

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
FIELD MUSEUM OF NATURAL HISTORY
DECEMBER 31, 2010 AND 2009**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Trustees
Field Museum of Natural History

We have audited the accompanying statements of financial position of the Field Museum of Natural History (the "Museum") as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Field Museum of Natural History as of December 31, 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.

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

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

Chicago, Illinois
May 24, 2011

**Field Museum of Natural History
Statements of Financial Position
December 31, 2010 and 2009**

ASSETS	<u>2010</u>	<u>2009</u>
Cash	\$ 1,194,750	\$ 521,633
Interest and dividends receivable	302,694	289,712
Accounts receivable	3,151,201	4,309,240
Pledges receivable, net	7,219,215	15,318,350
Museum stores inventories	1,546,856	1,576,058
Investments	310,559,190	286,743,646
Museum property, net	264,919,119	269,118,729
Other assets	4,865,641	5,597,265
Collections	<u>1</u>	<u>1</u>
TOTAL ASSETS	<u>\$593,758,667</u>	<u>\$583,474,634</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Line of credit	\$ 8,900,000	\$ 7,600,000
Accounts payable	3,413,474	4,069,171
Accrued expenses	3,397,670	2,714,056
Deferred revenue	5,855,220	6,481,201
Accrued pension cost	7,828,851	7,656,254
Asset retirement obligations	8,950,389	8,950,389
Interest rate swaps	12,130,495	8,587,219
Notes payable	<u>179,000,000</u>	<u>179,000,000</u>
Total liabilities	229,476,099	225,058,290
Net assets		
Unrestricted	226,401,086	224,063,688
Temporarily restricted	71,028,387	70,667,379
Permanently restricted	<u>66,853,095</u>	<u>63,685,277</u>
Total net assets	<u>364,282,568</u>	<u>358,416,344</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$593,758,667</u>	<u>\$583,474,634</u>

The accompanying notes are an integral part of these statements.

Field Museum of Natural History
Statement of Activities
Year ended December 31, 2010

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

The accompanying notes are an integral part of this statement.

Field Museum of Natural History
Statement of Activities
Year ended December 31, 2009

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and other support				
Operating revenues				
Chicago Park District property tax remittances	\$ 6,238,468	\$ -	\$ -	\$ 6,238,468
Government grants	3,790,215	-	-	3,790,215
Private grants and contracts	3,356,696	-	-	3,356,696
Investment return	10,726,542	1,273,458	-	12,000,000
Contributions	7,135,359	6,861,785	-	13,997,144
Sponsorships	1,486,348	-	-	1,486,348
Memberships	2,899,777	-	-	2,899,777
Admissions	11,303,831	-	-	11,303,831
Program service fees	2,899,422	-	-	2,899,422
Business enterprises	8,795,634	-	-	8,795,634
Other	530,398	-	-	530,398
Total operating revenues	59,162,690	8,135,243	-	67,297,933
Net assets released from restrictions for operations	5,061,837	(5,061,837)	-	-
Total revenue and other support	64,224,527	3,073,406	-	67,297,933
Operating expenses				
Collections and research	13,405,770	-	-	13,405,770
Environment, culture and conservation	3,855,219	-	-	3,855,219
Exhibitions	6,226,348	-	-	6,226,348
Education and library	2,724,558	-	-	2,724,558
Museum services	13,416,881	-	-	13,416,881
Administration	2,046,123	-	-	2,046,123
Institutional advancement	3,185,802	-	-	3,185,802
Marketing and public relations	2,588,689	-	-	2,588,689
Business enterprises	5,127,232	-	-	5,127,232
Debt service	8,631,446	-	-	8,631,446
Total operating expenses	61,208,068	-	-	61,208,068
Change in net assets resulting from operating revenues and expenses	3,016,459	3,073,406	-	6,089,865
Non-operating items				
Investment return	36,250,286	8,076,718	-	44,327,004
Government grants for capital improvements	259,482	-	-	259,482
Private grants and contracts for capital improvements	9,222	-	-	9,222
Campaign contributions and major gifts	2,359,565	14,250	3,035,015	5,408,830
Campaign and major gift expenses	(1,881,138)	-	-	(1,881,138)
Unrealized gain on interest rate swaps	12,223,219	-	-	12,223,219
Depreciation	(11,467,956)	-	-	(11,467,956)
Net assets released from restrictions for				
Capital improvements	1,708,038	(1,708,038)	-	-
Capital campaign	2,894,039	(2,894,039)	-	-
Reclassification due to change in law (see Notes 2 and 4)	(17,224,699)	17,224,699	-	-
Pension-related changes other than net periodic pension cost	1,013,439	-	-	1,013,439
Total non-operating items	26,143,497	20,713,590	3,035,015	49,892,102
CHANGE IN NET ASSETS	29,159,956	23,786,996	3,035,015	55,981,967
Net assets at beginning of year as originally reported	196,720,103	46,880,383	60,650,262	304,250,748
Prior year restatement	(1,816,371)	-	-	(1,816,371)
Net assets at beginning of year as restated	194,903,732	46,880,383	60,650,262	302,434,377
Net assets at end of year	<u>\$224,063,688</u>	<u>\$ 70,667,379</u>	<u>\$ 63,685,277</u>	<u>\$358,416,344</u>

The accompanying notes are an integral part of this statement.

