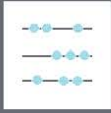


**MUSEUM OF SCIENCE, INC.
AND MUSEUM OF SCIENCE ENDOWMENT
FUND, INC.
MIAMI, FLORIDA**

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Museum of Science, Inc. and Museum of Science Endowment Fund, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Museum of Science, Inc. (a nonprofit organization) and Museum of Science Endowment Fund, Inc. (a nonprofit organization) (the "Museum"), which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As indicated in Notes 2 and 14 to the financial statements, the Museum obtained the necessary financing to complete the construction of the New Museum (as defined in Note 1) from a lending institution and Miami Dade County (the County). Further, as indicated in Note 14, as a result of receiving such financing from the County, the New Museum will not receive operating support from the County for the next 20 years. The impact, if any, on the operations of the New Museum has not been determined at this time.

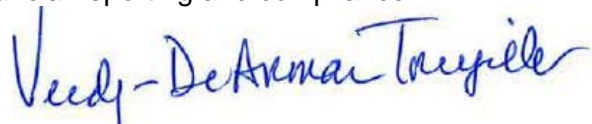
As of the date of these financial statements, the Museum has closed its current facilities to the public in order to concentrate on completing the New Museum.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2016, on our consideration of the Museum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
April 19, 2016

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014**

	As of September 30,	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 19,742,354	\$ 19,088,142
Investments	21,245	-
Receivable from Miami-Dade County	2,420,871	3,082,373
Grants and other receivables	471,927	434,665
Contributions receivable, net	34,910,616	43,693,038
Retainage receivable	6,211,383	3,812,381
Prepaid expenses and other assets	1,162,618	1,019,676
Property and equipment, net	1,110,016	1,265,572
Construction in progress - New Museum	156,025,251	105,911,138
	<u>222,076,281</u>	<u>178,306,985</u>
TOTAL ASSETS	<u>\$ 222,076,281</u>	<u>\$ 178,306,985</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 10,311,851	\$ 10,359,567
Line of credit	3,250,000	3,250,000
Deferred rent payable	128,003	73,385
Deferred revenue	14,143	12,144
	<u>13,703,997</u>	<u>13,695,096</u>
TOTAL LIABILITIES	<u>13,703,997</u>	<u>13,695,096</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted		
Operating	159,679,083	108,539,220
Board designated	2,642,728	2,633,155
Temporarily restricted	44,900,473	52,289,514
Permanently restricted	1,150,000	1,150,000
	<u>208,372,284</u>	<u>164,611,889</u>
TOTAL NET ASSETS	<u>208,372,284</u>	<u>164,611,889</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 222,076,281</u>	<u>\$ 178,306,985</u>

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

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
SUPPORT:				
Contributions	\$ 1,469,114	\$ 4,965,673	\$ -	\$ 6,434,787
Government grants and contracts	1,723,509	-	-	1,723,509
Miami-Dade County grants and support	49,846,320	-	-	49,846,320
Support released from restrictions	12,354,714	(12,354,714)	-	-
TOTAL SUPPORT	<u>65,393,657</u>	<u>(7,389,041)</u>	<u>-</u>	<u>58,004,616</u>
REVENUE:				
Admissions and memberships	1,051,773	-	-	1,051,773
Tuition and program fees	305,575	-	-	305,575
Ancillary services	106,936	-	-	106,936
Investment income	8,905	-	-	8,905
Net realized/unrealized loss on investments	(2,422)	-	-	(2,422)
Other income	1,681	-	-	1,681
TOTAL REVENUE	<u>1,472,448</u>	<u>-</u>	<u>-</u>	<u>1,472,448</u>
TOTAL SUPPORT AND REVENUE	<u>66,866,105</u>	<u>(7,389,041)</u>	<u>-</u>	<u>59,477,064</u>
EXPENSES				
PROGRAM SERVICES:				
Exhibits and public programs	1,423,578	-	-	1,423,578
Wildlife center	883,307	-	-	883,307
Visitor services	539,881	-	-	539,881
Education	1,941,325	-	-	1,941,325
New Museum	7,947,916	-	-	7,947,916
TOTAL PROGRAM SERVICES	<u>12,736,007</u>	<u>-</u>	<u>-</u>	<u>12,736,007</u>
SUPPORTING SERVICES:				
Management and general	1,543,565	-	-	1,543,565
Development and membership	1,437,097	-	-	1,437,097
TOTAL SUPPORTING SERVICES	<u>2,980,662</u>	<u>-</u>	<u>-</u>	<u>2,980,662</u>
TOTAL EXPENSES	<u>15,716,669</u>	<u>-</u>	<u>-</u>	<u>15,716,669</u>
CHANGE IN NET ASSETS	51,149,436	(7,389,041)	-	43,760,395
NET ASSETS - BEGINNING OF YEAR	<u>111,172,375</u>	<u>52,289,514</u>	<u>1,150,000</u>	<u>164,611,889</u>
NET ASSETS - END OF YEAR	<u>\$ 162,321,811</u>	<u>\$ 44,900,473</u>	<u>\$ 1,150,000</u>	<u>\$ 208,372,284</u>

