896)	-	4,378,362
Non-operating items				
Investment return	(13,747,432)	(4,146,578)	-	(17,894,010)
Government grants for capital improvements	118,244	-	-	118,244
Private grants and contracts for capital improvements	419,712	-	-	419,712
Campaign contributions and major gifts	385,732	7,920,890	6,245,445	14,552,067
Campaign and major gift expenses	(2,317,103)	-	-	(2,317,103)
Proceeds from sales of collection items	3,825,000	-	-	3,825,000
Unrealized loss on interest rate swaps	(14,231,034)	-	-	(14,231,034)
Depreciation	(11,969,570)	-	-	(11,969,570)
Net assets released from restrictions for				
Capital improvements	2,803,731	(2,803,731)	-	-
Capital campaign	824,132	(824,132)	-	-
Pension-related changes other than net periodic pension cost	(1,962,700)	-	-	(1,962,700)
Total non-operating items	(35,851,288)	146,449	6,245,445	(29,459,394)
CHANGE IN NET ASSETS	(30,838,030)	(488,447)	6,245,445	(25,081,032)
Net assets at beginning of year	226,401,086	71,028,387	66,853,095	364,282,568
Net assets at end of year	<u>\$ 195,563,056</u>	<u>\$ 70,539,940</u>	<u>\$ 73,098,540</u>	<u>\$ 339,201,536</u>

The accompanying notes are an integral part of this statement.

Field Museum of Natural History
STATEMENT OF ACTIVITIES
Year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and other support				
Operating revenues				
Chicago Park District property tax remittances	\$ 5,853,762	\$ -	\$ -	\$ 5,853,762
Government grants	4,120,294	-	-	4,120,294
Private grants and contracts	2,596,063	-	-	2,596,063
Investment return	12,343,700	1,656,300	-	14,000,000
Contributions	7,458,925	3,457,830	-	10,916,755
Sponsorships	1,888,476	-	-	1,888,476
Memberships	2,714,104	-	-	2,714,104
Admissions	11,126,794	-	-	11,126,794
Program service fees	3,285,550	-	-	3,285,550
Business enterprises	9,636,011	-	-	9,636,011
Other	329,754	-	-	329,754
Total operating revenues	<u>61,353,433</u>	<u>5,114,130</u>	<u>-</u>	<u>66,467,563</u>
Net assets released from restrictions for operations	<u>6,473,711</u>	<u>(6,473,711)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>67,827,144</u>	<u>(1,359,581)</u>	<u>-</u>	<u>66,467,563</u>
Operating expenses				
Collections and research	13,320,735	-	-	13,320,735
Environment, culture and conservation	4,500,828	-	-	4,500,828
Exhibitions	7,483,605	-	-	7,483,605
Education and library	2,832,268	-	-	2,832,268
Museum services	13,365,346	-	-	13,365,346
Administration	2,127,913	-	-	2,127,913
Institutional advancement	3,097,493	-	-	3,097,493
Marketing and public relations	3,877,755	-	-	3,877,755
Business enterprises	5,522,393	-	-	5,522,393
Debt service	8,588,853	-	-	8,588,853
Total operating expenses	<u>64,717,189</u>	<u>-</u>	<u>-</u>	<u>64,717,189</u>
Change in net assets resulting from operating revenues and expenses	3,109,955	(1,359,581)	-	1,750,374
Non-operating items				
Investment return	12,148,122	5,770,262	-	17,918,384
Government grants for capital improvements	143,772	-	-	143,772
Private grants and contracts for capital improvements	274,150	-	-	274,150
Campaign contributions and major gifts	1,011,667	1,500	2,167,818	3,180,985
Campaign and major gift expenses	(2,110,729)	-	-	(2,110,729)
Unrealized loss on interest rate swaps	(3,543,276)	-	-	(3,543,276)
Depreciation	(11,576,605)	-	-	(11,576,605)
Change in donor designation	-	(1,000,000)	1,000,000	-
Net assets released from restrictions for				
Capital improvements	1,483,646	(1,483,646)	-	-
Capital campaign	1,567,527	(1,567,527)	-	-
Pension-related changes other than net periodic pension cost	(170,831)	-	-	(170,831)
Total non-operating items	<u>(772,557)</u>	<u>1,720,589</u>	<u>3,167,818</u>	<u>4,115,850</u>
CHANGE IN NET ASSETS	<u>2,337,398</u>	<u>361,008</u>	<u>3,167,818</u>	<u>5,866,224</u>
Net assets at beginning of year	<u>224,063,688</u>	<u>70,667,379</u>	<u>63,685,277</u>	<u>358,416,344</u>
Net assets at end of year	<u>\$ 226,401,086</u>	<u>\$ 71,028,387</u>	<u>\$ 66,853,095</u>	<u>\$ 364,282,568</u>

The accompanying notes are an integral part of this statement.

Field Museum of Natural History
STATEMENTS OF CASH FLOWS
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ (25,081,032)	\$ 5,866,224
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	11,969,570	11,576,605
Net realized/unrealized depreciation (appreciation) on investments	6,834,314	(28,682,987)
Change in fair value of interest rate swap liabilities	14,231,034	3,543,276
Contributions permanently restricted for endowment	(6,245,445)	(2,167,818)
Changes in operating assets and liabilities		
Interest and dividends receivable	73,233	(12,982)
Accounts receivable	185,629	1,158,039
Pledges receivable	(3,136,018)	5,329,919
Museum stores inventories	33,632	29,202
Other assets	980,404	731,624
Accounts payable	142,354	(1,002,426)
Accrued expenses	514,109	683,614
Deferred revenue	(748,634)	(625,981)
Accrued pension cost	526,425	172,597
	<u>279,575</u>	<u>(3,401,094)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchases of investments	(43,256,100)	(46,228,497)
Proceeds from sales of investments	62,917,945	51,095,940
Purchases of Museum property	(7,816,574)	(7,030,266)
	<u>11,845,271</u>	<u>(2,162,823)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Repayment of bonds	(12,000,000)	-
Contributions permanently restricted for endowment	4,317,403	4,937,034
Borrowings under line of credit	9,600,000	22,200,000
Repayment of line-of-credit borrowings	(13,950,000)	(20,900,000)
	<u>(12,032,597)</u>	<u>6,237,034</u>
Net cash (used in) provided by financing activities		
NET INCREASE IN CASH	92,249	673,117
Cash, beginning of year	<u>1,194,750</u>	<u>521,633</u>
Cash, end of year	<u>\$ 1,286,999</u>	<u>\$ 1,194,750</u>
Supplemental disclosures of cash flow information		
Interest paid	\$ 7,150,423	\$ 7,562,317
Accounts payable for construction in progress	164,034	422,068

The accompanying notes are an integral part of these statements.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 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 collections are also the basis for the Environment, Culture and Conservation Program and Biosynthesis Center endeavors.

