

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Consolidated Financial Statements

September 30, 2011 and 2010

Robbins and Lundino, P.A.
Certified Public Accountants

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	2 – 3
Consolidated Statements of Activities	4 – 5
Consolidated Statements of Cash Flows	6 – 7
Notes to Consolidated Financial Statements	8 – 21
Supplementary Financial Information:	
Independent Auditor's Report on Additional Information	22
Schedule of Expenditures of State Financial Assistance	23
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	24 – 25
Independent Auditor's 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 Auditor General	26 – 27
Schedule of Findings and Questioned Costs – Major State Projects	28

Robbins and Landino, P.A.
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Museum of Discovery and Science, Inc.
Fort Lauderdale, Florida

We have audited the accompanying consolidated statements of financial position of Museum of Discovery and Science, Inc. as of September 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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, and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, State of Florida, Rules of the Auditor General require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Museum of Discovery and Science, Inc. as of September 30, 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.

In accordance with Government Auditing Standards and Chapter 10,650, State of Florida, Rules of the Auditor General, we have also issued our report dated December 1, 2011, on our consideration of the Museum of Discovery and Science, Inc.'s internal control over financial reporting and 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 Chapter 10.650, State of Florida, Rules of the Auditor General and should be considered in assessing the results of our audit.

ROBBINS AND LANDINO, P.A.
Certified Public Accountants

Robbins and Landino, P.A.
Fort Lauderdale, Florida
December 1, 2011

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Consolidated Statement of Financial Position
September 30, 2011
(with Comparative Totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Assets					
Cash	\$ 2,012,230	\$ 2,070,411	\$	\$ 4,082,641	\$ 7,567,567
Beneficial Interest in Assets Held by Community Foundation	(89,865)		3,252,000	3,162,135	3,163,854
Pledges and Grants Receivable	234,405	5,505,036		5,739,441	11,650,931
Other Receivables	139,491	47,200		186,691	5,729
Inventory	105,028			105,028	101,876
Prepaid Expenses	193,550	158		193,708	173,029
Property and Equipment	6,242,874			6,242,874	5,592,804
Construction in Progress	13,608,413	2,615,050		16,223,463	4,475,798
Other Assets	107,588	54,590		162,178	212,043
Total Assets	<u>\$ 22,553,714</u>	<u>\$ 10,292,445</u>	<u>\$ 3,252,000</u>	<u>\$ 36,098,159</u>	<u>\$ 32,943,631</u>
Liabilities					
Accounts Payable	\$ 160,751	\$ 2,061,005	\$	\$ 2,221,756	\$ 804,792
Accrued Expenses	253,019	55,807		308,826	331,364
Deferred Revenue	115,569			115,569	203,245
Construction Loan Payable		2,247,848		2,247,848	324,798
Total Liabilities	<u>529,339</u>	<u>4,364,660</u>	<u></u>	<u>4,893,999</u>	<u>1,664,199</u>
Net Assets					
Unrestricted					
Plant	19,851,287			19,851,287	10,068,602
Other Unrestricted	2,173,088			2,173,088	1,861,569
Total Unrestricted	<u>22,024,375</u>			<u>22,024,375</u>	<u>11,930,171</u>
Temporarily Restricted		<u>5,927,785</u>		<u>5,927,785</u>	<u>16,097,261</u>
Permanently Restricted			<u>3,252,000</u>	<u>3,252,000</u>	<u>3,252,000</u>
Total Net Assets	<u>22,024,375</u>	<u>5,927,785</u>	<u>3,252,000</u>	<u>31,204,160</u>	<u>31,279,432</u>
Total Liabilities and Net Assets	<u>\$ 22,553,714</u>	<u>\$ 10,292,445</u>	<u>\$ 3,252,000</u>	<u>\$ 36,098,159</u>	<u>\$ 32,943,631</u>

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

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Consolidated Statement of Financial Position
September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets				
Cash	\$ 2,028,432	\$ 5,539,135	\$	\$ 7,567,567
Beneficial Interest in Assets Held by Community Foundation	(88,146)		3,252,000	3,163,854
Pledges and Grants Receivable	257,544	11,393,387		11,650,931
Other Receivables	5,729			5,729
Inventory	101,876			101,876
Prepaid Expenses	173,029			173,029
Property and Equipment	5,592,804			5,592,804
Construction in Progress	4,475,798			4,475,798
Other Assets	105,558	106,485		212,043
Total Assets	<u>\$ 12,652,624</u>	<u>\$ 17,039,007</u>	<u>\$ 3,252,000</u>	<u>\$ 32,943,631</u>
Liabilities				
Accounts Payable	\$ 221,777	\$ 583,015	\$	\$ 804,792
Accrued Expenses	297,431	33,933		331,364
Deferred Revenue	203,245			203,245
Construction Loan Payable		324,798		324,798
Total Liabilities	<u>722,453</u>	<u>941,746</u>		<u>1,664,199</u>
Net Assets				
Unrestricted				
Plant	10,068,602			10,068,602
Other Unrestricted	1,861,569			1,861,569
Total Unrestricted	<u>11,930,171</u>			<u>11,930,171</u>
Temporarily Restricted		<u>16,097,261</u>		<u>16,097,261</u>
Permanently Restricted			<u>3,252,000</u>	<u>3,252,000</u>
Total Net Assets	<u>11,930,171</u>	<u>16,097,261</u>	<u>3,252,000</u>	<u>31,279,432</u>
Total Liabilities and Net Assets	<u>\$ 12,652,624</u>	<u>\$ 17,039,007</u>	<u>\$ 3,252,000</u>	<u>\$ 32,943,631</u>

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

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Consolidated Statement of Activities

For the Year Ended September 30, 2011

(with Comparative Totals for 2010)