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

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
SUPPORT:				
Contributions	\$ 726,498	\$ 34,338,482	\$ 50,000	\$ 35,114,980
Government grants and contracts	2,093,770	-	-	2,093,770
Miami-Dade County grants and support	32,189,529	-	-	32,189,529
Support released from restrictions	12,499,461	(12,499,461)	-	-
TOTAL SUPPORT	<u>47,509,258</u>	<u>21,839,021</u>	<u>50,000</u>	<u>69,398,279</u>
REVENUE:				
Admissions and memberships	1,050,907	-	-	1,050,907
Tuition and program fees	366,464	-	-	366,464
Exhibit rental income	130,196	-	-	130,196
Ancillary services	105,501	-	-	105,501
Investment income	16,333	-	-	16,333
Net realized/unrealized gain on investments	2,335	-	-	2,335
Other income	28,956	-	-	28,956
TOTAL REVENUE	<u>1,700,692</u>	<u>-</u>	<u>-</u>	<u>1,700,692</u>
TOTAL SUPPORT AND REVENUE	<u>49,209,950</u>	<u>21,839,021</u>	<u>50,000</u>	<u>71,098,971</u>
EXPENSES				
PROGRAM SERVICES:				
Exhibits and public programs	1,667,990	-	-	1,667,990
Wildlife center	1,029,762	-	-	1,029,762
Visitor services	332,650	-	-	332,650
Education	2,365,597	-	-	2,365,597
New Museum	6,982,571	-	-	6,982,571
TOTAL PROGRAM SERVICES	<u>12,378,570</u>	<u>-</u>	<u>-</u>	<u>12,378,570</u>
SUPPORTING SERVICES:				
Management and general	1,586,066	-	-	1,586,066
Development and membership	3,363,314	-	-	3,363,314
TOTAL SUPPORTING SERVICES	<u>4,949,380</u>	<u>-</u>	<u>-</u>	<u>4,949,380</u>
TOTAL EXPENSES	<u>17,327,950</u>	<u>-</u>	<u>-</u>	<u>17,327,950</u>
CHANGE IN NET ASSETS	31,882,000	21,839,021	50,000	53,771,021
NET ASSETS - BEGINNING OF YEAR	<u>79,290,375</u>	<u>30,450,493</u>	<u>1,100,000</u>	<u>110,840,868</u>
NET ASSETS - END OF YEAR	<u>\$ 111,172,375</u>	<u>\$ 52,289,514</u>	<u>\$ 1,150,000</u>	<u>\$ 164,611,889</u>

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

MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	For the Years Ended September 30,	
	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 43,760,395	\$ 53,771,021
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation	436,737	493,993
Net realized/unrealized loss (gain) on investments	2,422	(2,335)
Loss on disposal of property and equipment	-	73,346
Change in discount on contributions receivable	(317,850)	123,187
Provision for uncollectible contributions	1,000,000	3,040,000
Contribution of stock	(23,667)	-
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:		
Receivable from Miami-Dade County	661,502	(3,082,373)
Grants and other receivables	(37,262)	(176,755)
Contributions receivable, net	8,100,272	(14,630,534)
Retainage receivable	(2,399,002)	(1,174,471)
Prepaid expenses and other assets	(142,942)	519,656
Accounts payable and accrued expenses	(47,716)	3,568,682
Advance from Miami-Dade County	-	(3,020,718)
Deferred rent payable	54,618	62,901
Deferred revenue	1,999	(28,672)
Total adjustments	<u>7,289,111</u>	<u>(14,234,093)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	51,049,506	39,536,928
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from investments, net	-	213,061
Purchases of property and equipment	(281,181)	(279,352)
Increase in construction in progress - New Museum	(50,114,113)	(31,743,057)
NET CASH USED IN INVESTING ACTIVITIES	(50,395,294)	(31,809,348)
CASH FLOW FROM FINANCING ACTIVITIES		
Line of credit repayments	-	(1,516,000)
Borrowings on line of credit	-	1,516,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH AND EQUIVALENTS	654,212	7,727,580
CASH AND CASH EQUIVALENTS		
Beginning of year	19,088,142	11,360,562
End of year	<u>\$ 19,742,354</u>	<u>\$ 19,088,142</u>

SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid	<u>\$ 78,235</u>	<u>\$ 106,391</u>
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The accompanying notes are an integral part of these consolidated financial statements.