The financial statements of the Museum 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 non-operating items. Operating expenses are classified by administrative areas that reflect Museum operations. Non-operating items include government and private grants for capital improvement reimbursements, the excess of investment earnings under the total return concept (see Note 2), campaign and major gift activity, proceeds from the sale of collection items, depreciation, the change in fair value of interest rate swaps and pension-related changes other than net periodic pension cost, as these funds are not available for operating purposes.

Net assets released from restrictions pledged to the capital campaign and for capital improvements, as well as net assets with a change in donor designation, are classified as non-operating items.

Net Assets - Unrestricted net assets include the current operating, management designated, 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 management-designated 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. Property accounts include (a) the building, building improvements, equipment and exhibits, as well as the depreciation thereto, (b) accounts pertaining to Chicago Park District capital improvement reimbursements and (c) accounts related to the Museum's notes payable to the Illinois Finance Authority (see Note 7). During the year ended 2010, the Museum received final confirmation from a donor that a portion of a pledge from a prior year was intended to be given as part of the permanent endowment. When the notification was received, the Museum transferred \$1,000,000 of the pledged funding to permanently restricted net assets. This pledge was paid in full as of December 31, 2010.

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 restrictions have been met, such net assets are transferred as net assets released from restrictions. Temporarily restricted net assets are principally restricted for the following purposes: scientific research, capital projects, exhibitions and educational programs.

Permanently restricted net assets include 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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

Museum. The earnings of permanently restricted net assets are principally restricted for programs and operational support.

NOTE 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 (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. 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. The Museum maintains cash accounts in excess of the Federal Deposit Insurance Corporation limits. The Museum believes it is not exposed to significant credit risk on cash.

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

Investments - Investments are reported at fair value. Equity securities funds 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 funds are valued based on dealer-supplied valuations. The investment in limited partnerships is stated at fair value based on the Museum's share of either the appraised value of the partnerships or the value of the capital ownership percentage as of the date of the gift. The fair value would be adjusted as appropriate if information were to become available suggesting an alternate estimated fair value.

The estimated fair values of investments that do not have readily determinable fair values are based on either the net asset value (NAV) per share or on estimates provided by external investment managers. These fair values 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).

Investment Income - The Museum utilizes the total return concept for operations to allocate investment income earned on permanently restricted, temporarily restricted and unrestricted long-term investments. Historically, the Board has approved a spending policy at a rate of 5.5% on a three-year moving average, with an objective to lower the rate to 5.0%. However, this policy has been suspended since the economic downturn in 2008. The Board approved a spending amount of \$14.0 million in 2011 and 2010, which is first satisfied from interest and dividend income, and the remaining balance is provided from realized capital gains.

Investment income is recorded based on the existence or absence of donor restrictions, as follows:

- a. Investment income on donor-restricted endowment funds is recorded as restricted based on state law, donor-imposed restrictions or time restrictions.
- b. Investment income on Board-designated funds is recorded as unrestricted.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

- c. Investment income on other unrestricted investments is recorded as unrestricted.
- d. Investment income on other temporarily restricted investments is recorded as unrestricted unless specified by the donor.

Endowment Funds - Endowment funds are recorded in accordance with the Illinois approved Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Trustees interprets UPMIFA as requiring that the “historic value (corpus)” of the original donor-restricted endowment gift be preserved as of the gift date unless there are explicit donor stipulations to the contrary. Therefore, the Museum classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts, and accumulations to the permanent endowment made in accordance with the applicable donor gift instrument at the time the accumulation was added to the fund. The remaining portion of the donor-restricted endowment fund earnings that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until any donor-imposed restrictions have been satisfied and those amounts are appropriated for expenditure by the Board in a manner consistent with UPMIFA’s standard of prudence. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund.
- The mission of the Museum and the purposes of the donor-restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and appreciation of investments.
- Other resources of the Museum.
- The investment policy of the Museum.

Net earnings on donor-restricted endowments that are below the amount to be held in perpetuity are recorded as unrestricted (see Note 4).

Derivative Financial Instruments - 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.

Museum Property - Museum property is stated at cost and is depreciated on a straight-line basis over 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 related accumulated depreciation are eliminated from the accounts when an asset is retired.

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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

Museum records all known asset retirement obligations for which the present value of the estimated future liability can be reasonably estimated, including certain obligations relating to regulatory remediation.

Collections - The Museum's collections are made up of objects 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 its existence and assessing its condition are performed continuously. The collections are subject to a policy that requires proceeds from sales of collection items 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 have been 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 2011, the Museum sold collection items for \$3,825,000. In accordance with Museum policy, the proceeds will be used for future collection acquisition. There were no sales of collection items in 2010.

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. Contributions of securities are recorded at their estimated fair value at the date of the donation. Contributions are classified based upon the existence or absence of donor-imposed restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and the expected period of payment. The discount on those amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of discounts (if any) is included in contributions in the accompanying statements of activities. An allowance is recorded for estimated uncollectible pledges based on management's judgment and analysis, past collection experience and other relevant factors. The Museum writes off pledges when they become uncollectible.

Contributed Services - The Museum records in-kind 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 in-kind support reflected in the accompanying financial statements is included in contribution revenue and is 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.

Program Service Fees - Program service fees include revenues from education programs, traveling exhibit rental fees, traveling exhibit licensing fees and research fees. The fees from education programs and research

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

are accrued to match the dates of the programs. The fees from traveling exhibits are accrued to match the term of the rental and licensing agreements.

Income Taxes - The Museum is exempt from income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code and a comparable State of Illinois statute. However, the Museum does have a nominal tax expense due to business activities unrelated to its exempt mission. The Financial Accounting Standards Board (FASB) issued guidance clarifying the accounting for uncertain income tax positions, and which could require additional disclosure. Management believes there are no material uncertain tax positions that require recognition in the accompanying financial statements. The tax years ended 2008, 2009 and 2010 are still open to audit for both federal and state purposes.

The Museum has a policy to record interest and penalties (if any) related to income tax matters in income tax expense. The Museum has determined that its tax positions satisfy the more likely than not criterion and that no provision for income taxes is required at December 31, 2011. For the years ended December 31, 2011 and 2010, no interest and penalties were recorded.

Fair Value of Financial Instruments - The Museum's financial instruments include cash, interest and dividends receivable, accounts receivable, investments, accounts payable, notes payable, pension assets and swap liabilities. 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, accounts payable, notes payable, pension assets and swap liabilities are estimated by management to approximate their carrying values at December 31, 2011 and 2010.

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

Business Enterprises - Business enterprises consist of revenues and expenses of the stores, specials events, 3D theater, food services and group sales.

