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SALVADOR DALI MUSEUM, INC.

Financial Statements and Schedules
and Reports as Required by the
Comptroller General of the United States
and Rules of the Auditor General,
Chapter 10.650

June 30, 2010 and 2009

SALVADOR DALI MUSEUM, INC.

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AUDITED FINANCIAL STATEMENTS

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**Independent Auditors' Report on Basic Financial Statements
and Supplementary Financial Information**

The Board of Trustees
Salvador Dali Museum, Inc.:

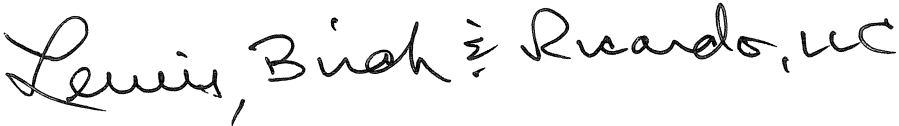
We have audited the accompanying statements of financial position of Salvador Dali Museum, Inc. as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Salvador Dali Museum, Inc.'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization'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 Salvador Dali Museum, Inc. as of June 30, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2010 on our consideration of Salvador Dali Museum, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of 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 audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Salvador Dali Museum, Inc. taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.650, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Lewis, Brian & Ricardo, LLC". The signature is written in a cursive, flowing style.

Clearwater, Florida
September 22, 2010

SALVADOR DALI MUSEUM, INC.

Statements of Financial Position

June 30, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents (notes 2 and 12)	\$ 1,843,121	1,716,653
Restricted cash - benefit dinner (note 2)	1,000	1,000
Accounts receivable	47,114	40,257
Grants receivable	62,493	27,580
Pledges receivable for building campaign (note 3)	1,107,264	478,916
Artwork and educational materials for resale	573,992	481,610
Prepaid expenses	281,336	174,857
Total current assets	3,916,320	2,920,873
Art collection (note 5)	-	-
Pledges receivable for building campaign, long-term portion (note 3)	1,074,389	1,268,180
Bequest receivable	127,000	-
Gifted facilities - museum land (note 6)	398,140	530,860
Land, buildings and equipment, net (note 7)	27,916,289	9,456,075
Designated and restricted cash, cash equivalents, and investments (notes 2 and 15):		
Designated for endowment	2,017,034	1,763,297
Temporarily restricted - building campaign	34,134	10,965,301
Temporarily restricted - benefit dinner	2,000	3,000
Permanently restricted for endowment	30,000	30,000
	2,083,168	12,761,598
	\$ 35,515,306	26,937,586
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,056,845	1,677,572
Deferred revenue	-	651,349
Total current liabilities	3,056,845	2,328,921
Line of credit (note 16)	1,020,000	-
Deposit from sale of facility (note 8)	500,000	500,000
Total liabilities	4,576,845	2,828,921
Net assets:		
Unrestricted	26,147,500	9,385,632
Designated for endowment	2,017,034	1,763,297
Total unrestricted net assets	28,164,534	11,148,929
Temporarily restricted (note 11)	2,743,927	12,929,736
Permanently restricted	30,000	30,000
Total net assets	30,938,461	24,108,665
	\$ 35,515,306	26,937,586

See accompanying notes to financial statements.

SALVADOR DALI MUSEUM, INC.