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Museum of Science, Inc. (the “Museum”) is a not-for-profit entity and was incorporated in the State of Florida. The Museum was chartered by the Junior League of Greater Miami as the Junior Museum on October 4, 1949 for the purpose of operating a museum and space planetarium and derives its principal support and revenues through grants, admissions and memberships, donations and educational programs. Museum of Science Endowment Fund, Inc. (“the Endowment”) was incorporated in Florida on January 31, 1989, for the purpose of supporting the educational and scientific activities of the Museum. As discussed in Note 9, The Museum of Science Endowment Fund, Inc. is consolidated in these financial statements. The two entities are collectively referred to as the “Museum”. All intercompany transactions have been eliminated in consolidation.

The Museum operates under two d/b/a names; Patricia and Phillip Frost Museum of Science, and Miami Science Museum.

In August 2015, the Museum closed its current facility to the public in order to concentrate its efforts on completing the new Patricia and Phillip Frost Museum of Science (“New Museum”). See Note 2.

Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). In September 2012, the Financial Accounting Standards Board (“FASB”) implemented the Accounting Standards Codification (“ASC”) which establishes FASB ASC as the source of authoritative U.S. accounting and reporting standards for nongovernmental entities. Museum resources are classified and reported in the accompanying consolidated financial statements as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the Museum. Generally, the donors of these assets permit the Museum to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by the actions of the Museum.

Unrestricted net assets - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets. Donor restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Museum’s financial instruments include cash and cash equivalents, grants and other receivables, contributions receivable, investments, accounts payable and accrued expenses and lines of credit. The fair value of cash equivalents and investments are based upon market quotes (see Note 4). The fair value of contributions receivable is based on a discount rate and estimated payment schedules (see Notes 3 and 4). The carrying amount of cash, grants and other receivables, accounts payable and accrued expenses and lines of credit are estimated by management to approximate their fair values because of their short duration to maturity at September 30, 2015 and 2014.

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Cash and Cash Equivalents

The Museum considers all highly liquid instruments, including money market funds, purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consisted of the following at September 30:

	2015	2014
Unrestricted	\$ 2,923,502	\$ 2,732,409
Temporarily restricted	15,921,743	15,479,145
Permanently restricted	897,109	876,588
Total cash and cash equivalents	<u>\$ 19,742,354</u>	<u>\$ 19,088,142</u>

Grants and Other Receivables and Allowance for Doubtful Accounts

Grants and other receivables are stated at their net realizable value and consist of amounts due from various government agencies and other third parties. The Museum provides for losses on other receivables using the allowance method. The allowance is based on a number of factors, including the Museum’s experience with third party contracts and knowledge of other circumstances which may affect the ability of the parties to meet their obligations. Receivables are considered impaired if payments are not received in accordance with contractual terms. It is the Museum’s policy to charge off uncollectible grants and other receivables against the allowance when management determines that the receivable will not be collected. For the years ended September 30, 2015 and 2014 no allowance was considered necessary.

Contributions Receivable and Allowance for Uncollectible Contributions

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value, which approximates fair market value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution receivable.

Contributions receivable are presented net of an allowance for uncollectible contributions. The Museum determines its allowance based on a number of factors, including a historical analysis of write-offs as well as specific identification of potential uncollectible contributions based upon their length of time outstanding. Uncollectible promises to give are written off against the established allowance. Any adjustments to the allowance for uncollectible contributions are recorded in development and membership expense on the accompanying consolidated statements of activities and changes in net assets.

Investments and Related Income

Investments with readily determinable fair market values are measured at fair value in the accompanying consolidated statements of financial position. Purchases and sales of investments are reflected on a trade-date basis. Gains and losses on sales of investments are recorded in the accompanying consolidated statements of activities in the period in which the investments are sold. Dividends and interest are recognized as earned.

Income and net gains on investments of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift or the Museum’s Board interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; or
- As increases in unrestricted net assets in all other cases.

MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment and Construction in Progress

Property and equipment are recorded at cost when purchased or at fair market value at the date of the gift, if contributed, and depreciated using the straight-line method over the estimated useful life of the asset. Leasehold improvements are depreciated using the straight-line method over the shorter of the life of the lease or the estimated useful life of the asset. Expenditures for maintenance and repairs are charged to expense as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the accompanying consolidated statements of activities.

The Museum has incurred significant costs relating to planning and design of the New Museum (formerly Bicentennial Park). Such expenditures, when capitalizable, have been recorded as construction in progress on the accompanying consolidated statements of financial position.