Field Museum of Natural History
Statements of Cash Flows
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 5,866,224	\$ 55,981,967
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	11,576,605	11,467,956
Net realized/unrealized appreciation on investments	(28,682,987)	(50,485,644)
Change in fair value of interest rate swap liabilities	3,543,276	(12,223,219)
Contributions permanently restricted for endowment	(2,167,818)	(3,035,015)
Changes in operating assets and liabilities		
Interest and dividends receivable	(12,982)	(102,311)
Accounts receivable	1,158,039	(888,897)
Pledges receivable	5,329,919	9,200,014
Museum stores inventories	29,202	111,639
Other assets	731,624	(951,660)
Accounts payable	(1,002,426)	364,263
Accrued expenses	683,614	(1,673,524)
Deferred revenue	(625,981)	(1,457,190)
Accrued pension cost	172,597	129,693
	<u>(3,401,094)</u>	<u>6,438,072</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities		
Purchases of investments	(46,228,497)	(100,606,262)
Proceeds from sales of investments	51,095,940	94,107,352
Purchases of Museum property	(7,030,266)	(5,975,217)
	<u>(2,162,823)</u>	<u>(12,474,127)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Contributions permanently restricted for endowment	4,937,034	4,770,967
Borrowings under line of credit	22,200,000	19,600,000
Repayment of line-of-credit borrowings	(20,900,000)	(18,740,000)
	<u>6,237,034</u>	<u>5,630,967</u>
Net cash provided by financing activities		
NET INCREASE (DECREASE) IN CASH	673,117	(405,088)
Cash, beginning of year	<u>521,633</u>	<u>926,721</u>
Cash, end of year	<u><u>\$ 1,194,750</u></u>	<u><u>\$ 521,633</u></u>
Supplemental disclosures of cash flow information		
Interest paid	\$ 7,562,317	\$ 7,624,543
Accounts payable for construction in progress	422,068	75,339

The accompanying notes are an integral part of these statements.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – BASIS OF PRESENTATION

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

The financial statements of the Museum for the years ended December 31, 2010 and 2009, have been prepared on the accrual basis of accounting. To ensure observance of limitations and restrictions placed on the use of resources available to the Museum, the accounts of the Museum are maintained in accordance with the principles of fund accounting. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into net asset categories. Accordingly, all financial transactions have been recorded by fund and reported by category.

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

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

Net Assets

Unrestricted net assets include the current operating, management designated, unrestricted long-term investment, and property accounts. The current operating accounts consist of revenues available for support of Museum operations and the related expenses, along with related assets and liabilities. The management-designated accounts include assets that have been designated by the Board of Trustees or Museum administration for special projects and the changes in net assets related thereto. Unrestricted long-term investment accounts include assets that have been designated by the Board of Trustees to function as endowments and the related changes in net assets. Property accounts include (a) the building, building improvements, equipment, and exhibits, as well as the depreciation thereto, (b) accounts pertaining to Chicago Park District capital improvement reimbursements, and (c) accounts related to the Museum’s notes payable to the Illinois Finance Authority (see Note 7). During 2010, the Museum received final confirmation from a donor that a portion of a pledge from a prior year was intended to be given

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 – BASIS OF PRESENTATION – Continued

Net Assets – Continued

as part of the permanent endowment. When the notification was received, the Museum transferred \$1,000,000 of the pledged funding to permanently restricted net assets. Of this gift, \$500,000 has been received, and the remaining \$500,000 is a receivable at December 31, 2010.

Temporarily restricted net assets consist of contributions and investment income that have been restricted by donors for specified purposes or the existence of time restrictions on gifts. When restrictions have been met, such net assets are transferred as net assets released from restrictions. Temporarily restricted net assets are principally restricted for the following purposes: scientific research, capital projects, exhibitions and educational programs.

Permanently restricted net assets include assets whose use by the Museum is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled by otherwise removed by actions of the Museum. The earnings of permanently restricted net assets are principally restricted for programs and operational support.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cash — Cash reflects currency and deposits in checking accounts with a financial institution that may be deposited or withdrawn without restriction or penalty. The Museum maintains cash accounts in excess of the Federal Deposit Insurance Corporation limits. The Museum believes it is not exposed to significant credit risk on cash.

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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments — Investments are reported at fair value. Equity securities funds with readily determinable fair values and debt securities are valued at the last sales price (if quotations are readily available) or at the closing bid price in the principal market in which such securities are normally traded (if no sales price is available). Certain fixed-income securities funds are valued based on dealer-supplied valuations. The investment in limited partnerships is stated at fair value, based on the Museum’s share of either the appraised value of the partnerships or the value of the capital ownership percentage as of the date of the gift. The fair value would be adjusted as appropriate if information were to become available suggesting an alternate estimated fair value.

The estimated fair values of investments that do not have readily determinable fair values, are based on either the net asset value (“NAV”) per share or based on estimates provided by external investment managers. These fair values are examined through a valuation review process performed by management. A range of possible values exists for these securities and, therefore, the estimated values may differ from the values that would have been used had a ready market for these securities existed (see Note 3).