Statement of Activities

Year ended June 30, 2010
(With comparative totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2010</u>	<u>2009</u>
Support and revenue:					
Museum store sales	\$ 1,652,671	-	-	1,652,671	1,676,265
Less cost of sales	<u>650,655</u>	<u>-</u>	<u>-</u>	<u>650,655</u>	<u>665,518</u>
	1,002,016	-	-	1,002,016	1,010,747
Admissions	2,061,097	-	-	2,061,097	1,972,550
Associate:					
Admissions	45,726	-	-	45,726	32,143
Contributions	45,726	-	-	45,726	32,143
Collection loan fees	972,168	-	-	972,168	199,975
Investment income	30,167	2,116	-	32,283	179,450
Realized and unrealized gains (losses) on investments	220,065	-	-	220,065	(555,085)
Royalties	21,049	-	-	21,049	5,170
Other income	39,912	-	-	39,912	41,837
Government grants	96,797	-	-	96,797	1,219,016
Contributions - bequests	-	127,000	-	127,000	-
Contributions - cash	167,370	5,821,232	-	5,988,602	720,910
Contributions - in-kind	86,893	-	-	86,893	85,670
Contributions - gifted facilities	-	8,075	-	8,075	8,075
Special event revenue of \$156,450, less cost of benefits to donors of \$56,962 in 2010	99,488	-	-	99,488	58,383
Net assets released from restrictions:					
Satisfaction of program restrictions	16,002,437	(16,002,437)	-	-	-
Satisfaction of time restrictions	1,000	(1,000)	-	-	-
Use of gifted facilities	<u>140,795</u>	<u>(140,795)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>21,032,706</u>	<u>(10,185,809)</u>	<u>-</u>	<u>10,846,897</u>	<u>5,010,984</u>
Expenses:					
Program services:					
Museum store	540,324	-	-	540,324	551,268
Museum operations	2,003,427	-	-	2,003,427	2,093,605
Exhibits	199,101	-	-	199,101	162,545
Supporting services:					
Management and general	824,239	-	-	824,239	917,365
Development and fundraising	<u>450,010</u>	<u>-</u>	<u>-</u>	<u>450,010</u>	<u>419,667</u>
Total expenses	<u>4,017,101</u>	<u>-</u>	<u>-</u>	<u>4,017,101</u>	<u>4,144,450</u>
Increase (decrease) in net assets	17,015,605	(10,185,809)	-	6,829,796	866,534
Net assets, beginning of year	<u>11,148,929</u>	<u>12,929,736</u>	<u>30,000</u>	<u>24,108,665</u>	<u>23,242,131</u>
Net assets, end of year	<u>\$ 28,164,534</u>	<u>2,743,927</u>	<u>30,000</u>	<u>30,938,461</u>	<u>24,108,665</u>

See accompanying notes to financial statements.

SALVADOR DALI MUSEUM, INC.

Statement of Activities

Year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Museum store sales	\$ 1,676,265	-	-	1,676,265
Less cost of sales	<u>665,518</u>	<u>-</u>	<u>-</u>	<u>665,518</u>
	1,010,747	-	-	1,010,747
Admissions	1,972,550	-	-	1,972,550
Associate:				
Admissions	32,143	-	-	32,143
Contributions	32,143	-	-	32,143
Collection loan fees	199,975	-	-	199,975
Investment income	90,313	89,137	-	179,450
Realized and unrealized losses on investments	(555,085)	-	-	(555,085)
Royalties	5,170	-	-	5,170
Other income	41,837	-	-	41,837
Government grants	1,219,016	-	-	1,219,016
Contributions - cash	65,542	655,368	-	720,910
Contributions - in-kind	85,670	-	-	85,670
Contributions - gifted facilities	-	8,075	-	8,075
Special event revenue of \$107,376, less cost of benefits to donors of \$48,993	58,383	-	-	58,383
Net assets released from restrictions:				
Satisfaction of program restrictions	4,586,820	(4,586,820)	-	-
Satisfaction of time restrictions	1,000	(1,000)	-	-
Use of gifted facilities	<u>140,795</u>	<u>(140,795)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,987,019</u>	<u>(3,976,035)</u>	<u>-</u>	<u>5,010,984</u>
Expenses:				
Program services:				
Museum store	551,268	-	-	551,268
Museum operations	2,093,605	-	-	2,093,605
Exhibits	162,545	-	-	162,545
Supporting services:				
Management and general	917,365	-	-	917,365
Development and fundraising	<u>419,667</u>	<u>-</u>	<u>-</u>	<u>419,667</u>
Total expenses	<u>4,144,450</u>	<u>-</u>	<u>-</u>	<u>4,144,450</u>
Increase (decrease) in net assets	4,842,569	(3,976,035)	-	866,534
Net assets, beginning of year	<u>6,306,360</u>	<u>16,905,771</u>	<u>30,000</u>	<u>23,242,131</u>
Net assets, end of year	<u>\$ 11,148,929</u>	<u>12,929,736</u>	<u>30,000</u>	<u>24,108,665</u>

See accompanying notes to financial statements.

SALVADOR DALI MUSEUM, INC.

Statement of Functional Expenses

Year ended June 30, 2010
(With comparative totals for 2009)