Retainage Receivable

In accordance with the administrative rules governing Miami-Dade County's (the "County") general obligation bond referendum, five percent of the value of the \$165 million allocation to the Museum shall be retained by the County. Upon completion of the New Museum, a signed project completion certificate must be submitted with the final reimbursement request forms in order for the remaining retainage to be released. (See Note 2)

Deferred Rent Payable

Rental expense for office space is recognized on a straight-line basis over the life of the lease. The difference between cash rent payments and the recognition of rental expense is recorded as deferred rent payable.

Deferred Revenue

As of September 30, 2015 and 2014, deferred revenue consists of amounts received in advance for a future period.

Revenue Recognition

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

Generally, government grants are deemed to be earned and reported as revenue when the Museum has incurred expenditures in compliance with the specific terms of the grant.

Admissions and memberships are recognized as revenue for financial reporting purposes in the year the fees are received.

Contributed Services

A substantial number of volunteers have made significant contributions of time in furtherance of the Museum's mission. The value of this contributed time does not meet the criteria for recognition and therefore is not reflected in the accompanying consolidated statements of activities.

Summarized Information

The costs of providing Museum programs and support have been summarized on a functional basis on the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated to the various functions to the extent possible.

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Income Taxes

The Museum qualifies as a tax exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and income tax regulations of the State of Florida. Accordingly, no provision for federal or state income tax is required.

There are no reserves held for uncertain tax positions at September 30, 2015 and 2014. Tax years that are open under the statute of limitations remain subject to examination by the IRS. The Museum is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2012.

Concentrations of Credit Risk

Financial instruments which potentially subject the Museum to concentrations of credit risk consist principally of cash, cash equivalents and investments. At times, cash balances may exceed the levels of insurance provided by the Federal Deposit Insurance Coverage (F.D.I.C.). In addition, the Museum's investment portfolio is exposed to various risks, such as interest rate, market risk and credit risk. At times, cash equivalent and investment values may exceed the levels of insurance provided by the Securities Investor Protection Corporation (SIPC). Because of the level of risk associated with such investments, changes in their values will occur and such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Subsequent Events

The Museum has evaluated subsequent events through April 19, 2016, which is the date the financial statements were available to be issued. See Note 14.

Reclassifications

Certain 2014 balances have been reclassified to conform to the 2015 financial statement presentation.

NOTE 2 – NEW MUSEUM

In 2004, the County voters passed a \$2.9 billion general obligation bond referendum, whereby \$165 million will be allocated to the Museum for the construction of a 250,000 square foot New Museum in downtown Miami. The estimated total costs for the project including design, construction, exhibits, insurance, permits, etc. are \$304 million.

On July 9, 2010, the Museum entered into a Development Agreement with the City of Miami (the "City") outlining the development, planning and restrictions imposed on the construction of the New Museum. Furthermore, on April 6, 2011, the Museum entered into a lease agreement with the City for land and improvements located in Museum Park. The initial lease term is for 30 years, with an automatic renewal for two consecutive terms of 30 years each and one additional consecutive term of 9 years. In accordance with the terms of the agreement, the City provides the Museum with the land it will occupy at no charge. No fair rental value has been assigned due to restrictions placed on the facilities by the original donors to the City.

In 2011, the Museum received a \$35 million commitment from Patricia and Phillip Frost. In consideration of the commitment, the New Museum will be named the Patricia and Phillip Frost Museum of Science. Further, as indicated in Note 14, subsequent to year end, the Museum received an additional pledge for \$10 million.

Construction of the Patricia and Phillip Frost Museum of Science began in 2012. The New Museum will occupy approximately four acres in Museum Park in downtown Miami adjacent to Perez Art Museum Miami. This new cultural destination will be a force for economic development and will serve as an educational resource for the community. The construction is expected to be completed at the end of the calendar year 2016. (See Note 14).

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 2 – NEW MUSEUM (Continued)

Construction Services

The Museum entered into a multi-phase contract with Suffolk Construction Company, Inc. (“SCCI”) dated March 30, 2012, for the construction of the New Museum. On May 15, 2014, the Museum terminated SCCI’s contract based on their rights in the agreement. As a result, the Museum and SCCI are scheduled to enter into arbitration in October 2016, the outcome of which is uncertain.

The Museum has entered into an agreement with Skanska USA to complete the construction of the New Museum on a cost-plus basis pursuant to a target completion price and required completion date.

Ancillary Facility

In April 2014, the Museum entered into a contract with the Florida International University Foundation, Inc. (“FIU”) to develop, construct and fit-out an ancillary facility to support its animal husbandry and veterinary needs and related research activities. The Museum received a \$5 million commitment from a donor to fund the project. As of September 30, 2015, \$1.75 million of this commitment was still due from the donor. This amount was collected in full subsequent to year-end.