Investment Income — The Museum utilizes the total return concept for operations to allocate investment income earned on permanently restricted, temporarily restricted, and unrestricted long-term investments. Historically, the Board has approved a spending policy at a rate of 5.5% on a three-year moving average. However, this policy has been suspended since the economic downturn in 2008. The Board approved a spending amount of \$14.0 million in 2010 and \$12.0 million in 2009, which is first satisfied from interest and dividend income, and the remaining balance, is provided from realized capital gains.

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

- a. Investment income on donor-restricted endowment funds is recorded as restricted based on state law, donor-imposed restrictions or time restrictions.
- b. Investment income on Board-designated funds is recorded as unrestricted.
- c. Investment income on other unrestricted investments is recorded as unrestricted.
- d. Investment income on other temporarily restricted investments is recorded as unrestricted unless specified by the donor.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Collections — The Museum’s collections are made up of objects of historical, cultural, or scientific significance that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying its existence and assessing its condition are performed continuously. The collections are subject to a policy that requires proceeds from sales of collection items to be deposited in the endowment, with earnings to be used to acquire other items for collections or provide for the direct care of existing collections.

In accordance with the practice generally followed by museums, the value of objects in the collections is excluded from the financial statements; collections are reflected in the accompanying financial statements at a nominal value of \$1. Such collections have been acquired through purchases and contributions since the Museum’s inception. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as decreases in temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in net assets. There were no sales of collection items in 2010 and 2009.

Contributions — Contributions are recognized as revenue upon the earlier of the receipt of a donor’s unconditional written pledge to contribute or upon receipt of the contribution. The contributions are classified based upon the existence or absence of donor-imposed restrictions. An allowance is recorded for estimated uncollectible pledges based on management’s judgment and analysis, past collection experience, and other relevant factors. The Museum writes off pledges when they become uncollectible.

Contributed Services — The Museum records in-kind professional services as contribution revenue. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The in-kind support reflected in the accompanying financial statements is included in contribution revenue and is offset by like amounts included in expenses.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributed Services — Continued

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

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

Income Taxes — The Museum is exempt from income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code and a comparable State of Illinois statute. However, the Museum does have a nominal tax expense due to business activities unrelated to its exempt mission. The tax years ending 2007, 2008 and 2009 are still open to audit for both Federal and state purposes.

Fair Value of Financial Instruments — The Museum's financial instruments include cash, interest and dividends receivable, accounts receivable, investments, accounts payable, notes payable, pension assets, and swap liabilities. The fair values of cash, interest and dividends receivable, and investments are based upon market quotes (see Note 3). The fair values of accounts receivable, accounts payable, notes payable, pension assets and swap liabilities are estimated by management to approximate their carrying values at December 31, 2010 and 2009.

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

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

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

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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting Pronouncements — In August 2009, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2009-05, “*Measuring Liabilities at Fair Value*,” which amends ASC 820. This ASU eliminates potential ambiguity in how the fair value of liabilities should be calculated by providing examples, and also provides recommendations as to how these different types of calculations would be reported under the fair value hierarchy. The guidance had no significant impact on the financial statements upon adoption during the year ended December 31, 2010.

In January 2010, the FASB issued ASU 2010-06, “*Improving Disclosures about Fair Value Measurements*,” which clarifies and requires new disclosures about fair value measurements. The clarifications and requirement to disclose the amounts and reasons for significant transfers between Level 1 and Level 2, as well as significant transfers in and out of Level 3 of the fair value hierarchy, were adopted by the Museum for the year ended December 31, 2010.

In February 2010, the FASB issued ASU No. 2010-09 Subsequent Events (ASC Topic 855) – “*Amendments to Certain Recognition and Disclosure Requirements*.” This guidance requires an entity that holds public debt to evaluate subsequent events through the date that the financial statements are issued, rather than the date they are available to be issued. The necessary modification to the subsequent event disclosure was made to Note 13 to the financial statements. The adoption did not have any impact on the Museum's financial position, results of operations or cash flows.

Reclassification — Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

NOTE 3 – INVESTMENTS

Under the Museum’s Articles of Incorporation and its By-Laws, the Board of Trustees Investment Committee has overall responsibility for the establishment of policies and general governance of the Museum is entrusted to its Board of Trustees. The Investment Committee reports to the Board and is responsible for recommending, reviewing and monitoring policies and programs affecting the finances of the Museum. There were no changes in 2010 to the Investment Policy.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 – INVESTMENTS – Continued

Investments at December 31, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 2,606,305	\$ 15,207,560
Equity securities funds	133,145,074	110,221,267
Fixed-income securities funds	65,088,909	70,666,165
Hedged equity funds	34,391,488	25,472,817
Absolute return funds	72,674,520	63,030,048
Other funds	345,439	385,789
Limited partnership	<u>2,307,455</u>	<u>1,760,000</u>
Total	<u>\$ 310,559,190</u>	<u>\$ 286,743,646</u>

Following is a summary of the investment return and its classification for the years ended December 31, 2010 and 2009, in the accompanying statements of activities:

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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 – INVESTMENTS – Continued