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>		
	<u>Museum Store</u>	<u>Museum Operations</u>	<u>Exhibits</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Development and Fundraising</u>	<u>Total Supporting Services</u>	<u>2010</u>	<u>2009</u>
	Salaries, payroll taxes, and employee benefits	\$ 327,428	802,970	-	1,130,398	493,227	295,923	789,150	1,919,548
Security service	-	160,670	-	160,670	2,909	-	2,909	163,579	200,417
Education and lecture programs	-	33,956	-	33,956	27,961	9,467	37,428	71,384	99,845
Exhibits	-	-	199,101	199,101	-	-	-	199,101	162,545
Fundraising	-	-	-	-	-	95,798	95,798	95,798	55,652
Miscellaneous	10,823	41,613	-	52,436	8,514	1,143	9,657	62,093	106,440
Travel	164	13,498	-	13,662	5,193	750	5,943	19,605	19,137
Professional fees	1,737	13,120	-	14,857	111,181	36,493	147,674	162,531	269,074
Office and postage	71,711	44,958	-	116,669	21,991	5,634	27,625	144,294	141,758
Repairs and maintenance	-	67,490	-	67,490	1,015	-	1,015	68,505	80,829
Rent	36,005	103,074	-	139,079	2,893	1,492	4,385	143,464	144,595
Insurance	-	74,330	-	74,330	132,148	-	132,148	206,478	213,047
Promotion and advertising	-	360,453	-	360,453	-	-	-	360,453	362,567
Public relations	-	86,956	-	86,956	-	-	-	86,956	75,943
Dues and subscriptions	535	6,256	-	6,791	7,993	539	8,532	15,323	13,517
Utilities and telephone	34,643	104,380	-	139,023	3,067	1,582	4,649	143,672	135,245
Supplies	30,107	-	-	30,107	-	-	-	30,107	19,823
Curatorial expense	-	7,864	-	7,864	137	-	137	8,001	9,587
Depreciation	27,171	81,839	-	109,010	2,325	1,189	3,514	112,524	115,619
Interest	-	-	-	-	3,685	-	3,685	3,685	1,670
	<u>\$ 540,324</u>	<u>2,003,427</u>	<u>199,101</u>	<u>2,742,852</u>	<u>824,239</u>	<u>450,010</u>	<u>1,274,249</u>	<u>4,017,101</u>	<u>4,144,450</u>

See accompanying notes to financial statements.

SALVADOR DALI MUSEUM, INC.

Statement of Functional Expenses

Year ended June 30, 2009

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>	
	<u>Museum Store</u>	<u>Museum Operations</u>	<u>Exhibits</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Development and Fundraising</u>		<u>Total Supporting Services</u>
Salaries, payroll taxes, and employee benefits	\$ 352,972	831,395	-	1,184,367	464,710	268,063	732,773	1,917,140
Security service	-	197,594	-	197,594	2,823	-	2,823	200,417
Education and lecture programs	-	56,961	-	56,961	32,126	10,758	42,884	99,845
Exhibits	-	-	162,545	162,545	-	-	-	162,545
Fundraising	-	-	-	-	-	55,652	55,652	55,652
Miscellaneous	14,409	49,207	-	63,616	36,806	6,018	42,824	106,440
Travel	536	9,613	-	10,149	5,044	3,944	8,988	19,137
Professional fees	1,110	11,152	-	12,262	199,943	56,869	256,812	269,074
Office and postage	64,445	40,432	-	104,877	24,879	12,002	36,881	141,758
Repairs and maintenance	-	79,984	-	79,984	845	-	845	80,829
Rent	37,004	103,206	-	140,210	2,892	1,493	4,385	144,595
Insurance	-	79,069	-	79,069	133,978	-	133,978	213,047
Promotion and advertising	-	362,567	-	362,567	-	-	-	362,567
Public relations	-	75,906	-	75,906	-	37	37	75,943
Dues and subscriptions	395	4,519	-	4,914	6,478	2,125	8,603	13,517
Utilities and telephone	32,647	98,360	-	131,007	2,759	1,479	4,238	135,245
Supplies	19,823	-	-	19,823	-	-	-	19,823
Curatorial expense	-	9,560	-	9,560	27	-	27	9,587
Depreciation	27,927	84,080	-	112,007	2,385	1,227	3,612	115,619
Interest	-	-	-	-	1,670	-	1,670	1,670
	<u>\$ 551,268</u>	<u>2,093,605</u>	<u>162,545</u>	<u>2,807,418</u>	<u>917,365</u>	<u>419,667</u>	<u>1,337,032</u>	<u>4,144,450</u>

See accompanying notes to financial statements.

SALVADOR DALI MUSEUM, INC.