NOTE 3 – CONTRIBUTIONS RECEIVABLE, NET

Unconditional promises to give are included in the accompanying consolidated statements of financial position as contributions receivable. The rates used to discount contributions to present value at September 30, 2015 and 2014 ranged from 1.79% to 4.00%. Contributions receivable consisted of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Contributions receivable due in less than one year	\$ 7,985,837	\$ 10,424,620
Contributions receivable due in one to five years	6,821,598	21,750,837
Contributions receivable due in more than five years	<u>30,142,750</u>	<u>20,875,000</u>
	44,950,185	53,050,457
Less: discount to net present value	(4,039,569)	(4,357,419)
Less: allowance for uncollectible contributions	<u>(6,000,000)</u>	<u>(5,000,000)</u>
Total contributions receivable, net	<u>\$ 34,910,616</u>	<u>\$ 43,693,038</u>

A majority of the contributions receivable are temporarily restricted for use on the New Museum. In 2012, the Museum received a commitment to name the New Museum from a member of the Board of Trustees. This commitment represents 61% and 60% of the gross contributions receivable balance as of September 30, 2015 and 2014, respectively.

As of September 30, 2015 and 2014, contributions receivable from current and former members of the Board of Trustees totaled approximately 84% and 80%, respectively, of the Museum’s total contributions receivable balance.

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 4 – FAIR VALUE MEASUREMENT

U.S. GAAP establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I – Inputs that reflect quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access as of the reporting date. Financial instruments which are generally included in this category include cash and money market funds, active listed securities and U.S. Treasury Bills.

Level II - Inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include investment-grade corporate bonds and loans, less liquid or restricted equities and certain over-the-counter derivatives.

Level III - Inputs that are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments, which are generally included in this category, include private equity and real estate investments, certain bank and bridge loans and less liquid corporate debt securities.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2015 and 2014.

Money market funds – a type of mutual fund valued at the closing price reported in the active market in which the individual securities are traded.

Marketable securities - consist primarily of publicly traded securities valued at the closing price reported in the active market in which the individual securities are traded.

In some situations, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. The Museum's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

In certain cases, debt and equity securities are valued on the basis of prices from an orderly transaction between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments.

MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

The following table summarizes assets measured on a recurring basis by level as of September 30, 2015:

Assets	Fair Value	Fair Value Measurements Using:		
		Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Money market funds	\$ 3,539,821	\$ 3,539,821	\$ -	\$ -
Marketable securities	21,245	21,245	-	-
Total	<u>\$ 3,561,066</u>	<u>\$ 3,561,066</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes assets measured on a recurring basis by level as of September 30, 2014:

Assets	Fair Value	Fair Value Measurements Using:		
		Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Money market funds	\$ 3,509,728	\$ 3,509,728	\$ -	\$ -
Total	<u>\$ 3,509,728</u>	<u>\$ 3,509,728</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – INVESTMENTS

Investments at September 30, 2015 and 2014 are summarized as follows:

	2015	2014
Marketable securities	<u>\$ 21,245</u>	<u>\$ -</u>

During 2014, the Museum liquidated its investments held at a brokerage firm. The assets were transferred to a money market account, and are reflected as cash equivalents in the accompanying consolidated statements of financial position.

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 6 – PROPERTY AND EQUIPMENT, NET AND CONSTRUCTION IN PROGRESS

Major classifications of property, equipment and leasehold improvements are summarized as follows:

PROPERTY AND EQUIPMENT

	Useful Lives	2015	2014
Building and leasehold improvements	3 - 30 years	\$ 3,196,588	\$ 3,008,528
Furniture, fixtures and equipment	3 - 5 years	710,333	651,990
Exhibits and other fixed assets	3 - 5 years	1,403,733	1,390,358
Computer and technology	3 - 5 years	187,519	166,116
		<u>5,498,173</u>	<u>5,216,992</u>
Less: accumulated depreciation and amortization		(4,388,157)	(3,951,420)
Total property and equipment, net		<u>\$ 1,110,016</u>	<u>\$ 1,265,572</u>

For the years ended September 30, 2015 and 2014, depreciation and amortization expense was approximately \$437,000 and \$494,000, respectively.

Upon opening the new facility (see Note 2), the Museum will write off building and leasehold improvements related to the current location, as well as any other assets that will not be placed into service at the New Museum.