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 5,468,062	\$ 1,085,757	\$ -	\$ 6,553,819
Net realized loss	(15,782,761)	(1,647,174)	-	(17,429,935)
Change in net unrealized gains	58,003,986	9,911,593	-	67,915,579
Investment manager fees	(712,459)	-	-	(712,459)
Total return reported in the accompanying statement of activities	<u>\$ 46,976,828</u>	<u>\$ 9,350,176</u>	<u>\$ -</u>	<u>\$ 56,327,004</u>
Classified as follows:				
Operating revenues	\$ 10,726,542	\$ 1,273,458	\$ -	\$ 12,000,000
Non-operating items	36,250,286	8,076,718	-	44,327,004
Total	<u>\$ 46,976,828</u>	<u>\$ 9,350,176</u>	<u>\$ -</u>	<u>\$ 56,327,004</u>

The Museum classifies its investments into the following levels:

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

These levels are evaluated on an annual basis, and transfers between levels are recognized as of the end of each fiscal year.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 – INVESTMENTS – Continued

As of December 31, 2010 and 2009, the Museum’s portfolio investments were classified as follows, based on fair values:

Assets	2010			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds	\$ 2,606,305	\$ -	\$ -	\$ 2,606,305
Equity securities funds	49,346,075	81,023,968	2,775,031	133,145,074
Fixed income securities funds	46,447,390	-	18,641,519	65,088,909
Hedged equity funds	-	-	34,391,488	34,391,488
Absolute return funds	-	-	72,674,520	72,674,520
Other funds	-	345,439	-	345,439
Limited partnership	-	-	2,307,455	2,307,455
Total	<u>\$ 98,399,770</u>	<u>\$ 81,369,407</u>	<u>\$ 130,790,013</u>	<u>\$ 310,559,190</u>
Liabilities				
Interest rate swaps	\$ -	\$ 12,130,495	\$ -	\$ 12,130,495
Total	<u>\$ -</u>	<u>\$ 12,130,495</u>	<u>\$ -</u>	<u>\$ 12,130,495</u>

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 – INVESTMENTS – Continued

Assets	2009			Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	(Level 1)	(Level 2)	(Level 3)	
Money market funds	\$ 15,207,560	\$ -	\$ -	\$ 15,207,560
Equity securities funds	41,735,990	65,931,373	2,553,904	110,221,267
Fixed income securities funds	54,111,002	-	16,555,163	70,666,165
Hedged equity funds	-	-	25,472,817	25,472,817
Absolute return funds	-	-	63,030,048	63,030,048
Other funds	-	385,789	-	385,789
Limited partnership	-	-	1,760,000	1,760,000
Total	<u>\$ 111,054,552</u>	<u>\$ 66,317,162</u>	<u>\$ 109,371,932</u>	<u>\$ 286,743,646</u>
Liabilities				
Interest rate swaps	\$ -	\$ 8,587,219	\$ -	\$ 8,587,219
Total	<u>\$ -</u>	<u>\$ 8,587,219</u>	<u>\$ -</u>	<u>\$ 8,587,219</u>

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

	2010						2009
	Equity Securities	Fixed Income	Hedged Equity	Absolute Return	Limited Partnership	Total	Total
Balance at beginning							
of year	\$ 2,553,904	\$ 16,555,163	\$ 25,472,817	\$ 63,030,048	\$ 1,760,000	\$ 109,371,932	\$ 113,153,301
Purchases	-	-	15,000,000	7,000,000	547,455	22,547,455	10,000,000
Sales	-	-	(8,068,210)	(3,503,628)	-	(11,571,838)	(35,830,599)
Change in investment							
return	221,127	2,086,356	1,986,881	6,148,100	-	10,442,464	20,289,230
Transfers into Level 3	-	-	-	-	-	-	1,760,000
Balance at end of year	<u>\$ 2,775,031</u>	<u>\$ 18,641,519</u>	<u>\$ 34,391,488</u>	<u>\$ 72,674,520</u>	<u>\$ 2,307,455</u>	<u>\$ 130,790,013</u>	<u>\$ 109,371,932</u>

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 3 – INVESTMENTS – Continued

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

	2010			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity securities funds	\$ 69,491,182	\$ -	None	0 - 120 days
Fixed income securities funds	18,641,519	-	None	60 days
Hedged equity funds	24,470,489	-	Quarterly	45 - 60 days
Absolute return funds	<u>55,388,919</u>	-	Annually	45 - 90 days
Total investments recorded at NAV	<u>\$167,992,109</u>			

	2009			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity securities funds	\$ 56,366,710	\$ -	None	0 - 120 days
Fixed income securities funds	16,555,163	-	None	60 days
Hedged equity funds	16,701,818	-	Quarterly	45 - 90 days
Absolute return funds	<u>45,267,150</u>	-	Annually	45 - 90 days
Total investments recorded at NAV	<u>\$134,890,841</u>			

All investments stated at NAV represent limited partnership and similar interests held by the Museum in funds that invest in public and private securities and follow a variety of investment strategies. Terms and conditions of these investments, including liquidity provisions, are different for each fund. The Museum believes that the carrying amount of its investments stated at NAV is a reasonable estimate of the fair value of such investments as of December 31, 2010 and 2009. As is typical of investment portfolios of similar types of institutions, investments stated at NAV are not readily marketable, the estimate value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 – ENDOWMENT

The Museum’s endowment is comprised of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions and time restrictions. The Board of Trustees has pooled certain donor-restricted funds (without donor-specified restrictions on the earnings of such funds) to be included in the Board-designated endowment balances shown in the tables below.