Statements of Cash Flows

Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Increase in net assets	\$ 6,829,796	866,534
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	112,523	115,619
Net realized and unrealized losses (gains) on investments	(220,065)	555,085
Decrease in gifted facilities	132,720	132,720
Decrease (increase) in accounts receivable	(6,857)	16,470
Decrease (increase) in grants receivable	(34,913)	56,046
Decrease (increase) in pledges receivable	(434,557)	23,626
Increase in bequest receivable	(127,000)	-
Decrease (increase) in artwork and educational materials for resale	(92,382)	210,384
Decrease (increase) in prepaid expenses	(106,479)	22,185
Increase in accounts payable and accrued expenses	1,379,273	853,685
Increase (decrease) in deferred revenue	(651,349)	576,319
Contributions restricted for long term purposes:		
Contributions	(5,382,745)	(708,868)
Grants	-	(1,081,784)
Net cash provided by operating activities	1,397,965	1,638,021
Cash flows from investing activities:		
Purchases of investments, net	(33,647)	(76,651)
Purchases of property and equipment	(18,572,737)	(6,287,420)
Net cash used in investing activities	(18,606,384)	(6,364,071)
Cash flows from financing activities:		
Net borrowings under line of credit	1,020,000	-
Contributions restricted for long-term purposes	5,382,745	708,868
Grants restricted for long-term purposes	-	1,081,784
Net cash provided by financing activities	6,402,745	1,790,652
Net decrease in cash and cash equivalents	(10,805,674)	(2,935,398)
Cash and cash equivalents at beginning of year	12,940,204	15,875,602
Cash and cash equivalents at end of year	\$ 2,134,530	12,940,204
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,685	1,670
Cash and cash equivalents balance sheet classification (note 2):		
Cash and cash equivalents	\$ 1,843,121	1,716,653
Unrestricted - designated for endowment	254,275	254,250
Temporarily restricted - building campaign	34,134	10,965,301
Temporarily restricted - benefit dinner	3,000	4,000
	\$ 2,134,530	12,940,204

See accompanying notes to financial statements.

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

June 30, 2010 and 2009

(1) Summary of Significant Accounting Policies and Practices

(a) Description of Organization

Salvador Dali Museum, Inc. (the Museum) is a Florida not-for-profit organization located in St. Petersburg, Florida. The Museum's primary purpose is to educate the public and promote understanding, enjoyment, and scholarly examination of art through the exhibition of works by Salvador Dali and artists of similar vision.

(b) Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Museum as a whole and to present net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the operations of Salvador Dali Museum, Inc.

Temporarily restricted net assets represent those amounts which are not available until future periods or are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent those amounts subject to donor-imposed stipulations requiring that they be maintained permanently by the Museum. Generally, the donors of these assets permit the Museum to use all or part of the income earned on any related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Sales revenue is reported net of returns and sales tax collected. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

(c) Cash Equivalents

For purposes of the statements of cash flows, the Museum considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents.

(Continued)

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

(d) **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Museum's statement of financial position. Unrealized gains and losses are included in the changes in net assets in the accompanying financial statements. Restrictions on investment earnings are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are recognized.

(e) **Unconditional Promises to Give**

Contributions are recognized at their present value when a donor makes a contribution. Unconditional promises to give are recognized as revenues in the periods received. The Museum distinguishes between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets depending upon the existence or nature of any donor stipulations. In the absence of donor stipulations, contributions are reported as unrestricted support.

(f) **Receivables**

Accounts and pledges receivable are comprised of unconditional promises to give. Grants receivable represents amount due within one year from various state and local governments for purposes specified in each grant. At June 30, 2010 and 2009, management considers accounts receivable, grants receivable, and pledges receivable to be fully collectible. Therefore, no allowance for uncollectible accounts is required.

(g) **Artwork and Educational Materials for Resale**

Artwork and educational materials for resale are recorded at the lower of average cost or market.

(h) **Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost, if purchased, or at estimated fair value at the date of receipt if acquired by gift. The Museum capitalizes all expenditures for land, buildings and equipment in excess of \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Major renewals and betterments are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. It is the policy of the Museum to maintain all buildings and equipment in good condition.

Property acquired with governmental funds is considered to be owned by the Museum while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds therefrom is subject to applicable regulations.

(Continued)

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

(i) **Income Taxes**

Salvador Dali Museum, Inc. is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Museum's income tax returns. The Museum's income tax filings are subject to audit by taxing authorities and filings for periods after 2006 are open for examination. The Museum does not believe it has any unrecognized exposure relating to uncertain tax positions at June 30, 2010.

(j) **Advertising**

The Museum expenses advertising costs as incurred. Advertising costs were approximately \$360,000 and \$363,000 for the years ended June 30, 2010 and 2009, respectively.

(k) **Functional Allocation of Expenses**

Expenses are allocated between program services and supporting services based upon specific activity identification and an analysis of personnel time and space utilized for the related activities.

(l) **Gifted Facilities and Services**

Gifted facilities represent the estimated fair rental value of land which the Museum leases from the City of St. Petersburg, Florida. The difference between the fair value and the actual lease amount is recognized as an unconditional promise to give, limited to the fair value of the land at the time of the contribution. The fair value of gifted facilities is recognized as rent expense over the life of the lease.