	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Permanently</u>	<u>2011</u>	<u>2010</u>
	<u>Operating</u>	<u>Campaign</u>	<u>Total</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Public Support and Revenues						
Public Support						
Government	\$ 393,125	\$	\$ 393,125	\$ 393,068	\$	\$ 786,193
Corporate and Private – Capital Campaign				659,785		659,785
Corporate and Private – Operating	446,257		446,257	129,500		575,757
Net Assets Released from Restrictions	414,033	11,182,532	11,596,565	(11,596,565)		169,539
Contributed Services and Materials	632,020		632,020			632,020
Total Public Support	<u>1,885,435</u>	<u>11,182,532</u>	<u>13,067,967</u>	<u>(10,414,212)</u>		<u>2,653,755</u>
						<u>4,760,905</u>
Revenues						
Admissions, Dues and Fees	3,547,481		3,547,481			3,547,481
Explore Store and Food Services	689,865		689,865			689,865
Rentals and Parking	46,011		46,011			46,011
Fundraising Events	488,274		488,274	244,650		732,924
Less: Fundraising Events Expenses	(257,829)		(257,829)			(257,829)
Investment Income	64,378		64,378	86		64,464
Total Revenues	<u>4,578,180</u>		<u>4,578,180</u>	<u>244,736</u>		<u>4,822,916</u>
Total Public Support and Revenues	<u>6,463,615</u>	<u>11,182,532</u>	<u>17,646,147</u>	<u>(10,169,476)</u>		<u>7,476,671</u>
						<u>11,266,181</u>
Expenses						
Collections and Exhibits	1,126,444		1,126,444			1,126,444
Educational Programs	678,840		678,840			678,840
Theater and Visitor Services	1,945,770		1,945,770			1,945,770
Administration and Finance	619,114		619,114			619,114
Development	286,442	294,441	580,883			580,883
Membership	55,239		55,239			55,239
Marketing	631,793		631,793			631,793
Explore Store	438,690		438,690			438,690
Broward Boulevard Property Costs	4,544		4,544			4,544
Contributed Services and Materials	632,020		632,020			632,020
Total Expenses	<u>6,418,896</u>	<u>294,441</u>	<u>6,713,337</u>			<u>6,713,337</u>
						<u>8,053,425</u>
Change in Net Assets before Depreciation	44,719	10,888,091	10,932,810	(10,169,476)		763,334
Depreciation	(838,606)		(838,606)			(838,606)
Change in Net Assets	<u>\$ (793,887)</u>	<u>\$ 10,888,091</u>	10,094,204	(10,169,476)		(75,272)
						2,422,347
Net Assets, Beginning of Year			<u>11,930,171</u>	<u>16,097,261</u>	<u>3,252,000</u>	<u>31,279,432</u>
						<u>28,857,085</u>
Net Assets, End of Year			<u>\$ 22,024,375</u>	<u>\$ 5,927,785</u>	<u>\$ 3,252,000</u>	<u>\$ 31,204,160</u>
						<u>\$ 31,279,432</u>

Bohlin and Sandino, P.A.
Chartered Public Accountants

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

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Consolidated Statement of Activities
For the Year Ended September 30, 2010

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Campaign	Total			
Public Support and Revenues						
Public Support						
Government	\$ 440,234		\$ 440,234	\$ 1,000,000		\$ 1,440,234
Corporate and Private – Capital Campaign				2,290,775		2,290,775
Corporate and Private – Operating	67,239		67,239	102,300		169,539
Net Assets Released from Restrictions	451,017	3,305,252	3,756,269	(3,756,269)		
Contributed Services and Materials	<u>860,357</u>		<u>860,357</u>			<u>860,357</u>
Total Public Support	<u>1,818,847</u>	<u>3,305,252</u>	<u>5,124,099</u>	<u>(363,194)</u>		<u>4,760,905</u>
Revenues						
Admissions, Dues and Fees	4,856,553		4,856,553			4,856,553
Explore Store and Food Services	878,412		878,412			878,412
Rentals and Parking	54,534		54,534			54,534
Fundraising Events	692,657		692,657	164,950		857,607
Less: Fundraising Events Expenses	(325,749)		(325,749)			(325,749)
Investment Income	172,662		172,662	11,257		183,919
Total Revenues	<u>6,329,069</u>		<u>6,329,069</u>	<u>176,207</u>		<u>6,505,276</u>
Total Public Support and Revenues	<u>8,147,916</u>	<u>3,305,252</u>	<u>11,453,168</u>	<u>(186,987)</u>		<u>11,266,181</u>
Expenses						
Collections and Exhibits	1,306,295		1,306,295			1,306,295
Educational Programs	614,239		614,239			614,239
Theater and Visitor Services	2,859,801		2,859,801			2,859,801
Administration and Finance	608,632		608,632			608,632
Development	284,765	220,748	505,513			505,513
Membership	71,422		71,422			71,422
Marketing	714,298		714,298			714,298
Explore Store	487,557		487,557			487,557
Broward Boulevard Property Costs	25,311		25,311			25,311
Contributed Services and Materials	<u>860,357</u>		<u>860,357</u>			<u>860,357</u>
Total Expenses	<u>7,832,677</u>	<u>220,748</u>	<u>8,053,425</u>			<u>8,053,425</u>
Change in Net Assets before Depreciation	315,239	3,084,504	3,399,743	(186,987)		3,212,756
Depreciation	<u>(790,409)</u>		<u>(790,409)</u>			<u>(790,409)</u>
Change in Net Assets	<u>\$ (475,170)</u>	<u>\$ 3,084,504</u>	2,609,334	(186,987)		2,422,347
Net Assets, Beginning of Year			<u>9,320,837</u>	<u>16,284,248</u>	<u>3,252,000</u>	<u>28,857,085</u>
Net Assets, End of Year			<u>\$ 11,930,171</u>	<u>\$ 16,097,261</u>	<u>\$ 3,252,000</u>	<u>\$ 31,279,432</u>