Funds with Deficiencies — The market value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Museum to retain as a fund of perpetual duration. At December 31, 2010 and 2009, these deficiencies totaled \$831,403 and \$1,483,196, respectively, and were reported as unrestricted net assets. These deficiencies resulted from extraordinary market conditions in 2008. Since the latter part of 2009, the funds have been steadily recovering.

Endowment Net Asset Composition by Type of Fund as of December 31:

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (831,403)	\$ 29,228,674	\$ 64,283,684	\$ 92,680,955
Board-designated endowment funds	196,947,718	10,912,184	-	207,859,902
Total funds	<u>\$ 196,116,315</u>	<u>\$ 40,140,858</u>	<u>\$ 64,283,684</u>	<u>\$ 300,540,857</u>
	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (1,483,196)	\$ 23,833,416	\$ 58,846,650	\$ 81,196,870
Board-designated endowment funds	183,598,644	11,140,683	-	194,739,327
Total funds	<u>\$ 182,115,448</u>	<u>\$ 34,974,099</u>	<u>\$ 58,846,650</u>	<u>\$ 275,936,197</u>

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 – ENDOWMENT – Continued

During 2010 and 2009, the Museum had the following endowment-related cash activities:

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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 – ENDOWMENT – Continued

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$161,709,646	\$ 9,429,605	\$ 54,075,683	\$225,214,934
Investment return:				
Investment income	4,782,586	934,418	-	5,717,004
Net realized and unrealized appreciation	<u>45,137,582</u>	<u>8,079,585</u>	<u>-</u>	<u>53,217,167</u>
Total investment return	49,920,168	9,014,003	-	58,934,171
Additions:				
New cash gifts and pledge payments	53,720	579,250	4,770,967	5,403,937
Appropriation of endowment assets for expenditure	(10,726,542)	(1,273,458)	-	(12,000,000)
Other changes:				
Net asset reclassification based on change in law	(17,224,699)	17,224,699	-	-
Transfers from Board- designated endowment funds	<u>(1,616,845)</u>	<u>-</u>	<u>-</u>	<u>(1,616,845)</u>
Endowment net assets, end of year	<u><u>\$182,115,448</u></u>	<u><u>\$ 34,974,099</u></u>	<u><u>\$ 58,846,650</u></u>	<u><u>\$275,936,197</u></u>

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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 – MUSEUM PROPERTY

Museum property at December 31, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Building and building improvements	\$ 288,645,893	\$ 284,853,730
Exhibit hall improvements (excluding artifacts and historical treasures)	92,628,235	92,458,983
Research and office equipment	<u>15,193,356</u>	<u>13,748,192</u>
Total property and equipment	396,467,484	391,060,905
Less accumulated depreciation	<u>(134,105,042)</u>	<u>(122,528,437)</u>
Net depreciable property and equipment	262,362,442	268,532,468
Construction in progress	<u>2,556,677</u>	<u>586,261</u>
Net property and equipment	<u>\$ 264,919,119</u>	<u>\$ 269,118,729</u>

At December 31, 2010 and 2009, the Museum has included \$5,098,415 and \$5,246,285, respectively, of net capitalized interest in Museum property.

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

It will cost approximately \$5.4 million to complete the Museum's construction in progress as of December 31, 2010.

The Museum is committed to making changes to its fire suppression systems that would result in the Museum being fully covered by 2016. As of December 31, 2010 and 2009, the building is approximately 65% (unaudited) covered. The estimated remaining cost to complete is \$10 million and will be capitalized as incurred.

Asset retirement obligations at December 31, 2010 and 2009, did not require any adjustments for the fiscal years 2010 and 2009, respectively. The liability will be assessed annually.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 – PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges and revenue of the appropriate net asset category. Pledges are recorded after discounting to the present value of the expected future cash flows using discount rates ranging between 1.55% and 4.35%.

	<u>2010</u>	<u>2009</u>
Due within one year	\$ 4,877,596	\$ 9,012,704
Due between two to five years	<u>2,580,062</u>	<u>6,791,575</u>
	7,457,658	15,804,279
Allowance for uncollectible accounts	(158,101)	(293,959)
Present value discount	<u>(80,342)</u>	<u>(191,970)</u>
Net pledges receivable	<u><u>\$ 7,219,215</u></u>	<u><u>\$ 15,318,350</u></u>

NOTE 7 – NOTES PAYABLE

Notes payable at December 31, 2010 and 2009, consist of the following amounts due to the Illinois Finance Authority, which issued bonds on the Museum's behalf:

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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 7 – NOTES PAYABLE – Continued

The Adjustable Rate Demand Revenue Bonds, Series 2000, 1998, and 1990, have adjustable methods of interest rate determination, demand features, and interest payment dates. The Series 1990 Bonds are currently in a commercial paper rate mode, and the Series 1998 and 2000 Bonds are in a weekly rate mode. As of December 31, 2010 and 2009, the Series 1990 Bonds bore interest of 0.30% and 0.25%, respectively. As of December 31, 2010 and 2009, the Series 1998 Bonds bore interest of 0.31% and 0.24%, respectively. As of December 31, 2010 and 2009, the Series 2000 Bonds bore interest of 0.31% and 0.22%, respectively.