CONSTRUCTION IN PROGRESS

As of September 30, 2015 and 2014, construction in progress, consisting mainly of construction costs, design fees and other project costs for the New Museum, totaled approximately \$156,025,000 and \$105,911,000, respectively. (See Note 2)

NOTE 7 – LINE OF CREDIT

	2015	2014
Line of credit with financial institution for \$3,500,000, at interest rate of LIBOR plus 2.2%, respectively, adjusted monthly, collateralized by accounts receivable, inventory and equipment of the Museum and by cash and cash equivalents owned by the Endowment, due May 30, 2016. Interest expense incurred for 2015 was \$78,235.	<u>\$ 3,250,000</u>	<u>\$ 3,250,000</u>
Total line of credit	<u>\$ 3,250,000</u>	<u>\$ 3,250,000</u>

The terms of the Museum's line of credit provide for certain financial and nonfinancial covenants. At September 30, 2015 and 2014, management believes that the Museum was in compliance with these covenants. The line of credit was paid in full subsequent to year-end. See Note 14.

MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 8 – RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes as of September 30:

	2015	2014
Contributions and other funds restricted for New Museum	\$ 44,517,101	\$ 51,481,716
Program services - Education	214,768	334,835
Program services - Wildlife Center	-	400,000
Program services - Exhibits and Public Programs	168,604	72,963
Total Temporarily Restricted Net Assets	<u>\$ 44,900,473</u>	<u>\$ 52,289,514</u>

Temporarily restricted net assets are held substantially in cash and contributions receivable.
(See Notes 1 and 3)

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or the passage of time for the years ended September 30, 2015 and 2014 as follows:

	2015	2014
Expenditures for New Museum	\$ 11,538,558	\$ 11,634,327
Education Programs	265,174	427,162
Wildlife Center - programs and renovations	400,000	400,000
Public Programs	148,557	36,382
Exhibits - new exhibitions	2,425	1,590
Total Temporarily Restricted Net Assets Released	<u>\$ 12,354,714</u>	<u>\$ 12,499,461</u>

Permanently Restricted Net Assets

The income on permanently restricted net assets is restricted for the following purposes as of September 30, 2015 and 2014:

	2015	2014
Program services - Education	\$ 350,000	\$ 350,000
Program services - Wildlife Center	750,000	750,000
Museum Collections	50,000	50,000
Total Permanently Restricted Net Assets	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>

NOTE 9 – ENDOWMENTS

The Museum's endowments are 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. The endowments are held in cash and investments.

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 9 – ENDOWMENTS (Continued)

Interpretations of Relevant Law

The Board has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets and maintained as such for appropriation for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by FUPMIFA and donors' restrictions on use. In accordance with FUPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Museum and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Museum.
7. The investment policies of the Museum.

Endowment net asset compositions by type of fund as of September 30, 2015 and 2014 were as follows:

September 30, 2015	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (252,891)	\$ -	\$ 1,150,000	\$ 897,109
Board designated endowment funds	2,642,728	-	-	2,642,728
Total endowment funds	<u>\$ 2,389,837</u>	<u>\$ -</u>	<u>\$ 1,150,000</u>	<u>\$ 3,539,837</u>
September 30, 2014	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (273,412)	\$ -	\$ 1,150,000	\$ 876,588
Board designated endowment funds	2,633,155	-	-	2,633,155
Total endowment funds	<u>\$ 2,359,743</u>	<u>\$ -</u>	<u>\$ 1,150,000</u>	<u>\$ 3,509,743</u>

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 9 – ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended September 30, 2015 and 2014 were as follows:

September 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,399,743	\$ -	\$ 1,150,000	\$ 3,549,743
Investment income, net of fees	9,017	-	-	9,017
Net appreciation (realized and unrealized)	-	-	-	-
Total investment return	9,017	-	-	9,017
Contributions	1,000	-	-	1,000
Endowment net assets, end of year	<u>\$ 2,409,760</u>	<u>\$ -</u>	<u>\$ 1,150,000</u>	<u>\$ 3,559,760</u>
September 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,382,746	\$ -	\$ 1,100,000	\$ 3,482,746
Investment income, net of fees	14,354	-	-	14,354
Net appreciation (realized and unrealized)	2,643	-	-	2,643
Total investment return	16,997	-	-	16,997
Contributions	-	-	50,000	50,000
Endowment net assets, end of year	<u>\$ 2,399,743</u>	<u>\$ -</u>	<u>\$ 1,150,000</u>	<u>\$ 3,549,743</u>

Museum of Science Endowment Fund, Inc. (“the Endowment”)

The Endowment’s investments are viewed as being long-term in nature. The goal of the Endowment is to support the educational and scientific activities of the Museum of Science, Inc. and other related activities and organizations by obtaining interest, dividends and capital gains from investments.