Robbins and Spaulding, P.A.
Certified Public Accountants

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

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Consolidated Statement of Cash Flows
For the Year Ended September 30, 2011
(with Comparative Totals for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Cash Flows from Operating Activities					
Change in Net Assets	\$ 10,094,204	\$ (10,169,476)	\$	\$ (75,272)	\$ 2,422,347
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:					
Depreciation	838,606			838,606	790,409
Loss on Disposal of Equipment	14,873			14,873	
Net (Increase) Decrease in Beneficial Interest	1,719			1,719	(15,712)
Changes in Net Assets and Liabilities:					
Decrease in Pledges and Grants Receivable	23,139	5,888,351		5,911,490	1,425,032
(Increase) Decrease in Other Receivables	(133,762)	(47,200)		(180,962)	8,866
Increase in Inventory	(3,152)			(3,152)	(6,182)
(Increase) Decrease in Prepaid Expenses	(20,521)	(158)		(20,679)	6,824
(Increase) Decrease in Other Assets	(2,030)	51,895		49,865	(60,654)
Increase (Decrease) in Accounts Payable	(61,026)	1,477,990		1,416,964	412,420
Increase (Decrease) in Accrued Expenses	(44,412)	21,874		(22,538)	50,396
Increase (Decrease) in Deferred Revenue	(87,676)			(87,676)	55,376
Net Cash Flows from Operating Activities	<u>10,619,962</u>	<u>(2,776,724)</u>		<u>7,843,238</u>	<u>5,089,122</u>
Cash Flows from Investing Activities					
Acquisition of Property and Equipment	(444,085)			(444,085)	(421,977)
Increase in Cost of Construction in Progress	(10,192,079)	(2,615,050)		(12,807,129)	(2,763,353)
Net Cash Flows from Investing Activities	<u>(10,636,164)</u>	<u>(2,615,050)</u>		<u>(13,251,214)</u>	<u>(3,185,330)</u>
Cash Flows from Financing Activities					
Proceeds from Construction Loan		1,923,050		1,923,050	324,798
Payments on Mortgage Payable					(400,000)
Net Cash Flows from Financing Activities		<u>1,923,050</u>		<u>1,923,050</u>	<u>(75,202)</u>
Net Change in Cash	(16,202)	(3,468,724)		(3,484,926)	1,828,590
Cash, Beginning of Year	<u>2,028,432</u>	<u>5,539,135</u>		<u>7,567,567</u>	<u>5,738,977</u>
Cash, End of Year	<u>\$ 2,012,230</u>	<u>\$ 2,070,411</u>	<u>\$</u>	<u>\$ 4,082,641</u>	<u>\$ 7,567,567</u>
Supplemental Disclosure of Cash Flow Information:					
Cash Paid During the Period for Interest and Capitalized				<u>\$ 49,915</u>	<u>\$ 11,575</u>

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

MUSEUM OF DISCOVERY AND SCIENCE, INC.
 Consolidated Statement of Cash Flows
 For the Year Ended September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash Flows from Operating Activities				
Change in Net Assets	\$ 2,609,334	\$ (186,987)	\$	\$ 2,422,347
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:				
Depreciation and Amortization	790,409			790,409
Net Increase in Beneficial Interest	(15,712)			(15,712)
Changes in Net Assets and Liabilities:				
(Increase) Decrease in Pledges and Grants Receivable	(5,021)	1,430,053		1,425,032
Decrease in Other Receivables	8,866			8,866
Increase in Inventory	(6,182)			(6,182)
Decrease in Prepaid Expenses	6,824			6,824
Increase in Other Assets	(24,169)	(36,485)		(60,654)
Increase in Accounts Payable	1,196	411,224		412,420
Increase in Accrued Expenses	47,237	3,159		50,396
Increase in Deferred Revenue	55,376			55,376
Net Cash Flows from Operating Activities	<u>3,468,158</u>	<u>1,620,964</u>		<u>5,089,122</u>
Cash Flows from Investing Activities				
Acquisition of Property and Equipment	(421,977)			(421,977)
Increase in Cost of Construction in Progress	(2,763,353)			(2,763,353)
Net Cash Flows from Investing Activities	<u>(3,185,330)</u>			<u>(3,185,330)</u>
Cash Flows from Financing Activities				
Proceeds from Construction Loan		324,798		324,798
Payments on Mortgage Payable	(400,000)			(400,000)
Net Cash Flows from Financing Activities	<u>(400,000)</u>	<u>324,798</u>		<u>(75,202)</u>
Net Change in Cash	(117,172)	1,945,762		1,828,590
Cash, Beginning of Year	<u>2,145,604</u>	<u>3,593,373</u>		<u>5,738,977</u>
Cash, End of Year	<u>\$ 2,028,432</u>	<u>\$ 5,539,135</u>	<u>\$</u>	<u>\$ 7,567,567</u>
Supplemental Disclosure of Cash Flow Information:				
Cash Paid During the Period for Interest and Capitalized				<u>\$ 11,575</u>

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

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

1. ORGANIZATION AND PROGRAM SERVICES

Organization: The Museum of Discovery and Science, Inc. is a non-profit organization established to provide experiential pathways to life-long learning in science for children and adults through exhibits, programs, and films. Project Discovery, Inc.'s activities are conducted exclusively to support the enhancement, enlargement, and expansion of the Museum of Discovery and Science, Inc. Currently, the primary activities of Project Discovery consist of holding and maintaining a parcel of property for the purpose of future Museum expansion.