The Variable Rate Demand Bonds, Series 1985, are subject to redemption beginning November 1, 2016, with sinking fund payments each year until maturity. These bonds are currently in a weekly rate mode. The Series 1985 Bonds outstanding at December 31, 2010 and 2009, bore interest of 0.31% and 0.22%, respectively.

The Series 1985 Bonds, prior to election to convert to a fixed rate of interest, are secured by credit facilities issued by The Northern Trust Company. In addition, the Series 1985 Bonds are secured by deposits held by the Bond Trustee in a Debt Service Reserve Fund and a Security Fund. The Series 1990 and 1998 Bonds, prior to election to convert to a fixed rate of interest, are secured by credit facilities issued by Bank of America, N.A. The Series 2000 Bonds, prior to conversion to a fixed rate of interest, are secured by a credit facility issued by JPMorgan Chase.

The Series 2002 Bonds were issued September 12, 2002, as Adjustable Medium Term Revenue Bonds. The Series 2002 Bonds are rated A by Standard & Poor's and A2 by Moody's, and are not secured by a letter of credit. The adjustable rate periods end November 1, 2010 through November 1, 2017, and the Series 2002 Bonds bear interest at a rate of 3.40% to 4.75%, depending on duration. The current blended rate as of December 31, 2010 is 4.37% (weighted), and interest is payable each November 1 and May 1.

On September 1, 2009, the remarketing of an outstanding portion of the Series 2002 Bonds in the amount of \$6,825,000 occurred as required by the mandatory tender on November 1, 2009. The new adjustable interest rate on the outstanding principal amount was set at 4.125%. The new adjustable rate period began on November 1, 2009 and ends on October 31, 2017.

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

Assets held for debt service totaled \$975,582 and \$1,264,411 at December 31, 2010 and 2009 respectively, and are reported with investments in the statements of financial position.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 7 – NOTES PAYABLE – Continued

The total interest costs incurred on these bonds in 2010 and 2009 was \$7,352,066 and \$7,517,370, respectively. Capitalized interest is classified as a depreciable asset within Museum property.

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

- The first swap dated September 2005, expires on November 1, 2032, and effectively fixes the interest rate on a notional value of \$45 million at 3.258% through October 31, 2008, 4.369% from November 1, 2008 to October 31, 2010, and 3.769% from November 1, 2010 to November 1, 2032.
- The second swap dated June 2008, is effective January 1, 2009, and expires November 1, 2032. This agreement effectively fixes the interest rate on a notional value of \$43 million at 3.43% for the duration of the swap.

These agreements are considered derivative financial instruments and are reported at their fair values as a liability of \$12,130,495 and \$8,587,219, respectively, at December 31, 2010 and 2009. The fair value is recorded in interest rate swaps in the accompanying statements of financial position. The unrealized (loss) gain on interest rate swaps for 2010 and 2009 was (\$3,543,276) and \$12,223,219, respectively. The net change in fair value of the agreements is reported as a separate line item in the non-operating section of the accompanying statements of activities.

NOTE 8 – PENSION PLAN

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

The change in benefit obligation, change in plan assets, and the composition of the amounts recognized in the accompanying statements of financial position for the years ended December 31, 2010 and 2009, are as follows:

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 8 – PENSION PLAN – Continued

	<u>2010</u>	<u>2009</u>
Change in benefit obligation:		
Benefit obligation — beginning of year	\$ 18,596,034	\$ 17,735,421
Service cost	1,043,400	964,454
Interest cost	1,022,384	1,037,652
Plan amendments	(1,061,522)	-
Actuarial loss	2,048,522	1,009,651
Benefits paid	<u>(747,849)</u>	<u>(2,151,144)</u>
Benefit obligation — end of year	<u>\$ 20,900,969</u>	<u>\$ 18,596,034</u>
Change in plan assets:		
Fair value of plan assets — beginning of year	\$ 11,299,780	\$ 10,208,860
Actual return on plan assets	1,550,187	2,584,025
Employer contribution	1,330,000	658,039
Benefits paid	<u>(747,849)</u>	<u>(2,151,144)</u>
Fair value of plan assets — end of year	<u>\$ 13,432,118</u>	<u>\$ 11,299,780</u>
Funded status	\$ (7,468,851)	\$ (7,296,254)
Additional accrued pension cost	<u>(360,000)</u>	<u>(360,000)</u>
Net amount recognized — accrued pension cost	<u>\$ (7,828,851)</u>	<u>\$ (7,656,254)</u>

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

	<u>2010</u>	<u>2009</u>
Net actuarial loss	\$ 4,902,718	\$ 3,660,762
Prior service (credit) cost	<u>(986,426)</u>	<u>84,699</u>
	<u>\$ 3,916,292</u>	<u>\$ 3,745,461</u>

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 8 – PENSION PLAN – Continued

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

	<u>2010</u>	<u>2009</u>
Net actuarial loss	\$ 224,292	\$ 136,762
Prior service (credit) cost	<u>(78,662)</u>	<u>9,602</u>
	<u>\$ 145,630</u>	<u>\$ 146,364</u>