In accordance with an agreement between the Museum and the Endowment, certain board members of the Museum were appointed as board members of the Endowment. As a result, the Endowment has been consolidated for financial statement purposes. The Endowment’s only assets as of September 30, 2015 and 2014 are cash equivalents of approximately \$2,643,000 and \$2,633,000, respectively, and net assets of the same amounts, which are classified as a board designated endowment fund.

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 9 – ENDOWMENTS (Continued)

Funds With Deficiencies

As a result of negative fluctuations in the market, the cash and investments held by the Museum with respect to permanently restricted net assets are below the original corpus.

NOTE 10 – CONTRIBUTED FACILITIES

The Museum has an agreement with the County, in which the County provides the Museum with the premises it occupies at no charge. In accordance with the terms of the agreement, no fair rental value has been assigned due to restrictions placed on the facilities by the original donors to the County. The agreement currently expires in August 2016. As indicated in Note 1, the Museum closed this facility for operating purposes, but will continue to occupy them for administrative and program purposes until the construction of the New Museum is complete.

NOTE 11 – RETIREMENT PLAN

The Museum maintains a defined contribution retirement plan for eligible employees in accordance with Internal Revenue Code Section 403(b) – Tax-Sheltered Annuity Plans. The plan contained a provision whereby the Museum contributed a matching contribution determined by the Board of Trustees. Effective January 1, 2014, the plan adopted a safe harbor match provision whereby the Museum provides a matching contribution for eligible employees. For the years ended September 30, 2015 and 2014, the Museum made contributions of approximately \$120,000 and \$94,000, respectively.

NOTE 12 – CONCENTRATIONS

Grants and Other Receivables

As of September 30, 2015 and 2014, approximately 75% and 65% respectively of the Museum's grant and other receivables balance was due from federal agencies.

Contributions Receivable

For concentrations in contributions receivable see Note 3.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Leases

The Museum is obligated under several operating leases for office space and equipment. Lease terms generally range from three to twelve years. The following is a schedule of future minimum lease payments required under operating leases that have initial lease terms of one year or more as of September 30, 2015:

<u>Years Ending September 30,</u>	
2016	80,019
2017	75,849
2018	73,823
2019	74,078
2020	76,217
Thereafter	387,759
	<u>\$ 767,745</u>

Rental expense for the years ended September 30, 2015 and 2014 was approximately \$87,000 and \$112,000, respectively, and was allocated among the various benefitted program and support services on the accompanying consolidated statements of activities. Rental expense includes payments on various operating leases and month-to-month leases.

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

Litigation

The Museum is involved in a lawsuit with two former construction subcontractors. The litigation is in its early stage, and as such, management is unable at this time to determine or to estimate the potential liability, if any.

In addition, the Museum is in arbitration with its former contractor (see Note 2).

NOTE 14 – SUBSEQUENT EVENTS

On February 9, 2016, the Museum received a significant naming pledge towards the construction of the New Museum in the amount of \$10 million.

On April 19, 2016, the Museum entered into a tax exempt financing agreement with a bank for up to \$40 million (“Bank Financing”). Proceeds of the loan will be used towards completing the New Museum project costs. The loan is collateralized by the Museum’s personal property and pledges committed to complete the New Museum and accrues interest at the greater of 75% of one-month LIBOR plus 230 basis points or 2.3%. Interest expense would be payable monthly, and principal is payable quarterly, upon the receipt of pledge funds scheduled to be received. The loan expires on October 1, 2024, but the Bank may put the obligation back to the Museum on January 1, 2023. This financial institution also provided \$3.5 million to the Museum in the form of a line of credit in order for the Museum to refinance the existing line of credit (Note 7). The line of credit expires on April 19, 2018 and accrues interest at the greater of the overnight LIBOR rate plus 2.2%, or 2.25%.

On April 5, 2016, the Miami-Dade County Board of County Commissioners (County) approved a \$45 million County Grant Agreement (“the Grant”) to provide funding to complete the New Museum project. As a condition to the closing and funding of the Grant, the Museum was required to satisfy certain conditions including 1) the adoption of certain modifications to its governance structure and bylaws, 2) agreement not to solicit any operational financial support for no more than 20 years, and 3) to build an endowment with any unrestricted proceeds received for the capital campaign to complete the New Museum as well as with any net proceeds from any legal settlements related to the New Museum project.

Also, as a condition of the Grant, certain board members and principal donors of the Museum have agreed to loan the Museum up to \$4.25 million as a reserve in case the New Museum project exceeds the costs estimated as part of securing the Financing Agreement and the Grant.

The proceeds the Museum received from the Financing Agreement and the Grant are projected to complete the New Museum project by the end of 2016.