Functional Allocation of Expenses - The costs of providing Museum programs and administration have been summarized on a functional basis in Note 11.

Pension Plan - The Museum recognizes the overfunded or underfunded status of its defined benefit pension plan (the Plan) as an asset or liability in its statement of financial position (see Note 8).

Accounting Pronouncements - In May 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-04, "*Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS.*" ASU No. 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and International Financial Reporting Standards. ASU No. 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. ASU No. 2011-04 will be effective for the year ending December 31, 2012, with early adoption permitted. The Museum believes that the adoption of this standard will not materially expand its consolidated financial statement footnote disclosures.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE 3 – INVESTMENTS

Under the Museum’s Articles of Incorporation and its By-Laws, the Board of Trustees Investment Committee has overall responsibility for the establishment of policies and general governance related to investments of the Museum. 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 2011 to the investment policy.

Investments at December 31, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Money market funds	\$ 7,935,972	\$ 2,606,305
Equity securities funds	119,655,450	133,145,074
Fixed-income securities funds	50,752,577	65,088,909
Hedged equity funds	38,044,241	34,391,488
Absolute return funds	65,085,190	72,674,520
Other funds	390,283	345,439
Limited partnership	2,199,318	2,307,455
	<u>2,199,318</u>	<u>2,307,455</u>
Total	<u>\$ 284,063,031</u>	<u>\$ 310,559,190</u>

Following is a summary of the investment return and its classification for the years ended December 31, 2011 and 2010, in the accompanying statements of activities:

	<u>2011</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Interest and dividends	\$ 2,615,059	\$ 1,144,646	\$ -	\$ 3,759,705
Net realized gains	2,574,561	1,403,979	-	3,978,540
Change in net unrealized loss	(8,017,485)	(2,795,369)	-	(10,812,854)
Investment manager fees	(819,401)	-	-	(819,401)
	<u>(819,401)</u>	<u>-</u>	<u>-</u>	<u>(819,401)</u>
Total return reported in the accompanying statement of activities	<u>\$ (3,647,266)</u>	<u>\$ (246,744)</u>	<u>\$ -</u>	<u>\$ (3,894,010)</u>
Classified as follows:				
Operating revenues	\$ 12,030,744	\$ 1,969,256	\$ -	\$ 14,000,000
Non-operating items	(13,747,432)	(4,146,578)	-	(17,894,010)
	<u>(13,747,432)</u>	<u>(4,146,578)</u>	<u>-</u>	<u>(17,894,010)</u>
Total	<u>\$ (1,716,688)</u>	<u>\$ (2,177,322)</u>	<u>\$ -</u>	<u>\$ (3,894,010)</u>

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

	2010			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Interest and dividends	\$ 2,766,999	\$ 1,221,366	\$ -	\$ 3,988,365
Net realized gains	2,950,495	1,393,893	-	4,344,388
Change in net unrealized gains	17,598,001	6,740,598	-	24,338,599
Investment manager fees	(752,968)	-	-	(752,968)
Total return reported in the accompanying statement of activities	<u>\$ 22,562,527</u>	<u>\$ 9,355,857</u>	<u>\$ -</u>	<u>\$ 31,918,384</u>
Classified as follows:				
Operating revenues	\$ 12,343,700	\$ 1,656,300	\$ -	\$ 14,000,000
Non-operating items	12,148,122	5,770,262	-	17,918,384
Total	<u>\$ 24,491,822</u>	<u>\$ 7,426,562</u>	<u>\$ -</u>	<u>\$ 31,918,384</u>

The Museum classifies its investments into the following levels:

- Level 1 refers to securities with quoted prices in an active market.
- Level 2 refers to securities not traded on an active market but for which observable market inputs are readily available. Some of these securities are measured using an NAV per share, or its equivalent, that may be redeemed at the NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.
- Level 3 refers to securities not traded in an active market and for which no significant observable market inputs are available. Some of these securities are measured using an NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

These levels are evaluated on an annual basis, and transfers between levels are recognized as of the end of each fiscal year. For the year ended December 31, 2011, there were no significant transfers in or out of Level 1, Level 2 or Level 3, with the exception of the transfer noted in the following paragraph.

Upon further evaluation of authoritative guidance contained in FASB Accounting Standards Codification 820, "*Fair Value Measurements and Disclosures*," the Museum considered that some of the money market funds previously reported as Level 1 were reported at NAV, which is more representative of Level 2 measurements. The transfer had no impact on the statement of financial position or the statement of activities for any period presented.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

The following tables summarize assets measured at fair value on a recurring basis at December 31:

Assets	2011			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Money market funds	\$ -	\$ 7,935,972	\$ -	\$ 7,935,972
Equity securities funds	41,944,443	64,732,443	12,978,564	119,655,450
Fixed-income securities funds	38,066,583	-	12,685,994	50,752,577
Hedged equity funds	-	-	38,044,241	38,044,241
Absolute return funds	-	-	65,085,190	65,085,190
Other funds	-	390,283	-	390,283
Limited partnership	-	-	2,199,318	2,199,318
Total	\$ 80,011,026	\$ 73,058,698	\$ 130,993,307	\$ 284,063,031
Liabilities				
Interest rate swaps	\$ -	\$ 26,361,529	\$ -	\$ 26,361,529
Total	\$ -	\$ 26,361,529	\$ -	\$ 26,361,529
Assets	2010			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Money market funds	\$ -	\$ 2,606,305	\$ -	\$ 2,606,305
Equity securities funds	49,346,075	81,023,968	2,775,031	133,145,074
Fixed-income securities funds	46,447,390	-	18,641,519	65,088,909
Hedged equity funds	-	-	34,391,488	34,391,488
Absolute return funds	-	-	72,674,520	72,674,520
Other funds	-	345,439	-	345,439
Limited partnership	-	-	2,307,455	2,307,455
Total	\$ 95,793,465	\$ 83,975,712	\$ 130,790,013	\$ 310,559,190
Liabilities				
Interest rate swaps	\$ -	\$ 12,130,495	\$ -	\$ 12,130,495
Total	\$ -	\$ 12,130,495	\$ -	\$ 12,130,495

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

The following table sets forth a rollforward of the Level 3 assets and liabilities for the years ended December 31:

	2011					
	Equity securities funds	Fixed- income securities funds	Hedged equity funds	Absolute return funds	Limited partnership	Total
Balance at beginning						
of year	\$ 2,775,031	\$ 18,641,519	\$ 34,391,488	\$ 72,674,520	\$ 2,307,455	\$ 130,790,013
Purchases	10,000,000	-	14,043,375	249,074	-	24,292,449
Sales	-	(10,000,000)	(7,450,401)	(5,139,174)	-	(22,589,575)
Change in investment						
return	<u>203,533</u>	<u>4,044,475</u>	<u>(2,940,221)</u>	<u>(2,699,230)</u>	<u>(108,137)</u>	<u>(1,499,580)</u>
Balance at end of year	<u>\$ 12,978,564</u>	<u>\$ 12,685,994</u>	<u>\$ 38,044,241</u>	<u>\$ 65,085,190</u>	<u>\$ 2,199,318</u>	<u>\$ 130,993,307</u>
	2010					
	Equity securities funds	Fixed- income securities funds	Hedged equity funds	Absolute return funds	Limited partnership	Total
Balance at beginning						
of year	\$ 2,553,904	\$ 16,555,163	\$ 25,472,817	\$ 63,030,048	\$ 1,760,000	\$ 109,371,932
Purchases	-	-	15,000,000	7,000,000	547,455	22,547,455
Sales	-	-	(8,068,210)	(3,503,628)	-	(11,571,838)
Change in investment						
return	<u>221,127</u>	<u>2,086,356</u>	<u>1,986,881</u>	<u>6,148,100</u>	<u>-</u>	<u>10,442,464</u>
Balance at end of year	<u>\$ 2,775,031</u>	<u>\$ 18,641,519</u>	<u>\$ 34,391,488</u>	<u>\$ 72,674,520</u>	<u>\$ 2,307,455</u>	<u>\$ 130,790,013</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

The following table discloses additional information about investments recorded at NAV at December 31:

	2011			
	Fair value	Unfunded commitments	Redemption frequency limitations	Redemption notice period
Money market funds (a)	\$ 7,935,972	\$ -	None	0 days
Equity securities funds (b)	62,116,877	-	None	0 - 120 days
Fixed-income securities funds (c)	12,685,994	-	Quarterly	60 days
Hedged equity funds (d)	28,350,642	-	Quarterly	45 - 90 days
Absolute return funds (e)	<u>47,938,633</u>	-	Annually	45 - 90 days
Total investments recorded at NAV	<u>\$ 159,028,118</u>			

	2010			
	Fair value	Unfunded commitments	Redemption frequency limitations	Redemption notice period
Money market funds (a)	\$ 2,606,305	\$ -	None	0 days
Equity securities funds (b)	69,491,182	-	None	0 - 120 days
Fixed-income securities funds (c)	18,641,519	-	Quarterly	60 days
Hedged equity funds (d)	24,470,489	-	Quarterly	45 - 60 days
Absolute return funds (e)	<u>55,388,919</u>	-	Annually	45 - 90 days
Total investments recorded at NAV	<u>\$ 170,598,414</u>			

- (a) This category includes investments in money market funds primarily consisting of a broad range of high-quality, U.S. dollar-denominated government, bank and commercial obligations that are available in the money markets. The funds' objective is to maintain a stable NAV of \$1.00 per share and maximize current income to the extent consistent with the preservation of capital and maintaining liquidity. The NAV of the funds is determined using the market value (or fair value if market data is unavailable) of the underlying securities. The funds have no commitments, no redemption frequency limitations, and allow for same-day notice for redemption.
- (b) This category includes investments in equity securities funds primarily consisting of common stocks, real estate investment trusts, limited partnerships, bonds and depositary receipts that have readily available price data. The NAV of the funds is determined using the market value (or fair value, if market data is available) of the underlying securities. The funds have no commitments or redemption frequency limitations, but some do have a redemption notice period.
- (c) This category includes investments in fixed-income securities funds primarily consisting of treasury asset swap agreements and interest rate swap agreements. The NAV of the funds is determined using the market value (or fair value, if market data is available) of the underlying securities. This category of fund has no commitments, but does have a redemption limitation and redemption notice period. The

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

Museum has a limitation on the amount it can withdraw in an annual period. The Museum is allowed to withdraw up to one third of its original capital contribution.

- (d) This category includes investments in several hedge funds that invest both long and short term, primarily in global equities with emphasis on U. S. and Europe. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stakes, and from a net long position to a net short position. The fair values of the investments in this category have been estimated using the NAV per share of the investments. Investments representing approximately 16% of the value of the investments in this category cannot be redeemed at December 31, 2011, because the investments include restrictions that do not allow for redemption in the first 12 months due to the lock-up period. As of December 31, 2011, approximately 5% of these funds are in redemption.
- (e) This category includes several multi-strategy absolute return investments focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mispriced assets/securities across conventional and alternative financial strategies. Management initiates long and short positions in various corporate and sovereign securities, debt, currencies and derivatives targeting solid absolute risk-adjusted returns. The fair values of the investments in this category have been estimated using the NAV per share of the investments. As of December 31, 2011, approximately 87% of the absolute returns can be redeemed on an annual basis at various redemption dates, 10% is locked up until March 31, 2012, and 3% of the absolute return funds are in redemption.

All investments stated at NAV 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, are different for each fund. The Museum believes that the carrying amount of its investments stated at NAV is a reasonable estimate of the fair value of such investments as of December 31, 2011 and 2010. As is typical of investment portfolios of similar types of institutions, investments stated at NAV are not readily marketable and the estimated 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.

NOTE 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 and time restrictions. The Board of Trustees has pooled certain donor-restricted funds (without donor-specified restrictions on the earnings of such funds) to be included in the Board-designated endowment balances shown in the following tables.

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, 2011 and 2010, these deficiencies totaled \$1,458,205 and \$831,403, respectively, and were reported as unrestricted net assets. These deficiencies resulted from extraordinary market conditions. Management has deemed it prudent to spend from these funds with the expectation that future earnings will offset these deficiencies.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

Endowment net asset composition by type of fund is as follows as of December 31:

	2011			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ (1,458,205)	\$ 24,920,632	\$ 68,601,087	\$ 92,063,514
Board-designated endowment funds	170,696,674	11,461,694	-	182,158,368
Total funds	<u>\$ 169,238,469</u>	<u>\$ 36,382,326</u>	<u>\$ 68,601,087</u>	<u>\$ 274,221,882</u>

	2010			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ (831,403)	\$ 29,228,674	\$ 64,283,684	\$ 92,680,955
Board-designated endowment funds	196,947,718	10,912,184	-	207,859,902
Total funds	<u>\$ 196,116,315</u>	<u>\$ 40,140,858</u>	<u>\$ 64,283,684</u>	<u>\$ 300,540,857</u>

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

During 2011 and 2010, the Museum had the following endowment-related cash activities:

	2011			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$ 196,116,315	\$ 40,140,858	\$ 64,283,684	\$ 300,540,857
Investment return				
Investment income	1,703,758	983,182	-	2,686,940
Net realized and unrealized depreciation	<u>(5,322,917)</u>	<u>(1,391,390)</u>	<u>-</u>	<u>(6,714,307)</u>
Total investment return	(3,619,159)	(408,208)	-	(4,027,367)
Additions				
New cash gifts and pledge payments	56,582	549,510	4,317,403	4,923,495
Appropriation of endowment assets for expenditure	(22,100,166)	(3,899,834)	-	(26,000,000)
Transfers from Board-designated endowment funds	<u>(1,215,103)</u>	<u>-</u>	<u>-</u>	<u>(1,215,103)</u>
Endowment net assets, end of year	<u>\$ 169,238,469</u>	<u>\$ 36,382,326</u>	<u>\$ 68,601,087</u>	<u>\$ 274,221,882</u>

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 182,115,448	\$ 34,974,099	\$ 58,846,650	\$ 275,936,197
Investment return				
Investment income	2,232,487	1,057,343	-	3,289,830
Net realized and unrealized appreciation	20,483,153	7,923,511	-	28,406,664
Total investment return	22,715,640	8,980,854	-	31,696,494
Additions				
New cash gifts and pledge payments	7,354	271,500	4,937,034	5,215,888
Appropriation of endowment assets for expenditure	(10,414,405)	(3,585,595)	-	(14,000,000)
Other changes				
Net asset transfer	-	(500,000)	500,000	-
Transfers to Board-designated endowment funds	1,692,278	-	-	1,692,278
Endowment net assets, end of year	<u>\$ 196,116,315</u>	<u>\$ 40,140,858</u>	<u>\$ 64,283,684</u>	<u>\$ 300,540,857</u>

The endowment-related cash activities tables above represent the endowment pool on a cash basis, consistent with the way management and the Board of Trustees manage and evaluate the endowment.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE 5 – MUSEUM PROPERTY

Museum property at December 31, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Building and building improvements	\$ 291,750,440	\$ 288,645,893
Exhibit hall improvements (excluding artifacts and historical treasures)	96,037,746	92,628,235
Research and office equipment	<u>17,751,111</u>	<u>15,193,356</u>
Total property and equipment	405,539,297	396,467,484
Less accumulated depreciation	<u>(146,074,612)</u>	<u>(134,105,042)</u>
Net depreciable property and equipment	259,464,685	262,362,442
Construction in progress	<u>1,043,403</u>	<u>2,556,677</u>
Net property and equipment	<u>\$ 260,508,088</u>	<u>\$ 264,919,119</u>

At December 31, 2011 and 2010, the Museum has included \$4,950,543 and \$5,098,415, respectively, of net capitalized interest in Museum property.

The Museum operates on land owned by the Chicago Park District, which is 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.

It will cost approximately \$6.4 million to complete the Museum's construction in progress as of December 31, 2011.

The Museum is committed to making changes to its fire suppression systems that would result in the Museum being fully covered by 2016. As of December 31, 2011 and 2010, the building is approximately 78% (unaudited) covered. The estimated remaining cost to complete is \$8.5 million and will be capitalized as incurred.

Asset retirement obligations at December 31, 2011 and 2010, did not require any adjustments for the fiscal years 2011 and 2010, respectively. The liability will be assessed annually.

NOTE 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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

future cash flows using discount rates ranging between 0.83% and 4.35%. Pledges receivable were as follows as of December 31:

	<u>2011</u>	<u>2010</u>
Due within one year	\$ 7,214,500	\$ 4,877,596
Due between two to five years	<u>5,281,180</u>	<u>2,580,062</u>
	12,495,680	7,457,658
Allowance for uncollectible accounts	(133,704)	(158,101)
Present value discount	<u>(78,701)</u>	<u>(80,342)</u>
Net pledges receivable	<u><u>\$ 12,283,275</u></u>	<u><u>\$ 7,219,215</u></u>

NOTE 7 – NOTES PAYABLE

Notes payable at December 31, 2011 and 2010, consist of the following amounts due to the Illinois Finance Authority, which issued bonds on the Museum's behalf:

	<u>Original principal</u>	<u>Principal outstanding December 31, 2011</u>	<u>Principal outstanding December 31, 2010</u>	<u>Maturity date</u>
Series 2002	\$ 90,000,000	\$ 78,000,000	\$ 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>17,800,000</u>	<u>10,300,000</u>	<u>10,300,000</u>	November 1, 2025
Total	<u><u>\$ 186,800,000</u></u>	<u><u>\$ 167,000,000</u></u>	<u><u>\$ 179,000,000</u></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 Series 2000 Bonds are in a weekly rate mode. As of December 31, 2011 and 2010, the Series 1990 Bonds bore interest of 0.23% and 0.30%, respectively. As of December 31, 2011 and 2010, the Series 1998 Bonds bore interest of 0.15% and 0.31%, respectively. As of December 31, 2011 and 2010, the Series 2000 Bonds bore interest of 0.09% and 0.31%, 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 Series 1985 Bonds outstanding at December 31, 2011 and 2010, bore interest of 0.09% and 0.31%, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

The Series 1985 Bonds, 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, N.A. The Series 2000 Bonds, prior to conversion to a fixed rate of interest, are secured by a credit facility issued by JPMorgan Chase.

The Series 2002 Bonds were issued on September 12, 2002, as Adjustable Medium-Term Revenue Bonds. The Series 2002 Bonds are rated A by Standard & Poor's and A2 by Moody's, and are not secured by a letter of credit. The adjustable rate periods end November 1, 2011 through November 1, 2017, and the Series 2002 Bonds bear interest at a rate of 3.40% to 4.75%, depending on duration. The current blended rate as of December 31, 2011, is 4.39% (weighted), and interest is payable each November 1 and May 1.

On September 1, 2010, the remarketing of an outstanding portion of the Series 2002 Bonds in the amount of \$5,275,000 occurred as required by the mandatory tender on November 1, 2010. The new adjustable interest rate on the outstanding principal amount was set at 3.40%. The new adjustable rate period began on November 1, 2010, and ends on October 31, 2017.

The Museum redeemed the mandatory tender of the Series 2002 Bonds and paid back the \$12,000,000 due to bondholders on November 1, 2011.

Assets held for debt service totaled \$947,508 and \$975,582 at December 31, 2011 and 2010, respectively, and are reported with investments in the accompanying statements of financial position.

The total interest costs incurred on these bonds in 2011 and 2010 were \$7,053,267 and \$7,352,066, respectively. Capitalized interest is classified as a depreciable asset within Museum property.

The Museum entered into two interest rate swap agreements to hedge variable interest rate exposure as follows:

- The first swap, dated September 2005, expires on November 1, 2032, and effectively fixes the interest rate on a notional value of \$45 million at 3.258% through October 31, 2008, 4.369% from November 1, 2008 to October 31, 2010, and 3.769% from November 1, 2010 to November 1, 2032.
- The second swap, dated June 2008, is effective January 1, 2009, and expires on 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 swap.