Contributions of services are recognized as support and expense at fair market value if the services received a) create or enhance non-financial assets or b) require specialized skills that are provided by individuals possessing those skills which would otherwise need to be purchased if not provided by donation. During the years ended June 30, 2010 and 2009, the value of contributed services for docents approximated \$54,500 (7,500 hours) and \$50,000 (7,000 hours), respectively.

(m) **Art Collections**

The art collections which have been acquired through purchases and contributions since the Museum's inception are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors.

(Continued)

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

(n) **Use of Estimates**

Management of the Museum has made a number of estimates and assumptions relating to the reporting of assets and liabilities, as well as pro rata allocations in the recording of expenditures, to prepare these financial statements in conformity with accounting principles generally accepted in the United State of America. Actual results could differ from those estimates.

(2) **Cash and Cash Equivalents and Investments**

Cash and cash equivalents and investments and their classification in the financial statements are summarized as follows:

	Fair Value			
	Cash and Cash Equivalents	Mutual Funds	Total	Unrealized Loss
June 30, 2010:				
Unrestricted -				
Undesignated	\$ 1,843,121	-	1,843,121	-
Designated -				
Endowment	254,275	1,762,759	2,017,034	(134,880)
Temporarily restricted -				
building	34,134	-	34,134	-
Temporarily restricted -				
benefit dinner	3,000	-	3,000	-
Permanently restricted	-	30,000	30,000	-
	<u>\$ 2,134,530</u>	<u>1,792,759</u>	<u>3,927,289</u>	<u>(134,880)</u>
June 30, 2009:				
Unrestricted				
Undesignated	\$ 1,716,653	-	1,716,653	-
Designated				
Endowment	254,250	1,509,047	1,763,297	(476,646)
Temporarily restricted -				
building	10,965,301	-	10,965,301	-
Temporarily restricted -				
benefit dinner	4,000	-	4,000	-
Permanently restricted	-	30,000	30,000	-
	<u>\$ 12,940,204</u>	<u>1,539,047</u>	<u>14,479,251</u>	<u>(476,646)</u>

(Continued)

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

Of the total cash and cash equivalent holdings, approximately \$2,000,000 and \$12,000,000 was held in money-market type mutual funds at June 30, 2010 and 2009, respectively. None of the Museum's mutual fund investments are concentrated in a specific company or industry.

The Board of Trustees has designated a portion of unrestricted net assets as a general endowment fund to support the mission of the Museum. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as unrestricted net assets.

The Museum has not adopted a spending policy concerning the general endowment fund and no distributions have been made from the fund during the fiscal years ended June 30, 2010 and 2009. The Museum's objective is to maintain the purchasing power of the endowment assets as well as to provide additional growth through investment return.

To achieve that objective, the Museum has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation protected rate of return and grow the fund. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment fund net assets for the years ended June 30, 2010 and 2009 were as follows:

	Designated for Endowment
Balance at June 30, 2008	\$ 2,239,943
Investment income	78,439
Realized and unrealized losses	<u>(555,085)</u>
Balance at June 30, 2009	1,763,297
Investment income	33,672
Realized and unrealized gains	<u>220,065</u>
Balance at June 30, 2010	\$ <u><u>2,017,034</u></u>

(Continued)

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

(3) Pledges Receivable

The following schedule presents when pledges receivable at June 30, 2010 and 2009 are due:

	<u>2010</u>	<u>2009</u>
Pledges receivable	\$ 2,267,987	1,829,500
Less unamortized discount	<u>86,334</u>	<u>82,404</u>
Net pledges receivable	<u>\$ 2,181,653</u>	<u>1,747,096</u>
Amounts due in:		
Due within one year	\$ 1,107,264	478,916
Due years two through five	<u>1,160,723</u>	<u>1,350,584</u>
	<u>\$ 2,267,987</u>	<u>1,829,500</u>

The amounts presented in the preceding table represent pledges by donors for the purpose of funding the Museum's building campaign. Contributions to the building fund are considered to be temporarily restricted. Pledges receivable which are due in more than one year are recorded at estimated fair value by discounting future cash flows using current risk-adjusted rates of return based on U.S. Treasury Securities yields with maturity dates similar to the expected contribution collection period. The rates of return utilized to discount future cash flows from pledges ranged from 1.5% to 3.4%.

Amounts due from three donors represented approximately 52% of pledges receivable at June 30, 2010. Amounts due from one donor represented approximately 77% of pledges receivable at June 30, 2009.

(4) Government Grants

The Museum has been designated as a cultural institution by the Florida Department of State. The Museum received grant revenues from the U.S. Department of Housing and Urban Development during the year ended June 30, 2009, and from the State of Florida, the City of St. Petersburg, and Pinellas County for the years ending June 30, 2010 and 2009.