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

	<u>2010</u>	<u>2009</u>
Pension liability — beginning of year	\$ (7,656,254)	\$ (7,526,561)
Net periodic pension cost	(1,331,766)	(1,441,171)
Pension-related changes other than net periodic pension cost:		
Net actuarial (loss) gain	(1,241,956)	1,004,969
Prior service credit	1,061,522	-
Amortization of prior service cost	9,603	8,470
Employer contribution	1,330,000	658,039
Additional accrued in 2009	<u>-</u>	<u>(360,000)</u>
Pension liability — end of year	<u>\$ (7,828,851)</u>	<u>\$ (7,656,254)</u>

Other changes in pension plan assets and benefit obligation recognized in the years ended December 31, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Net actuarial gain	\$ 1,375,826	\$ (806,779)
Prior service credit	(1,061,522)	-
Items amortized		
Prior service credit	(9,603)	(8,470)
Net actuarial gain	<u>(133,870)</u>	<u>(198,190)</u>
Total recognized	<u>\$ 170,831</u>	<u>\$ (1,013,439)</u>

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 8 – PENSION PLAN – Continued

The components of net periodic benefit cost for the years ended December 31, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Service cost	\$ 1,043,400	\$ 964,454
Interest cost	1,022,384	1,037,652
Expected return on plan assets	(877,491)	(767,595)
Amortization of prior-service cost	9,603	8,470
Actuarial loss	<u>133,870</u>	<u>198,190</u>
Net periodic pension cost	<u>\$ 1,331,766</u>	<u>\$ 1,441,171</u>

The estimated net actuarial loss and prior service cost amortized into net periodic benefit cost during the years ended December 31, 2010 and 2009, was \$9,603 and \$8,470, respectively.

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

	<u>2010</u>	<u>2009</u>
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	5.25 %	5.75 %
Rate of compensation increase	4.00	4.00
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	5.75	6.25
Expected return on plan assets	8.00	8.00
Rate of compensation increase	4.00	4.00

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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 8 – PENSION PLAN – Continued

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

Estimated future benefit payments:

2011	\$ 815,000
2012	1,361,000
2013	1,156,000
2014	1,288,000
2015	1,315,000
2016 - 2020	9,490,000

The following table presents the Museum’s pension plan asset allocation at December 31, 2010 and 2009, by asset category:

	<u>2010</u>	<u>2009</u>	<u>Range</u>
Cash and cash equivalents	11 %	1 %	0 - 5%
Equity securities	77	79	50 - 90
Fixed-income securities	<u>12</u>	<u>20</u>	20 - 40
Total	<u>100 %</u>	<u>100 %</u>	

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

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 8 – PENSION PLAN – Continued

The Museum classifies its pension investments into the following levels:

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

These levels are evaluated on an annual basis, and transfers between levels are recognized as of the end of each fiscal year.

	2010			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
Money market funds	\$ 1,449,388	\$ -	\$ -	\$ 1,449,388
Equity securities funds	1,590,247	8,708,742	-	10,298,989
Fixed income securities funds	1,683,741	-	-	1,683,741
Total	<u>\$ 4,723,376</u>	<u>\$ 8,708,742</u>	<u>\$ -</u>	<u>\$13,432,118</u>

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 8 – PENSION PLAN – Continued

	2009			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
Money market funds	\$ 150,982	\$ -	\$ -	\$ 150,982
Equity securities funds	1,308,814	7,608,442	-	8,917,256
Fixed income securities funds	2,231,542	-	-	2,231,542
Total	<u>\$ 3,691,338</u>	<u>\$ 7,608,442</u>	<u>\$ -</u>	<u>\$ 11,299,780</u>

The Museum contributed \$1,330,000 and \$658,039 to the Plan in 2010 and 2009, respectively.

NOTE 9 – LINE OF CREDIT

The Museum has an agreement for an unsecured line of credit for \$20,000,000. The agreement bears interest at the Federal Funds Rate plus 0.50% (0.63% and 0.55% at December 31, 2010 and 2009, respectively). The Museum is not to exceed \$15,000,000 borrowed without Board of Trustee approval. Total interest costs incurred on the line of credit in 2010 and 2009 were \$36,263 and \$30,605, respectively. At December 31, 2010 and 2009, \$8,900,000 and \$7,600,000, respectively, were borrowed against the line of credit.

NOTE 10 – RELATED-PARTY TRANSACTIONS

The Museum Campus Corporation (the “Campus”) is a tax-exempt organization consisting of the Field Museum, Shedd Aquarium, and the Adler Planetarium, the purpose of which is to attract visitors to the Museum Campus’ centrally located facilities. As of December 31, 2010 and 2009, the Museum has no receivable due from or payable to the Campus.