These agreements are considered derivative financial instruments and are reported at their fair values as a liability of \$26,361,529 and \$12,130,495, respectively, at December 31, 2011 and 2010. The fair value is recorded in interest rate swaps in the accompanying statements of financial position. The unrealized loss on interest rate swaps for 2011 and 2010 was \$14,231,034 and \$3,543,276, respectively. The net change in fair value of the agreements is reported as a separate line item in the non-operating section of the accompanying statements of activities.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE 8 – PENSION PLAN

The Museum sponsors a defined benefit pension plan (the Plan) covering substantially all of its employees, which 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 obligation, change in plan assets and the composition of the amounts recognized in the accompanying statements of financial position for the years ended December 31, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Change in benefit obligation		
Benefit obligation — beginning of year	\$ 20,900,969	\$ 18,596,034
Service cost	863,241	1,043,400
Interest cost	1,056,004	1,022,384
Plan amendments	-	(1,061,522)
Actuarial loss	915,935	2,048,522
Benefits paid	<u>(1,632,088)</u>	<u>(747,849)</u>
Benefit obligation — end of year	<u><u>\$ 22,104,061</u></u>	<u><u>\$ 20,900,969</u></u>
Change in plan assets		
Fair value of plan assets — beginning of year	\$ 13,432,118	\$ 11,299,780
Actual return on plan assets	(100,245)	1,550,187
Employer contribution	2,049,000	1,330,000
Benefits paid	<u>(1,632,088)</u>	<u>(747,849)</u>
Fair value of plan assets — end of year	<u><u>\$ 13,748,785</u></u>	<u><u>\$ 13,432,118</u></u>

Amounts that have not yet been recognized as a component of net periodic benefit cost consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Net actuarial loss	\$ 6,786,756	\$ 4,902,718
Prior service credit	<u>(907,764)</u>	<u>(986,426)</u>
	<u><u>\$ 5,878,992</u></u>	<u><u>\$ 3,916,292</u></u>

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December 31, 2011 and 2010

Net periodic benefits costs expected to be recognized in the next fiscal year are as follows at December 31:

	<u>2011</u>	<u>2010</u>
Net actuarial loss	\$ 365,523	\$ 224,292
Prior service credit	<u>(78,662)</u>	<u>(78,662)</u>
	<u>\$ 286,861</u>	<u>\$ 145,630</u>

The following table sets forth the rollforward of the pension liability for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Pension liability - beginning of year	\$ (7,828,851)	\$ (7,656,254)
Net periodic pension cost	(612,725)	(1,331,766)
Pension-related changes other than net periodic pension cost		
Net actuarial loss	(1,884,038)	(1,241,956)
Prior service credit	-	1,061,522
Amortization of prior service (credit) cost	(78,662)	9,603
Employer contribution	<u>2,049,000</u>	<u>1,330,000</u>
Pension liability - end of year	<u>\$ (8,355,276)</u>	<u>\$ (7,828,851)</u>

Other changes in pension plan assets and benefit obligation recognized in the years ended December 31, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Net actuarial gain	\$ 2,098,224	\$ 1,375,826
Prior service credit	-	(1,061,522)
Items amortized		
Prior service cost (credit)	78,662	(9,603)
Net actuarial gain	<u>(214,186)</u>	<u>(133,870)</u>
Total recognized	<u>\$ 1,962,700</u>	<u>\$ 170,831</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

The components of net periodic benefit cost for the years ended December 31, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 863,241	\$ 1,043,400
Interest cost	1,056,004	1,022,384
Expected return on plan assets	(1,082,044)	(877,491)
Amortization of prior service (credit) cost	(78,662)	9,603
Actuarial loss	214,186	133,870
Less additional amount accrued in prior years	<u>(360,000)</u>	<u>-</u>
Net periodic pension cost	<u>\$ 612,725</u>	<u>\$ 1,331,766</u>

The estimated net actuarial loss and prior service (credit) cost amortized into net periodic benefit cost during the years ended December 31, 2011 and 2010, was \$(78,662) and \$9,603, respectively.

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

	<u>2011</u>	<u>2010</u>
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	4.75 %	5.25 %
Rate of compensation increase	3.00	4.00
Weighted-average assumptions used to determine net periodic benefit cost for the years beginning January 1		
Discount rate	5.25	5.75
Expected return on plan assets	8.00	8.00
Rate of compensation increase	4.00	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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

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:

2012	\$ 1,818,000
2013	1,376,000
2014	1,321,000
2015	1,337,000
2016	1,588,000
2017 - 2021	9,768,000

The following table presents the Plan's asset allocation at December 31, 2011 and 2010, by asset category:

	<u>2011</u>	<u>2010</u>	<u>Range</u>
Money market funds	17 %	11 %	0% - 5%
Equity securities	74	77	50 - 90
Fixed-income securities	<u>9</u>	<u>12</u>	20 - 40
Total	<u>100 %</u>	<u>100 %</u>	

The Plan's asset allocation for the years ended December 31, 2011 and 2010, is outside of the long-term range. This is due to the required contributions the Museum made to the Plan. The Investment Committee will rebalance the portfolio in 2012.

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's 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 funds, fixed-income securities funds and high-yield funds. The allocation among equity securities funds, fixed-income securities funds, 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 classifies the Plan's investments into the following levels:

- Level 1 refers to securities with quoted prices in an active market.
- Level 2 refers to securities not traded on an active market but for which observable market inputs are readily available. Some of these securities are measured using NAV per share, or its equivalent, that may be redeemed at the NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.
- Level 3 refers to securities not traded in an active market and for which no significant observable market inputs are available. Some of these securities are measured using an NAV per share, or its equivalent,

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

These levels are evaluated on an annual basis, and transfers between levels are recognized as of the end of each fiscal year. The Museum reviewed its classification of the money market funds and determined that funds previously reported as Level 1 were reported at NAV, which is more representative of Level 2 measurements. The transfer had no impact on the statement of financial position or the statement of activities for any period presented.