In fiscal 2007 and 2006, the Museum received \$4 million grants from the State of Florida for capital expenditures related to building a new museum facility. As a condition for receiving the 2006 grant, the Museum was required to raise a private match of \$4 million. There were no matching requirements for the 2007 grant. Both grants were required to be expended prior to January 31, 2010, unless prior written approval was received from the State of Florida. The grant funds were required, as a condition of receiving the grant funds in advance, to be invested in interest bearing accounts with the interest earned returned to the State of Florida. The grant funds were fully expended by January 31, 2010.

(Continued)

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

(5) Art Collection

The Museum's collections are made up of works of art that are held for public exhibition and educational purposes in furtherance of public services. Each of the items is preserved, cared for, and catalogued. Activities verifying their existence and assessing their condition are periodically performed. During fiscal year 2010, the Museum received two donated works of art with an estimated fair value of \$157,000. During fiscal year 2009, the Museum did not receive any donated works of art. There were no de-accessions for the years ended June 30, 2010 and 2009.

(6) Gifted Facilities

Gifted facilities represent the present value of the aggregate fair rental value of land leases which approximated the fair value of the land contributed by the City of St. Petersburg. The land on which the Museum facilities are situated is leased from the City of St. Petersburg. The original lease was for 30 years through the year 2012, but was extended in fiscal year 2004 for an additional 60 years through 2072. The lease calls for \$1 rent per month in advance. In addition, the Museum leases land adjacent to the facility from the City of St. Petersburg to be used exclusively for parking space. That lease calls for a payment of \$1 per year.

Recognition of the fair values of these leases is summarized as follows:

	Museum Facilities	Parking
Balance at June 30, 2008	\$ 663,580	-
Recognition of annual fair value of gifted land lease	-	8,075
Recognition of rent expense for the year ended June 30, 2009	(132,720)	(8,075)
Balance at June 30, 2009	530,860	-
Recognition of annual fair value of gifted land lease	-	8,075
Recognition of rent expense for the year ended June 30, 2010	(132,720)	(8,075)
Balance at June 30, 2010	\$ 398,140	-

(Continued)

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

(7) Land, Buildings, and Equipment

Land, buildings, and equipment consists of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>	<u>Estimated useful lives</u>
Land	\$ 278,143	278,143	-
Land improvements	249,803	249,803	7 to 35 years
Building improvements	2,591,222	2,591,222	3 to 39 years
Furniture and equipment	208,042	192,082	3 to 15 years
Construction in process	<u>26,837,104</u>	<u>8,280,327</u>	-
	30,164,314	11,591,577	
Less accumulated depreciation	<u>2,248,025</u>	<u>2,135,502</u>	
	<u>\$ 27,916,289</u>	<u>9,456,075</u>	

Depreciation expense for the years ended June 30, 2010 and 2009 was \$112,523 and \$115,619, respectively.

Construction in process at June 30, 2010 and 2009 represents costs associated with the construction of a new museum facility in St. Petersburg, Florida.

(8) Sale of Museum Facility

During the year ended June 30, 2008, the Museum finalized a contract to sell their current facility to the University of South Florida (USF) for \$6 million. Pursuant to the contract, the Museum received a down payment in fiscal 2008 from USF in the amount of \$500,000. The sale of the facility is expected to close in fiscal 2011 when the Museum's construction of a new facility is complete. The contract between the Museum and USF can be cancelled by USF under certain conditions at which time the deposit would be required to be refunded.

As part of the sale of the Museum's current facility to USF, the Museum has agreed to terminate its interest in the land leases with the City of St. Petersburg as described in note 6. The termination of the Museum's interests in the land leases will become effective on the closing date of the sale of its existing facility. The Museum has signed new land leases with the City of St. Petersburg for the site of its new facility. Construction of the new facility began in December 2008.

(Continued)

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

(9) Profit Sharing Plan

Effective April 1997, the Museum adopted a 401(k) profit sharing plan (the Plan). Employees are eligible to participate once they have completed one year of service (working 1,000 hours or more during a Plan year) and have attained age 21. The Plan's participation entry dates are the first and seventh months of the plan year. Participants receive full credit for service before the plan was adopted. Participants may defer up to 15% of their eligible compensation. The Museum may make discretionary matching contributions of participant deferred salary contributions. The discretionary matching contribution was determined by management to be up to 3% of employee's salary with a limit of \$1,000 for the years ended June 30, 2010 and 2009.