In February 2016, the Museum also entered into a loan arrangement with a board member and principal donor whereby the Museum received proceeds of \$7.3 million to fund project costs. The loan was subsequently repaid with the proceeds from the Bank Financing detailed above.

SUPPLEMENTARY INFORMATION

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Agency, Pass-through Entity Federal Program	CFDA No.	Contract/ Grant No.	Expenditures	Transfers to Subrecipients
FEDERAL AGENCIES				
Institute of Museum and Library Services				
<i>Pass-through Exploratorium:</i>				
STEM-Enriched Afterschool Programs for 21st Century Community	45.313	MG-00-14-0077-14	\$ 11,152	\$ -
National Aeronautics and Space Administration				
vMAX: Virtual Missions and Exoplanets	43.008	NNX14AD07G	304,682	92,068
National Science Foundation				
Children Investigating Science with Parents and Afterschool (CHISPA)	47.076	DRL-1323516	561,009	271,202
GSE/EXT: Girls RISE Museum Network	47.076	HRD-0937245	88,597	766
Move2Learn: Engaging Preschool Scientists through Embodiment and	47.076	DRL-1451290	98,283	-
U.S. Department of Agriculture				
Forest Service				
<i>Pass-through National Fish and Wildlife Foundation:</i>				
Virginia Key North Point Exological Restoration	10.664	1302.14.041965	15,000	-
U.S. Department of Education				
Office of Elementary and Secondary Education				
TRIO - Upward Bound	84.047M	P047M120402	296,336	12,191
U.S. Department of Health and Human Services				
National Institutes of Health				
<i>Pass-through University of Miami:</i>				
Get in the GROOVE!	93.351	5R25OD010525	124,595	31,000
U.S. Department of State				
<i>Pass-through American Alliance of Museums:</i>				
Building Global Communities: Citizen-Led Urban Environmental	19.415	S-ECAGD-13-CA-116 (SS)	<u>77,500</u>	<u>21,908</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 1,577,154</u>	<u>\$ 429,135</u>

See accompanying notes to the Consolidated Schedule of Expenditures of Federal Awards.

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE A- GENERAL

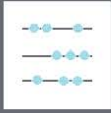
The Consolidated Schedule of Expenditures of Federal Awards included herein represents all of the federal grants of Museum of Science, Inc. and Museum of Science Endowment Fund, Inc. (the "Museum") over which the Museum exercised direct operating control for the year ended September 30, 2015.

NOTE B- BASIS OF ACCOUNTING

The accompanying Consolidated Schedule of Expenditure of Federal Awards is presented using the accrual basis of accounting.

NOTE C- BASIS OF PRESENTATION

The accompanying Consolidated Schedule of Expenditures of Federal Awards includes the federal grant activities of the Museum during its fiscal year October 1, 2014 to September 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees of
Museum of Science, Inc. and Museum of Science Endowment Fund, Inc.
Miami, Florida

We have audited, in accordance with the 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, the consolidated financial statements of Museum of Science, Inc. (a nonprofit organization), and Museum of Science Endowment Fund, Inc. (a nonprofit organization), (the "Museum"), which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statement of activities, and consolidated cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Museum's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's financial statements are free from 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*.

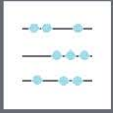
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, reading "Veedy-DeArman Tracy".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
April 19, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Museum of Science, Inc. and Museum of Science Endowment Fund, Inc.
Miami, Florida

Report on Compliance for Each Major Federal Program

We have audited Museum of Science, Inc.'s (a nonprofit organization) and the Museum of Science Endowment Fund's (a nonprofit organization) (the "Museum") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each the Museum's major federal programs for the year ended September 30, 2015. The Museum's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Museum's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Museum'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Museum's compliance.

Opinion on Each Major Federal Program

In our opinion, the Museum's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Museum is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Museum's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Museum's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
April 19, 2016

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant Deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Type of auditor's report issued on compliance for major programs: *Unmodified*

Internal control over major programs:

- Material weakness(es) identified? yes no
 - Significant Deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

Federal Program or Cluster	CFDA Number	Expenditures
National Science Foundation	47.076	\$ 747,889
National Aeronautics and Space Administration	43.008	\$ 304,682

Dollar threshold used to distinguish between type A and type B programs. \$ 300,000

Auditee qualified as low-risk auditee? yes no

**MUSEUM OF SCIENCE, INC. AND MUSEUM OF SCIENCE ENDOWMENT FUND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS

None

SECTION IV - OTHER ISSUES

1. A management letter was issued and reported to management, dated April 19, 2016.
2. A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to financial statements.
3. A Corrective Action Plan is not required because there were no findings required to be reported under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.