The following represents the Plan's investments measured at fair value on a recurring basis at December 31:

	2011			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Money market funds	\$ -	\$ 2,362,645	\$ -	\$ 2,362,645
Equity securities funds	1,618,668	8,543,170	-	10,161,838
Fixed-income securities funds	1,224,302	-	-	1,224,302
Total	<u>\$ 2,842,970</u>	<u>\$ 10,905,815</u>	<u>\$ -</u>	<u>\$ 13,748,785</u>

	2010			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Money market funds	\$ -	\$ 1,449,388	\$ -	\$ 1,449,388
Equity securities funds	1,590,247	8,708,742	-	10,298,989
Fixed-income securities funds	1,683,741	-	-	1,683,741
Total	<u>\$ 3,273,988</u>	<u>\$ 10,158,130</u>	<u>\$ -</u>	<u>\$ 13,432,118</u>

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

The following table discloses additional information about investments recorded at NAV at December 31:

	2011			
	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency limitations</u>	<u>Redemption notice period</u>
Money market funds (a)	\$ 2,362,645	\$ -	None	0 days
Equity securities funds (b)	<u>8,543,170</u>	-	None	0 - 5 days
Total investments recorded at NAV	<u>\$ 10,905,815</u>			

	2010			
	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency limitations</u>	<u>Redemption notice period</u>
Money market funds (a)	\$ 1,449,388	\$ -	None	0 days
Equity securities funds (b)	<u>8,708,742</u>	-	None	0 - 5 days
Total investments recorded at NAV	<u>\$ 10,158,130</u>			

- (a) This category includes investments primarily consisting of a broad range of high-quality, U.S. dollar-denominated government, bank and commercial obligations that are available in the money markets. The funds' objective is to maintain a stable NAV of \$1.00 per share and maximize current income to the extent consistent with the preservation of capital and maintaining liquidity. The NAV of the fund is determined using the market value (or fair value if market data is unavailable) of the underlying securities. The funds have no commitments, no redemption frequency limitations, and allow for same-day notice for redemption.
- (b) This category includes investments in equity securities funds primarily consisting of common stocks that have readily available price data. The NAV of the funds is determined using the market value (or fair value, if market data is available) of the underlying securities. The funds have no commitments or redemption frequency limitations, but do have a redemption notice period.

The Museum contributed \$2,049,000 and \$1,330,000 to the Plan in 2011 and 2010, respectively.

NOTE 9 – LINE OF CREDIT

The Museum has an agreement for an unsecured revolving line of credit for \$20,000,000. The agreement bears interest at the federal funds rate plus 0.50% (0.57% and 0.63% at December 31, 2011 and 2010, respectively). 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 2011 and 2010 were \$12,159 and \$36,263, respectively. At December 31, 2011 and 2010, \$4,550,000 and \$8,900,000, respectively, were borrowed against the line of credit.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2011 and 2010

NOTE 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, the purpose of which is to attract visitors to the Campus' centrally located facilities. As of December 31, 2011 and 2010, the Museum has no receivable due from or payable to the Campus.

NOTE 11 – FUNCTIONAL EXPENSES

The Museum's operating expenses for the years ended December 31, 2011 and 2010, are classified functionally as follows:

	<u>2011</u>	<u>2010</u>
Program costs	\$ 50,563,609	\$ 51,780,432
Supporting services	<u>12,467,363</u>	<u>12,936,757</u>
Total operating expenses	<u>\$ 63,030,972</u>	<u>\$ 64,717,189</u>

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2012, the date the financial statements were approved by the Audit Committee of the Board of Trustees and were issued, and is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Field Museum of Natural History
SCHEDULE OF DEPARTMENT EXPENSES
Year ended December 31, 2011

	2011												2010 Total	
	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	Repairs and maintenance	Interest and amortization	Exhibits and equipment		Total
Collections and research														
Anthropology	\$ 1,377,070	\$ 514,688	\$ -	\$ 103,276	\$ 218,975	\$ 251,973	\$ 6,376	\$ 166,801	\$ 399,397	\$ 19,385	\$ -	\$ -	\$ 3,057,941	\$ 3,265,186
Botany	731,884	255,900	-	108,631	64,652	138,390	12,335	56,357	121,439	1,082	-	-	1,490,670	1,391,164
Geology	1,102,739	415,499	-	92,521	37,998	117,254	12,449	116,414	180,289	11,086	-	-	2,086,249	2,066,631
Zoology	1,970,663	709,816	-	278,318	198,938	218,526	79,688	431,331	443,310	33,243	-	10,939	4,374,772	4,827,895
BioSynC	380,889	141,841	-	16,995	18,870	192,026	3,027	-	10,708	-	-	-	764,356	861,228
Scientific support	242,738	72,368	-	413,343	101,125	32,245	9,994	11,139	9,121	53,107	-	-	945,180	908,631
Total collections and research	5,805,983	2,110,112	-	1,013,084	640,558	950,414	123,869	782,042	1,164,264	117,903	-	10,939	12,719,168	13,320,735
Environment, culture and conservation	1,759,150	651,461	-	85,792	14,399	279,211	53,049	1,982,761	33,826	-	-	-	4,859,649	4,500,828
Exhibitions	1,844,831	698,712	-	436,093	362,869	1,391,846	20,442	983,718	931,091	61,655	-	51,113	6,782,370	7,483,605
Education and library														
Education	540,960	183,960	-	173,454	6,353	98,661	36,735	673,094	77,587	-	-	-	1,790,804	2,287,993
Library	224,023	86,042	-	6,548	3,438	12,190	70,806	13,778	36,981	-	-	-	453,806	544,275
Total education and library	764,983	270,002	-	180,002	9,791	110,851	107,541	686,872	114,568	-	-	-	2,244,610	2,832,268
Museum services														
Finance	625,139	240,115	-	4,608	3,687	24,616	1,669	31,713	12,351	-	-	-	943,898	952,686
Human resources	247,918	83,037	-	7,497	5,224	97,673	101	42,925	20,920	519	-	-	505,814	437,133
Protection services	957,221	350,160	-	30,736	508	23,757	456	52,558	11,769	49,341	-	-	1,476,506	1,620,288
Guest relations	602,073	201,313	-	19,426	576	290	13,495	82,726	38,180	-	-	-	958,079	1,010,502
Housekeeping	395,560	140,698	-	82,622	189	-	-	412,000	5,485	1,080	-	-	1,037,634	1,368,255
Facility, planning and operations	933,461	357,557	-	244,951	338	5,304	-	1,447,614	264,539	424,861	-	2,693	3,681,318	3,006,354
Technology	652,260	222,158	-	116,749	6,256	27,468	682	336,981	26,980	-	-	-	1,389,534	1,086,971
General services	274,216	716,703	-	139,745	535,204	109,065	81	990,569	17,388	66,843	12,159	-	2,861,973	3,883,157
Total Museum services	4,687,848	2,311,741	-	646,334	551,982	288,173	16,484	3,397,086	397,612	542,644	12,159	2,693	12,854,756	13,365,346
Administration	1,273,842	1,679,137	-	9,607	9,785	69,665	5,224	279,523	9,748	4,341	-	-	3,340,872	2,127,913
Institutional advancement														
Development	517,378	198,643	-	37,911	30,399	25,846	83,702	231,857	24,162	-	-	-	1,149,898	998,746
Auxiliary groups	75,537	28,845	-	7,417	8,426	5,098	39,748	334,112	5,260	-	-	-	504,443	659,367
Membership	464,304	143,143	-	27,578	165,911	23,915	184,486	477,555	5,411	-	-	-	1,492,303	1,439,380
Total institutional advancement	1,057,219	370,631	-	72,906	204,736	54,859	307,936	1,043,524	34,833	-	-	-	3,146,644	3,097,493
Marketing and public relations	319,454	106,195	-	32,907	6,923	35,763	45,993	2,599,347	13,471	412	-	-	3,160,465	3,877,755
Business enterprises	1,501,076	515,215	2,049,925	41,784	552,637	58,500	7,937	965,242	118,832	6,830	-	2,750	5,820,728	5,522,393
Debt services	-	-	-	-	-	-	2,800	973,537	-	-	7,125,373	-	8,101,710	8,588,853
Total 2011 expenses	\$ 19,014,386	\$ 8,713,206	\$ 2,049,925	\$ 2,518,509	\$ 2,353,680	\$ 3,239,282	\$ 691,275	\$ 13,693,652	\$ 2,818,245	\$ 733,785	\$ 7,137,532	\$ 67,495	\$ 63,030,972	\$ 64,717,189
Total 2010 expenses	\$ 20,898,878	\$ 8,347,982	\$ 1,788,018	\$ 2,522,035	\$ 2,384,966	\$ 3,223,661	\$ 749,277	\$ 14,466,402	\$ 2,154,112	\$ 636,433	\$ 7,460,435	\$ 84,990	\$ 64,717,189	