Participants are automatically 100% vested in their salary deferral contributions. Participants are 20% vested in the Museum's matching contribution after one year of service with an additional 20% earned after each following year of service. After five years of service, employees are fully vested.

Participants direct the allocation of their account balances among specified investments offered by the Plan. The Museum's matching contribution was \$14,027 and \$15,082 for the years ended June 30, 2010 and 2009, respectively.

(10) Operating Leases

In fiscal 2007, the Museum entered into a noncancelable operating lease for office equipment. Rent expense for this lease was approximately \$18,000 for each of the years ended June 30, 2010 and 2009. The following is a schedule of future minimum lease payments for leases with initial or remaining terms in excess of one year:

<u>Year ending June 30:</u>	
2011	\$ 17,866
2012	17,866
2013	<u>1,489</u>
	<u>\$ 37,221</u>

(Continued)

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

(11) Temporarily Restricted Net Assets

As of June 30, 2010 and 2009, the Museum had the following temporarily restricted net assets:

	<u>2010</u>	<u>2009</u>
Gifted facilities	\$ 398,140	530,860
Building fund	2,215,787	12,394,876
Bequest receivable	127,000	-
Benefit dinner	3,000	4,000
	<u>\$ 2,743,927</u>	<u>12,929,736</u>

(12) Credit Concentrations

During fiscal 2010, the Museum maintained its primary deposit accounts with several commercial banks. Deposits with these banks exceeded federal deposit insurance limits by approximately \$2,800,000 and \$12,900,000 at June 30, 2010 and 2009, respectively. Additional credit concentrations are described in note 2.

(13) Claims and Contingencies

Litigation

The Museum is subject to asserted and unasserted claims arising in the ordinary course of operations. While the results of litigation cannot be predicted with certainty, management believes the final outcome will not have a materially adverse effect on the Museum's financial condition.

Federal, State and Local Grants

Grant funds received by the Museum are subject to audit by grantor agencies and independent auditors. Audits of these grants may result in disallowed costs, which may constitute a liability of the Museum. In the opinion of management, disallowed costs, if any, would not have a materially adverse effect on the Museum's financial condition.

(14) Related Parties

The Museum engages the services of a law firm owned by a member of the Museum's Board of Trustees. Amounts paid to this firm for legal services were approximately \$21,000 and \$58,000 for the years ended June 30, 2010 and 2009, respectively.

(Continued)

SALVADOR DALI MUSEUM, INC.

Notes to Financial Statements

(15) Fair Value Measurements

Fair value of assets measured on a recurring basis at June 30, 2010 and 2009 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2010:				
Mutual Funds	\$ <u>1,792,759</u>	<u>1,792,759</u>	<u>-</u>	<u>-</u>
2009:				
Mutual Funds	\$ <u>1,539,047</u>	<u>1,539,047</u>	<u>-</u>	<u>-</u>

Fair values for mutual funds using level 1 inputs are determined by reference to quoted market prices.

(16) Line of Credit

During fiscal 2009, the Museum established a \$10 million line of credit with a bank. The line of credit is secured by all capital campaign pledges receivable and amounts borrowed will accrue interest at the greater of the bank's prime rate (3.25% at June 30, 2010) or 3%. The Museum is limited to borrowing 85% of the aggregate outstanding amount of unpaid eligible capital campaign pledges. The Museum is required to make monthly payments of accrued interest plus net pledge receipts through December 2010. Beginning in January 2011, the Museum is required to make monthly payments of accrued interest plus all payments received with respect to capital campaign pledges. The line of credit matures on February 3, 2014. The outstanding balance on the line of credit at June 30, 2010 was \$1,020,000.

(17) Subsequent Events

For purposes of disclosure, the Museum evaluated events occurring between the end of its most recent fiscal year (June 30, 2010) and September 22, 2010, the date the financial statements were available for issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

SALVADOR DALI MUSEUM, INC.

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2010

<u>State Agency/ Pass-through Entity/ State Project</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<i>Florida Department of State</i>			
Salvador Dali Museum Relocation	45.043	06-9902	\$ -
Salvador Dali Museum Relocation	45.043	07-9902	1,700,931
Total program			<u>1,700,931</u>
Total State Financial Assistance			<u>\$ 1,700,931</u>

See accompanying notes to schedule of expenditures of state financial assistance.

SALVADOR DALI MUSEUM, INC.

Notes to Schedule of Expenditures of
State Financial Assistance

Year ended June 30, 2010

(1) General

The accompanying Schedule of Expenditures of State Financial Assistance presents the activity of state programs administered by Salvador Dali Museum, Inc. Awards received directly from governmental agencies, as well as those passed through other government agencies, are included on the schedule.