Field Museum of Natural History
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 11 – FUNCTIONAL EXPENSES

The Museum's operating expenses for the years ended December 31, 2010 and 2009, are classified functionally as follows:

	<u>2010</u>	<u>2009</u>
Program costs	\$ 51,780,432	\$ 49,475,273
Supporting services	<u>12,936,757</u>	<u>11,732,795</u>
Total operating expenses	<u>\$ 64,717,189</u>	<u>\$ 61,208,068</u>

NOTE 12 – RESTATEMENT

Subsequent to the issuance of the Museum's 2008 financial statements, Museum management investigated an immaterial difference between the property sub-ledger and amounts in the general ledger and determined that certain capital assets were not being depreciated properly. Management determined that certain capital assets acquired back through 1998 had not been depreciated when placed in service. Consequently, the January 1, 2009 beginning unrestricted net assets and property of the Museum have been decreased by \$1,816,371.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 24, 2011, the date the financial statements were approved by the Audit Committee of the Board of Trustees and were issued, and is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**Field Museum of Natural History
Schedule of Department Expenses
Year ended December 31, 2010**

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

**Field Museum of Natural History
Schedule of Department Expenses
Year ended December 31, 2009**

	Salaries and wages	Pension and employee benefits	Cost of sales	Supplies	Postage, freight and miscellaneous	Travel, dues and meetings	Printing and publications	Professional and outside services	Utilities	Repairs and maintenance	Interest and amortization	Exhibits and equipment	Total
Collections and research													
Anthropology	\$ 1,627,740	\$ 621,457	\$ -	\$ 131,158	\$ 240,879	\$ 167,493	\$ 3,435	\$ 203,671	\$ 407,352	\$ -	\$ -	\$ -	\$ 3,403,185
Botany	869,679	305,805	-	103,285	143,308	98,878	6,481	108,206	123,225	-	-	-	1,758,867
Geology	970,891	376,648	-	51,800	67,256	56,867	122,782	76,201	182,801	-	-	145	1,905,391
Zoology	2,046,436	773,003	-	279,744	142,647	242,341	19,096	409,546	442,140	6,371	-	12,501	4,373,825
BioSynC	478,671	168,371	-	38,453	33,578	413,770	2,060	100,950	11,526	-	-	-	1,247,379
Scientific support	179,355	67,022	-	283,800	101,320	17,572	25,195	6,070	9,592	27,197	-	-	717,123
Total collections and research	6,172,772	2,312,306	-	888,240	728,988	996,921	179,049	904,644	1,176,636	33,568	-	12,646	13,405,770
Environment, culture and conservation	1,397,235	541,046	-	44,172	26,462	289,498	7,526	1,525,604	23,676	-	-	-	3,855,219
Exhibitions	2,060,008	798,447	-	389,677	305,440	964,968	33,219	673,799	939,902	3,891	-	56,997	6,226,348
Education and library													
Education	800,628	306,058	-	146,374	8,493	201,765	39,511	465,852	80,671	375	-	-	2,049,727
Library	273,608	109,984	-	6,329	20,840	18,675	161,775	45,756	37,544	320	-	-	674,831
Total education and library	1,074,236	416,042	-	152,703	29,333	220,440	201,286	511,608	118,215	695	-	-	2,724,558
Museum services													
Finance	705,535	282,704	-	4,616	21,665	25,784	1,244	7,904	12,756	-	-	-	1,062,208
Human resources	268,451	94,033	-	7,997	1,530	58,405	1,504	25,276	21,137	-	-	-	478,333
Protection services	897,434	352,911	-	25,742	184	10,922	1,166	246,417	11,988	56,443	-	-	1,603,207
Guest relations	559,079	206,114	-	20,529	1,435	4,528	8,703	135,064	39,282	-	-	-	974,734
Housekeeping	495,744	197,243	-	107,119	172	411	-	436,892	6,148	761	-	-	1,244,490
Facility, planning, and operations	956,342	380,045	-	195,656	6,418	7,756	165	852,697	269,046	436,321	-	-	3,104,446
Technology	547,058	195,431	-	125,859	208	15,352	84	188,530	26,569	4,982	-	-	1,104,073
General services	297,820	1,558,633	-	57,307	721,179	91,800	2,170	989,079	25,228	71,569	30,605	-	3,845,390
Total Museum services	4,727,463	3,267,114	-	544,825	752,791	214,958	15,036	2,881,859	412,154	570,076	30,605	-	13,416,881
Administration	1,223,149	563,234	-	15,895	6,581	83,114	12,855	125,633	11,870	3,792	-	-	2,046,123
Institutional advancement													
Development	388,905	176,870	-	21,518	24,120	18,324	76,157	302,307	22,740	38,168	-	-	1,069,109
Auxiliary groups	112,726	40,278	-	1,632	10,242	7,386	40,500	425,150	5,029	-	-	-	642,943
Membership	473,394	149,334	-	20,327	134,849	5,331	195,923	484,310	10,282	-	-	-	1,473,750
Total institutional advancement	975,025	366,482	-	43,477	169,211	31,041	312,580	1,211,767	38,051	38,168	-	-	3,185,802
Marketing and public relations	389,404	154,979	-	11,254	16,575	15,018	63,617	1,927,992	9,850	-	-	-	2,588,689
Business enterprises	1,462,394	520,806	1,929,156	72,714	217,445	47,108	3,497	752,312	120,173	476	-	1,151	5,127,232
Debt services	-	-	-	-	-	-	3,531	1,038,439	-	-	7,589,476	-	8,631,446
Total expenses	\$ 19,481,686	\$ 8,940,456	\$ 1,929,156	\$ 2,162,957	\$ 2,252,826	\$ 2,863,066	\$ 832,196	\$ 11,553,657	\$ 2,850,527	\$ 650,666	\$ 7,620,081	\$ 70,794	\$ 61,208,068