Field Museum of Natural History
SCHEDULE OF DEPARTMENT EXPENSES
Year ended December 31, 2010

	2010												2009 Total	
	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	Repairs and maintenance	Interest and amortization	Exhibits and equipment		Total
Collections and research														
Anthropology	\$ 1,653,396	\$ 543,894	\$ -	\$ 113,677	\$ 204,671	\$ 179,971	\$ 6,595	\$ 245,063	\$ 303,615	\$ 8,250	\$ -	\$ 6,054	\$ 3,265,186	\$ 3,403,185
Botany	728,220	240,945	-	89,910	68,530	82,806	17,880	70,304	91,842	727	-	-	1,391,164	1,758,867
Geology	1,151,609	391,914	-	108,775	42,791	60,291	3,904	170,300	136,704	-	-	343	2,066,631	1,905,391
Zoology	2,442,383	787,789	-	293,963	213,890	228,906	24,002	487,619	330,416	276	-	18,651	4,827,895	4,373,825
BioSynC	400,625	139,276	-	42,741	12,921	217,589	2,199	37,676	8,201	-	-	-	861,228	1,247,379
Scientific support	187,629	57,259	-	414,645	89,567	14,443	57,798	78,238	7,209	-	-	1,843	908,631	717,123
Total collections and research	6,563,862	2,161,077	-	1,063,711	632,370	784,006	112,378	1,089,200	877,987	9,253	-	26,891	13,320,735	13,405,770
Environment, culture and conservation	1,671,938	592,838	-	118,781	27,877	206,885	15,604	1,843,345	23,560	-	-	-	4,500,828	3,855,219
Exhibitions	2,405,763	778,153	-	537,071	184,271	1,528,308	39,783	1,184,245	708,119	67,048	-	50,844	7,483,605	6,226,348
Education and library														
Education	914,696	301,040	-	71,009	10,089	221,087	42,610	667,038	60,424	-	-	-	2,287,993	2,049,727
Library	280,284	99,472	-	8,324	889	29,532	69,007	28,758	28,009	-	-	-	544,275	674,831
Total education and library	1,194,980	400,512	-	79,333	10,978	250,619	111,617	695,796	88,433	-	-	-	2,832,268	2,724,558
Museum services														
Finance	661,287	242,157	-	4,349	11,267	13,735	1,617	8,494	9,780	-	-	-	952,686	1,062,208
Human resources	251,292	80,066	-	2,433	1,197	63,152	288	22,309	16,396	-	-	-	437,133	478,333
Protection services	942,104	327,632	-	35,929	223	17,014	28	223,923	9,708	60,396	-	3,331	1,620,288	1,603,207
Guest relations	598,718	198,709	-	18,646	473	836	15,415	148,284	29,421	-	-	-	1,010,502	974,734
Housekeeping	646,223	184,957	-	100,231	164	251	-	431,822	4,232	375	-	-	1,368,255	1,244,490
Facility, planning and operations	1,039,531	363,346	-	221,270	944	23,458	-	728,202	200,073	429,530	-	-	3,006,354	3,104,446
Technology	601,316	175,914	-	127,278	290	11,519	-	140,935	28,741	978	-	-	1,086,971	1,104,073
General services	313,308	1,419,514	-	44,905	849,745	114,866	2,359	1,048,593	12,788	39,316	36,263	1,500	3,883,157	3,845,390
Total Museum services	5,053,779	2,992,295	-	555,041	864,303	244,831	19,707	2,752,562	311,139	530,595	36,263	4,831	13,365,346	13,416,881
Administration	1,156,788	478,267	-	6,554	6,021	78,963	10,207	377,251	10,098	3,764	-	-	2,127,913	2,046,123
Institutional advancement														
Development	401,227	146,914	-	18,967	38,710	15,611	104,365	250,461	17,878	4,613	-	-	998,746	1,069,109
Auxiliary groups	108,042	39,700	-	9,247	9,607	8,053	62,212	417,156	5,350	-	-	-	659,367	642,943
Membership	466,255	131,156	-	52,800	135,620	14,704	122,463	512,140	4,242	-	-	-	1,439,380	1,473,750
Total institutional advancement	975,524	317,770	-	81,014	183,937	38,368	289,040	1,179,757	27,470	4,613	-	-	3,097,493	3,185,802
Marketing and public relations	313,306	111,753	-	21,093	12,329	41,021	150,742	3,195,356	12,571	18,584	-	1,000	3,877,755	2,588,689
Business enterprises	1,562,938	515,317	1,788,018	59,437	462,880	50,660	199	984,209	94,735	2,576	-	1,424	5,522,393	5,127,232
Debt services	-	-	-	-	-	-	-	1,164,681	-	-	7,424,172	-	8,588,853	8,631,446
Total 2010 expenses	\$ 20,898,878	\$ 8,347,982	\$ 1,788,018	\$ 2,522,035	\$ 2,384,966	\$ 3,223,661	\$ 749,277	\$ 14,466,402	\$ 2,154,112	\$ 636,433	\$ 7,460,435	\$ 84,990	\$ 64,717,189	\$ 61,208,068
Total 2009 expenses	\$ 19,481,686	\$ 8,940,456	\$ 1,929,156	\$ 2,162,957	\$ 2,252,826	\$ 2,863,066	\$ 832,196	\$ 11,553,657	\$ 2,850,527	\$ 650,666	\$ 7,620,081	\$ 70,794	\$ 61,208,068	