(2) Basis of Accounting

State programs administered by Salvador Dali Museum, Inc. are accounted for within Salvador Dali Museum, Inc.'s program funds. The accompanying Schedule of Expenditures of State Financial Assistance has been prepared on the same basis of accounting as the financial statements.

INTERNAL CONTROL AND COMPLIANCE

Members:

Douglas R. Birch, CPA*
Craig A. Gilman, CPA*
Betty Isler, CPA*
Michael D. Kindt, CPA*, CFP®
Michael E. Lewis, CPA*/ABV/CFE, CVA
Tracey McDonald, CPA*
Kathy Mills, CPA*/ABV/CFE, CVA
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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Trustees
Salvador Dali Museum, Inc.:

We have audited the financial statements of Salvador Dali Museum, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 22, 2010. 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 Salvador Dali Museum, Inc.'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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-01, that we consider to be significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salvador Dali Museum Inc.'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 Salvador Dali Museum, Inc. in a separate letter dated September 22, 2010.

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

A handwritten signature in black ink that reads "Lewis, Birch & Richards, LLC". The signature is written in a cursive, flowing style.

Clearwater, Florida
September 22, 2010

Members:

Douglas R. Birch, CPA*
Craig A. Gilman, CPA*
Betty Isler, CPA*
Michael D. Kindt, CPA*, CFP®
Michael E. Lewis, CPA*/ABV/CFE, CVA
Tracey McDonald, CPA*
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**Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major State Project and on Internal Control Over
Compliance in Accordance With Chapter 10.650, Rules of
the State of Florida Auditor General**

The Board of Trustees
Salvador Dali Museum, Inc.:

Compliance

We have audited the compliance of Salvador Dali Museum, Inc. (a nonprofit organization) with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that are applicable to its major state project for the year ended June 30, 2010. Salvador Dali Museum, Inc.'s major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state project is the responsibility of the Salvador Dali Museum, Inc.'s management. Our responsibility is to express an opinion on Salvador Dali Museum, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organizations's compliance with those requirements.

In our opinion, Salvador Dali Museum, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Salvador Dali Museum, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered Salvador Dali Museum, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Salvador Dali Museum, Inc.'s internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis.

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

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



Clearwater, Florida
September 22, 2010

SALVADOR DALI MUSEUM, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(Page 1 of 2)

(1) **Summary of Auditor's Results**

- (a) The auditor's report expresses an unqualified opinion on the financial statements of Salvador Dali Museum, Inc.
- (b) One significant deficiency relating to the audit of the financial statements was disclosed during the audit.
- (c) No instances of noncompliance material to the financial statements of Salvador Dali Museum, Inc. were disclosed during the audit.
- (d) No control deficiencies were disclosed during the audit of the major state project.
- (e) The auditors' report on compliance for the major state project for Salvador Dali Museum, Inc. expresses an unqualified opinion.
- (f) There were no audit findings relative to the major state project.
- (g) Major State project:
Florida Department of State -
Salvador Dali Museum Relocation - CSFA #45.043
- (h) A \$300,000 threshold was used to distinguish between Type A and Type B programs for state projects.
- (i) Salvador Dali Museum, Inc. was determined to be a low-risk auditee.

SALVADOR DALI MUSEUM, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(Page 2 of 2)

(2) Findings - Audited Financial Statements

Significant Deficiency

Item 2010-01 - Pledges Receivable

Condition: Certain pledges receivable from the capital campaign were not recorded at June 30, 2010. In addition, the general ledger account for pledges receivable was not fully reconciled to capital campaign records of pledges received.

Criteria: Internal controls should be in place to ensure pledges are recognized in the period they are received.

Effect: Errors in the financial statements might go undetected.

Recommendation: Procedures should be implemented to identify all pledge agreements that qualify for recording in the general ledger. The general ledger account should be periodically reconciled to capital campaign records.

(3) Findings and Questioned Costs - Major State Project Audit

None.

(4) Other Matters

(a) No management letter is required because there were no findings or other items related to State financial assistance required to be reported in the management letter.

(b) No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal programs or State projects.

SALVADOR DALI MUSEUM, INC.

Corrective Action Plan

Year ended June 30, 2010

(A) Findings - Audited Financial Statements

Significant Deficiency

Item 2010-01 - Pledges Receivable

Recommendation: Procedures should be implemented to identify all pledge agreements that qualify for recording in the general ledger. The general ledger account should be periodically reconciled to capital campaign records.

Action Taken: The Development Director will perform a monthly review of the pledge status report to ensure it is complete and accurate. The Finance Director will then reconcile the general ledger to the pledge status report to ensure all pledge activity is captured in the general ledger.