The Museum continued construction on a 31,000 square foot expansion of its facilities during the fiscal year ended September 30, 2011. The Museum estimates the expansion will cost approximately \$25.1 million, which includes exhibits and the Visitor Pavilion. The expanded facility opened to the general public on November 11, 2011. The Museum has raised cash and pledges of approximately \$25.1 million to pay for the project. A \$6.0 million construction loan has been secured for payments toward the construction contract. The loan is payable over seven years, with the first two years payable interest only. Scheduled pledges of \$10 million have been identified as repayment on the loan.

Principles of Consolidation: The consolidated financial statements include the accounts of the Museum of Discovery and Science, Inc., Project Discovery, Inc., and New World Aquarium, Inc. (hereafter referred to as the "Museum"), since the Museum of Discovery and Science, Inc. has both an economic interest and control of these entities through a majority voting interest in its governing board. All significant intercompany accounts and transactions have been eliminated in consolidation.

Program Services: The program services of the Museum include the following activities:

Collections and Exhibits: Participatory equipment to excite curiosity and serve as a tool for discovery of new facts and awareness.

Educational Programs: School tours, general public admissions, and individualized programs are designed to help participants learn about the world around them and their role in it. Repetitive involvement is encouraged in ongoing programs, classes, and workshops with the goals of increasing community awareness and skills as related to the arts, sciences, and the environment. Additionally, teachers are trained to use participatory methods to motivate and expedite learning experiences.

Theater and Visitor Services: IMAX Theater offers films providing a forum for the exchange of views on issues of science, health and technology, and intensifying the visitors' Museum experience.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of the Museum have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Date of Management's Review: In preparing the financial statements, the Museum has evaluated events and transactions for the potential recognition or disclosure through December 1, 2011, the date that the financial statements were issued.

MUSEUM OF DISCOVERY AND SCIENCE, INC.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation: Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Includes amounts which have no external restrictions and which are available for support of current operations and includes amounts already spent for property and equipment acquisitions.

Temporarily Restricted - Includes amounts which have donor-restrictions that can be fulfilled by actions of the Museum pursuant to those restrictions or restrictions that expire by the passage of time.

Permanently Restricted - Includes amounts that are subject to restrictions of the gift instruments requiring that resources be maintained permanently.

Contributions: Contributions are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Time-restricted and purpose-restricted contributions are required to be reported as temporarily restricted support. When a 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. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Membership Dues: Membership dues are recognized as income in the applicable membership period.

Cash: Cash and cash equivalents include cash in banks and highly liquid investments with original maturity dates of less than three months.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair market value in the statement of financial position. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Inventory: Explore Store inventories are stated at the lower of cost or market, on a first-in, first-out basis.

Contributed Services and Materials: Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. Contributed materials are also recorded at their fair value in the period received.

MUSEUM OF DISCOVERY AND SCIENCE, INC.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment and Depreciation: Property and equipment are stated at cost. When equipment is retired or otherwise disposed of, the cost less related accumulated depreciation is removed from the accounts and resulting gains or losses are included in the statement of activity.

Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred.

Income Taxes: As a non-profit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code, the Museum is exempt from corporate income taxation on income related to its exempt function. The Museum does pay tax on any unrelated business income. For the years ended September 30, 2011 and 2010, there was no tax liability on unrelated business income and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

Deferred Revenue: Deferred revenue consists of deferred membership income and unearned contract income.

Advertising: The Museum follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$245,112 and \$299,998 for the years ended September 30, 2011 and September 30, 2010, respectively.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments: Cash equivalents, prepaid expenses, other receivables, construction in progress, other assets, accounts payable, accrued expenses, and deferred revenue are reflected in the financial statements at cost which approximates fair value because of their short-term nature.

Reclassifications: In order to facilitate comparison of financial data, certain amounts recorded in the prior year have been reclassified to conform to the current year reporting format.

3. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

In prior years, the Museum transferred money to the Community Foundation of Broward, Inc. (the "Foundation") to establish an endowment fund. These amounts have been recorded as an asset on the statement of financial position at market value. Distributions from the Foundation are based on the Foundation's stated "income return percentage" for the period, multiplied by the weighted average market value of the fund.

MUSEUM OF DISCOVERY AND SCIENCE, INC.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

4. PLEDGES AND GRANTS RECEIVABLE

At September 30, 2011 and 2010, pledges and grants receivable consisted of:

	<u>2011</u>	<u>2010</u>
Corporate	\$ 3,182,717	\$ 5,000,083
Individuals	173,374	1,697,437
Foundations	900,000	200,000
Total Pledges Receivable	4,256,091	6,897,520
Grants Receivable	1,893,043	5,565,324
Total Pledges and Grants Receivable	6,149,134	12,462,844
Less: Discount to Net Present Value	(409,693)	(811,913)
	<u>\$ 5,739,441</u>	<u>\$ 11,650,931</u>

Pledges and grants are scheduled to be collected as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 3,957,050	\$ 7,797,300
Receivable in one to five years	1,858,750	4,032,210
Receivable in more than five years	333,334	633,334
	<u>\$ 6,149,134</u>	<u>\$ 12,462,844</u>

Pledges and grants due in more than one year are reflected at the present value of their estimated future cash flows using a discount rate of 5%. In management's opinion, pledges and grants receivable are fully collectible; therefore, no provision for bad debts is required.

Conditional Contributions: During the fiscal year ended September 30, 2009, the Museum received a five-year conditional pledge of \$1,000,000 for its capital campaign. The pledge will be recorded as revenue in the fiscal year in which the conditions are met. The initial three installments of \$200,000 each have been received, with the remaining \$400,000 to be received over the next two years based upon approval of the donor's chief operating officer.

5. PROPERTY AND EQUIPMENT

At September 30, 2011, property and equipment purchased with Museum funds (See Note 8) consisted of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 1,195,462	\$	\$ 1,195,462
Collections and Exhibits	8,616,662	6,167,765	2,448,897
IMAX Equipment	2,702,435	2,655,341	47,094
Furniture and Equipment	469,332	453,097	16,235
Signage	261,214	218,417	42,797
Building	4,731,539	2,239,150	2,492,389
	<u>\$ 17,976,644</u>	<u>\$ 11,733,770</u>	<u>\$ 6,242,874</u>

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

5. PROPERTY AND EQUIPMENT (continued)

Depreciation expense for 2011 was functionally allocated as follows:

Collections and Exhibits	\$	680,478
Educational Programs		14,893
Theater and Visitor Services		126,510
Administration and Finance		3,296
Development and Memberships		3,597
Marketing		3,094
Explore Store		6,139
Membership		599
Total	\$	838,606

At September 30, 2010, property and equipment purchased with Museum funds (See Note 8) consisted of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 1,195,462	\$	\$ 1,195,462
Collections and Exhibits	7,261,604	5,731,222	1,530,382
IMAX Equipment	2,693,651	2,607,965	85,686
Furniture and Equipment	467,533	433,639	33,894
Signage	375,547	288,388	87,159
Building	4,728,166	2,067,945	2,660,221
	<u>\$ 16,721,963</u>	<u>\$ 11,129,159</u>	<u>\$ 5,592,804</u>

Depreciation expense for 2010 was functionally allocated as follows:

Collections and Exhibits	\$	595,204
Educational Programs		17,802
Theater and Visitor Services		153,376
Administration and Finance		4,196
Development and Memberships		5,551
Marketing		3,981
Explore Store		10,299
Total	\$	790,409

6. CONSTRUCTION LOAN PAYABLE

In August 2010, the Museum entered into a construction loan with a bank. At September 30, 2011, construction loan payable consisted of a loan with a maximum borrowing of \$6,000,000, or as shall be advanced, with interest at thirty-day LIBOR Rate plus 323 basis points. Payments of interest only are due monthly from October 1, 2010 until September 1, 2012. The principal balance outstanding as of September 1, 2012, is payable with principal and interest payments commencing October 12, 2012 in 60 equal payments. All unpaid principal is due on September 1, 2017. The loan is collateralized by vacant land and identified pledges of approximately \$10 million. The Museum is in compliance with all covenants required by the bank loan. The loan balance at September 30, 2011 and 2010 was \$2,247,848 and \$324,798, respectively.

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

6. CONSTRUCTION LOAN PAYABLE (continued)

The loan requires the Museum to maintain a separate cash account for pledge collections and note and vendor payments. The balance in this account at September 30, 2011 and 2010 was \$507,852 and \$460,000, respectively.

7. RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2011</u>	<u>2010</u>
Educational Programs	\$ 190,226	\$ 27,891
Collections and Exhibits	15,600	1,251
For Future Periods	175,861	179,059
Expansion – Capital Campaign	5,301,448	15,724,110
Special Events	<u>244,650</u>	<u>164,950</u>
Total Temporarily Restricted Net Assets	<u>\$ 5,927,785</u>	<u>\$ 16,097,261</u>

Net Assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2011</u>	<u>2010</u>
Purpose Restrictions Accomplished:		
Educational Programs	\$ 164,166	\$ 93,805
Collections and Exhibits	7,651	25,262
Expansion – Capital Campaign	11,182,532	3,305,252
Special Events	164,950	218,450
Time Restrictions Expired:		
Passage of Specified Time	<u>77,266</u>	<u>113,500</u>
Total Restrictions Released	<u>\$ 11,596,565</u>	<u>\$ 3,756,269</u>

8. INITIAL BUILDING PROJECT

In 1992, the Museum moved to its current facility. This facility was developed using a combination of Museum and other funds. The following is a chronology of significant building project events. In 1987, the City of Fort Lauderdale issued an \$8,000,000 general obligation bond and allocated an additional \$647,000 of bond interest to the project. The Broward County School Board received a Public Educational Capital Outlay (PECO) grant from the State Department of Education and allocated \$11,621,144 to the project. Amounts expended from these City and State funds are not included in these financial statements. Only those assets purchased with Museum funds are included in these financial statements. The Museum, subject to its agreement with the City and rental of \$1/year, developed the project and operates and maintains the facility through the year 2031. At that time, the Museum has the option to extend the agreement for an additional ten years.

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

9. PECO FUNDING FOR BUILDING EXPANSION

In 1995, New World Aquarium, Inc. ("NWA") signed an agreement with the City of Fort Lauderdale to build and operate an Environmental Education Center ("EEC") in partnership with the Broward School Board. The term of this agreement is 40 years from the date of construction commencement. The State of Florida awarded Public Education Capital Outlay ("PECO") funds to NWA to build the EEC. The amount of the award was \$4,415,000, which requires that NWA raise a 1:1 match. In 1999, NWA was acquired by the Museum of Discovery and Science, Inc., as a wholly owned subsidiary. With this acquisition, the Museum also acquired the PECO funds and the obligation to build the EEC. The Museum has raised the match and recognized the PECO funds as government support. All other assets, liabilities, net assets, and results of operations of the Aquarium have been included in the financial statements of the Museum.

10. GOVERNMENT GRANTS

The following grants are included in unrestricted public support and net assets released from restrictions:

<u>Federal</u>	<u>Grant Number</u>	<u>Total Contract</u>	<u>Collections Through 09/30/11</u>
Institute of Museum and Library Services	CM-00-09-0015-09	\$ 285,000	\$ 235,050
Association of Science – Technology Museums	DRL 0813135 Yr. 1	\$ 20,000	\$ 20,000
	DRL-0813135 Yr. 2	\$ 20,000	\$ 20,000
	DRL-0813135 Yr. 3	\$ 20,000	\$ 12,415
University of Central Florida – National Science Foundation	CFDA 47.076	\$ 350,000	\$ 325,000
Florida International University – National Science Foundation	CFDA 47.076	\$ 22,000	\$ 0
Federal (HUD) City of Fort Lauderdale	CDBG 2010-2011	\$ 25,000	\$ 25,000
<u>State of Florida</u>			
Department of Agriculture	CSG 12.6.0076	\$ 18,068	\$ 4,517
Department of Agriculture	FDACS 15157	\$ 6,500	\$ 6,500
Department of State	CSG-11.60214	\$ 7,406	\$ 7,406
PECO (New World Aquarium)		\$ 4,415,200	\$ 2,921,873
Department of State	11.9902	\$ 1,000,000	\$ 1,000,000
<u>Broward County</u>			
Cultural Affairs Division	MCI 103-2011	\$ 154,400	\$ 77,200
Cultural Affairs Division	CTP05-2011	\$ 65,000	\$ 0
Cultural Affairs Division	11.9902	\$ 1,000,000	\$ 1,000,000
Cultural Affairs Division	MC104-2010	\$ 196,200	\$ 196,200
Cultural Affairs Division	CTP06-2010	\$ 59,400	\$ 59,400
Waste and Recycling	Recycling	\$ 60,000	\$ 60,000
Waste and Recycling	Recycling	\$ 50,000	\$ 10,000

MUSEUM OF DISCOVERY AND SCIENCE, INC.Notes to Consolidated Financial Statements
September 30, 2011 and 2010**10. GOVERNMENT GRANTS (continued)**

<u>City of Fort Lauderdale</u>	<u>Grant Number</u>	<u>Total Contract</u>	<u>Collections Through 09/30/11</u>
City of Fort Lauderdale	RFP 605-10545	\$ 253,000	\$ 146,000

The Museum has complied with the provisions of the grants. The State of Florida Division of Cultural Affairs contributed to a cultural endowment which is an asset of the Museum and is included in the statement of financial position under the caption "Beneficial Interest in Assets Held by Community Foundation." The balance of this cultural endowment at September 30, 2011 was approximately \$601,000. This endowment earned interest of approximately \$800 for the year ended September 30, 2011.

11. CONTRIBUTED SERVICES AND MATERIALS

The value of contributed services and materials included in the financial statements for 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Public Support		
Professional Volunteer Services	\$ 29,820	\$ 33,964
Exhibit Materials	942	2,160
Contributed Advertising	481,891	732,761
Other	4,500	12,874
Food and Beverage	114,867	78,598
	<u>\$ 632,020</u>	<u>\$ 860,357</u>
	<u>2011</u>	<u>2010</u>
Expenses		
Collections and Exhibits	\$ 560	\$ 2,720
Educational Programs	16,202	13,020
Administration and Finance	13,460	21,862
Marketing	486,931	709,377
Special Events	114,867	113,378
	<u>\$ 632,020</u>	<u>\$ 860,357</u>

12. INVESTMENT INCOME

Investment income is summarized as follows:

	<u>2011</u>	<u>2010</u>
Income from Other Endowments	\$ 64,676	\$ 16,106
Interest and Dividends	1,507	12,542
Change in Value of Beneficial Interest	(1,719)	155,271
	<u>\$ 64,464</u>	<u>\$ 183,919</u>

13. COMMITMENTS

The Museum has an operating lease on two copy machines that ends in October 2016. Equipment rental expense for the years ended September 30, 2011 and 2010 was \$33,450 and \$32,246, respectively.

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

13. COMMITMENTS (continued)

The Museum has a royalty and maintenance agreement on its Imax Projection System which expires in October 2016. The annual maintenance fee is \$70,701 and is subject to yearly adjustments based on the consumer price index applicable to the Miami metropolitan area. The monthly royalty payment is 5% of 3D films theatre admissions and 3% of 2D Hollywood films theatre admissions, subject to an annual minimum payment of \$60,000 per year.

Future minimum payments on the above commitments are as follows:

Year Ended September 30,	2012	\$	137,866
	2013		137,866
	2014		137,866
	2015		137,866
	2016		137,866
	Thereafter		<u>11,489</u>
		\$	<u>700,819</u>

The Museum entered into an agreement with a construction contractor on April 5, 2010 to construct an addition to its existing facility. Under the terms of the agreement, the Museum is responsible for 100% of the construction costs. The contract amount is \$8,332,200. As of September 30, 2011, the Museum has incurred \$7,432,023 of costs related to the contract which is included in construction in progress in the statement of financial position.

14. FAIR VALUE MEASUREMENTS

Accounting Standards Codification 820 ("ASC 820"), Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

14. FAIR VALUE MEASUREMENTS (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Beneficial Interest in Community Foundation: The prorated value of the beneficial interest in the community foundation's investments is determined by the investment fund manager of the organization holding the assets. The composition of the assets held by the community foundation are invested pursuant to its governing instruments and valued accordingly.

Present Value of Pledges Receivable: The value of the pledges receivable is estimated at the present value of expected cash inflows based on the pledge payments schedule adjusted by a discount rate of 5%.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of September 30, 2011 and 2010:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
September 30, 2011				
Assets				
Beneficial Interest in Community Foundation	\$ 3,162,135	\$	\$	\$ 3,162,135
Pledges Receivable	5,739,441			5,739,441
Total Assets at Fair Value	<u>\$ 8,901,576</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,901,576</u>
September 30, 2010				
Assets				
Beneficial Interest in Community Foundation	\$ 3,163,854	\$	\$	\$ 3,163,854
Pledges Receivable	11,650,931			11,650,931
Total Assets at Fair Value	<u>\$ 14,814,785</u>	<u>\$</u>	<u>\$</u>	<u>\$ 14,814,785</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Museum's Level 3 assets for the years ended September 30, 2011 and 2010:

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

14. FAIR VALUE MEASUREMENTS (continued)

	<u>Level 3 Assets</u>		
	<u>Pledges Receivable</u>	<u>Beneficial Interest in Community Foundation</u>	<u>Total</u>
Balance, September 30, 2009	\$ 13,075,963	\$ 3,148,142	\$ 16,224,105
New Pledges	3,109,121		3,109,121
Pledge Payments Received	(5,087,339)		(5,087,339)
Change in Present Value of Pledges Receivable	553,186		553,186
Investment Income		155,271	155,271
Distributions		(139,559)	(139,559)
Balance, September 30, 2010	<u>\$ 11,650,931</u>	<u>\$ 3,163,854</u>	<u>\$ 14,814,785</u>
New Pledges	950,993		950,993
Pledge Payments Received	(7,264,703)		(7,264,703)
Change in Present Value of Pledges Receivable	402,220		402,220
Investment Income		(1,719)	(1,719)
Balance, September 30, 2011	<u>\$ 5,739,441</u>	<u>\$ 3,162,135</u>	<u>\$ 8,901,576</u>

The change in present value of pledges receivable of \$402,220 and \$553,186 is included in the change in temporarily restricted net assets for the years ended September 30, 2011 and 2010, respectively.

15. CONCENTRATION OF CREDIT RISK

The Museum maintains cash accounts which, at times, may exceed insured limits. At September 30, 2011 and 2010, the Museum had demand deposits in financial institutions which exceeded the depositor's insurance provided by the applicable guarantee agency by approximately \$3,730,000 and \$7,150,000, respectively. The Museum has not experienced any losses from maintaining cash accounts in excess of insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

At September 30, 2011 and 2010, approximately twenty-four and thirty-two percent, respectively, of pledges and grants receivable are due from a governmental agency.

16. RETIREMENT PLAN

The Museum has a Section 403(b) retirement plan. Eligible employees must be at least 21 years old, work 20 hours or more per week and have completed 2 years of service. The Museum contributes 50% of the first 6% of an active participant's compensation that is contributed to the plan through salary reduction. During the years ended September 30, 2011 and 2010, the Museum contributed \$28,364 and \$27,527, respectively, to the plan.

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

17. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2010, the Museum paid off a mortgage held by three banking institutions. Certain Officers and/or Board members of the financial institutions are also Board members of the Museum. The Museum paid these financial institutions approximately \$11,500 in interest for the year ended September 30, 2010.

The Museum incurred costs of approximately \$6,910,000 and \$700,000 for construction work on the expansion project for the years ended September 30, 2011 and 2010, respectively, to a corporation. A member of the Board of Trustees is a shareholder of the corporation. At September 30, 2011, approximately \$1,325,000 was owed to this corporation.

The Museum incurred legal fees relating to the expansion project to two law firms. Two shareholders of the firms are also members of the Board of Trustees. The amount of these fees was approximately \$1,080 and \$51,500 for the years ended September 30, 2011 and 2010, respectively.

18. DONOR-DESIGNATED ENDOWMENTS (UMIFA STATE)

Implementation of ASC 958

Accounting Standards Codification 958 ("ASC 958"), "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds," provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

The State of Florida has enacted UPMIFA as of June 22, 2011 effective July 1, 2012, therefore, the Museum followed the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents for the year ended September 30, 2011 and 2010. The Board of Trustees has determined that the majority of the Museum's permanently restricted net assets meet the definition of endowment funds under UMIFA.

UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA. The Museum's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

Endowment Investment and Spending Policies: The Museum has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets. In order to meet its needs, the investment strategy for the Museum Endowment assets is to emphasize a balanced investment strategy, incorporating annual capital appreciation, as well as dividend and interest income.

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Notes to Consolidated Financial Statements

September 30, 2011 and 2010

18. DONOR-DESIGNATED ENDOWMENTS (UMIFA STATE) (continued)

The primary objectives in the investment management of the Museum Endowment assets shall be:

1. Preservation of Principal: To preserve the principal of the Museum Endowment assets against loss.
2. Preservation of Principal Purchasing Power: To achieve Endowment investment returns equal to or greater than the rate of inflation.
3. Risk control is to be considered a critical element in the investment of the Museum Endowment assets.
4. Long Term Growth of Principal: To encourage the long-term growth of Endowment principal without excessive risk.

The Museum Finance Committee will attempt to balance the Museum's shorter-term budget process with its goal to preserve principal and its purchasing power in perpetuity by designing a spending policy which is flexible and is based on investment results.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Year Ended September 30, 2011:				
Donor-restricted				
Endowment Funds	\$ (89,865)	\$	\$ 3,252,000	\$ 3,162,135
Total Funds	<u>\$ (89,865)</u>	<u>\$</u>	<u>\$ 3,252,000</u>	<u>\$ 3,162,135</u>
Year Ended September 30, 2010:				
Donor-restricted				
Endowment Funds	\$ (88,146)	\$	\$ 3,252,000	\$ 3,163,854
Total Funds	<u>\$ (88,146)</u>	<u>\$</u>	<u>\$ 3,252,000</u>	<u>\$ 3,163,854</u>

Changes in endowment net assets for the year ended September 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, September 30, 2009	\$ (103,858)	\$	\$ 3,252,000	\$ 3,148,142
Unrealized gain relating to instruments still held at the reporting date	155,271			155,271
Appropriation of endowment assets for expenditures	<u>(139,559)</u>			<u>(139,559)</u>
Endowment net assets, September 30, 2010	(88,146)		3,252,000	3,163,854
Unrealized loss relating to instruments still held at the reporting date	<u>(1,719)</u>			<u>(1,719)</u>
Endowment net assets, September 30, 2011	<u>\$ (89,865)</u>	<u>\$</u>	<u>\$ 3,252,000</u>	<u>\$ 3,162,135</u>

MUSEUM OF DISCOVERY AND SCIENCE, INC.

Notes to Consolidated Financial Statements
September 30, 2011 and 2010

19. OTHER ENDOWMENT FUNDS

Donors have transferred funds to the Community Foundation of Broward, Inc. (the "Foundation"). The Foundation invests the principal for the funds. Distributions to the Museum are made based on the Foundation's stated "income return percentage" for the period, multiplied by the weighted average market value of the funds. These funds are the property of the Foundation, and are owned by it in its normal capacity. These funds are designated by other resource providers for the benefit of the Museum, and are not included in the Museum's assets or net assets. Following are the funds opened at the Foundation:

Keller Fund: In May 2010, a donor entered into an agreement with the Foundation to establish a fund for the general operations of the Museum. At September 30, 2011 and 2010, the market value of this fund was approximately \$907,000 and 987,000, respectively. Distributions were received by the Museum in the amount of \$12,332 for 2010. No distributions were received for 2011.

Other Designated Funds: A designated fund was established to hold various small contributions to the Foundation to establish a fund for the general operations of the Museum. At September 30, 2011 and 2010, the market value of this fund was approximately \$67,000 and \$68,000, respectively. Distributions were received by the Museum in the amount of \$3,774 for 2010. No distributions were received for 2011.

Robbins and Landino, P.A.
Certified Public Accountants

Accounting and Auditing
Taxation and Consulting

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Fort Lauderdale, Florida 33316

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Directors
Museum of Discovery and Science, Inc.

Our report on our audit of the basic consolidated financial statements of Museum of Discovery and Science, Inc. as of September 30, 2011 and 2010, appears on page one. Those audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Florida State Statute 215.97(9). This schedule is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROBBINS AND LANDINO, P.A.
Certified Public Accountants

Robbins and Landino, P.A.

Fort Lauderdale, Florida
December 1, 2011

MUSEUM OF DISCOVERY AND SCIENCE, INC.
Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2011

<u>State Agency/State Project</u>	<u>CSFA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Florida Department of Education:			
PECO Project New World Aquarium/ Broward Environmental Educational Center			\$ 3,974,580
Total Florida Department of Education			<u>3,974,580</u>
Florida Department of State:			
Cultural Operating Grant	45.002	11.6.0214	5,554
Cultural Operating Grant	45.002	12.6.0076	<u>4,517</u>
Total Florida Department of State			<u>10,071</u>
Total Expenditures of State Financial Assistance			<u>\$ 3,984,651</u>

See independent auditor's report on additional information.

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Certified Public Accountants

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**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**

To the Board of Trustees
Museum of Discovery and Science, Inc.
Fort Lauderdale, Florida

We have audited the consolidated financial statements of the Museum of Discovery and Science, Inc., (the "Museum") as of and for the years ended September 30, 2011 and 2010, and have issued our report thereon dated December 1, 2011. 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.

Internal Control over Financial Reporting

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

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

Our consideration of 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.

**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
(continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's consolidated 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*.

This report is intended solely for the information and use of the audit committee, management, others within the entity, and awarding agencies and is not intended to be and should not be used by anyone other than these specific parties.

ROBBINS and LANDINO, P.A.
Certified Public Accountants

Robbins and Landino, P.A.

Fort Lauderdale, Florida
December 1, 2011

Robbins and Landino, P.A.
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**INDEPENDENT AUDITOR'S 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 AUDITOR GENERAL**

Board of Trustees
Museum of Discovery & Science, Inc.

Compliance

We have audited the compliance of Museum of Discovery & Science, Inc. (a non-profit organization) with the types of compliance requirements described in the Department of Financial Services State Projects Compliance Supplement that are applicable to each of its major state projects for the year ended September 30, 2011. Museum of Discovery & Science, Inc.'s major state projects are 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 each of its major state projects is the responsibility of Museum of Discovery & Science, Inc.'s management. Our responsibility is to express an opinion on Museum of Discovery & Science, 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 Museum of Discovery & Science, Inc.'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 Museum of Discovery & Science, Inc.'s compliance with those requirements.

In our opinion, Museum of Discovery & Science, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects for the year ended September 30, 2011.

Internal Control Over Compliance

The management of Museum of Discovery & Science, 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 Museum of Discovery & Science, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 Museum of Discovery & Science, Inc.'s internal control over compliance.

**INDEPENDENT AUDITOR'S 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 AUDITOR GENERAL
(continued)**

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a State project on a timely basis. A material weakness in internal control 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 the board of directors, management, others within the organization and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

ROBBINS AND LANDINO, P.A.
Certified Public Accountants

Robbins and Landino, P.A.

Fort Lauderdale, Florida
December 1, 2011

MUSEUM OF DISCOVERY & SCIENCE, INC.
Schedule of Findings and Questioned Costs – Major State Projects
For the Year Ended September 30, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the (general purpose) consolidated financial statements of Museum of Discovery & Science, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Museum of Discovery & Science, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the State projects are reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each State Project and on Internal Control over Compliance in Accordance with Chapter 10.650, State of Florida, Rules of the Auditor General.
5. The auditor's report on compliance for the major state projects for Museum of Discovery & Science, Inc. expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General are reported in this Schedule.
7. The programs tested as major projects included the following:

State Project

Florida Department of Education
8. The threshold used for distinguishing between Type A and B programs was \$300,000 for major state projects.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

None

OTHER ISSUES

1. No management letter was required as there were no findings required to be reported in the management letter.
2. There is no Summary Schedule of Prior Audit Findings as there were no prior audit findings related to State Projects.
3. There is no Corrective Action Plan as there were no findings required to be reported under the Florida Single Audit Act.