



FINANCIAL REPORT 2002





TREASURER

As expected, the year 2002 was difficult for nonprofit institutions. Despite extreme external pressures, the museum managed a balanced budget for 2002 by reducing costs and emphasizing fundraising activities. The financial markets continued the slide that began in early 2000, resulting in sustained losses in the endowment, although we continued to outperform major market indices.

With the continued uncertainty in the markets and the decline in the endowment, the museum has implemented reductions in its cost structure for 2003. Further reductions will be required in 2004 as the spending rule revenue continues to decline due to reduced investment balances. The director and museum staff are preparing to meet the challenges in the upcoming years by proactively reviewing expenses that can be pared now. The museum continues to be dedicated to a balanced budget as it maintains a welcoming environment to all visitors and remains free.

Janet G. Ashe
Deputy Director of Administration and Treasurer



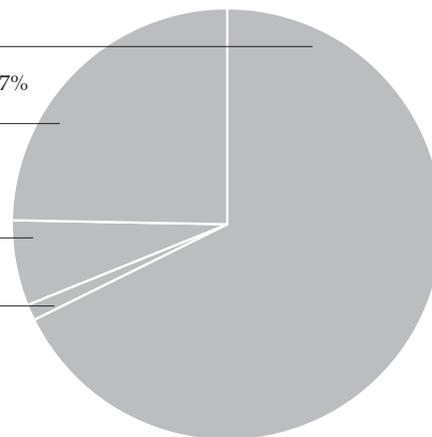
Revenues

Investments—general and specific purpose 67.7%

Individual, corporate, and government gifts and grants 24.7%

Programs and miscellaneous 6.4%

Retail and fee income (net) 1.2%



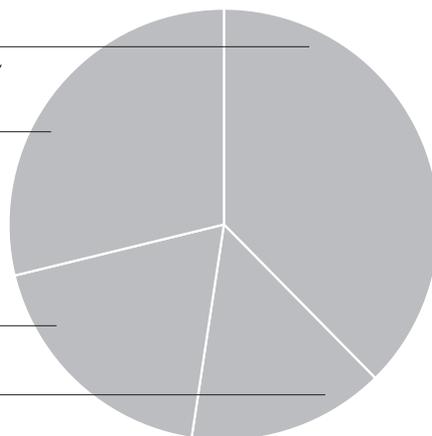
Expenses

Curatorial, conservation, and programs 37.6%

Design, building, and depreciation 28.8%

Administrative and retirees 18.8%

Membership and development 14.8%



Summary of Key Financial Data

Years Ended December 31 (in thousands)	2002	2001	2000	1999	1998
Investments	\$ 316,259.8	\$ 384,347.8	\$ 408,479.2	\$ 406,350.5	\$ 366,398.1
Charitable perpetual trusts	249,369.2	295,188.1	325,558.7	351,752.1	321,486.7
Total	565,629.0	679,535.9	734,037.9	758,102.6	687,884.8
Art purchases	14,003.0	13,990.0	5,472.7	16,892.1	7,252.1
Unrestricted revenue and support	33,678.9	31,535.6	31,039.9	27,712.6	28,466.9
Operating expenses	33,658.4	31,531.4	30,922.6	28,446.0	27,987.3
Excess (deficiency) of operating revenue and support over operating expenses	20.5	4.2	117.3	(733.4) ^A	479.6
Five-year average	\$ (22.4)				

A. Includes a one-time, post-employment benefit expense of \$944.2





Report of Independent Auditors

Board of Trustees
The Cleveland Museum of Art

We have audited the accompanying statements of financial position of the Cleveland Museum of Art as of December 31, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Cleveland Museum of Art'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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Cleveland Museum of Art as of December 31, 2002 and 2001, 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.

Ernst + Young LLP

May 22, 2003

Cleveland, Ohio

Statements of Financial Position

	December 31, 2002	December 31, 2001
Assets		
Cash and cash equivalents	\$ 5,948,314	\$ 3,737,220
Accounts receivable	395,719	472,693
Inventories	822,970	992,157
Prepaid expenses and other current assets	1,297,292	2,267,637
Investments (Note 6)	316,259,812	384,347,812
Buildings and equipment:		
Buildings and improvements	29,158,493	28,889,829
Equipment	12,658,051	12,307,437
Construction in progress	14,714,546	6,638,960
	56,531,090	47,836,226
Less accumulated depreciation	31,544,956	29,495,735
Total buildings and equipment—net	24,986,134	18,340,491
Other assets:		
Charitable perpetual trusts	249,369,196	295,188,170
Pledges receivable	11,879,660	13,965,697
Other	892,084	1,035,426
Total assets	\$ 611,851,181	\$ 720,347,303

	December 31, 2002	December 31, 2001
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 5,244,345	\$ 6,616,893
Accrued expenses	892,337	1,027,903
Short-term borrowings	7,440,000	3,000,000
Deferred revenue	300,759	392,024
Other liabilities	6,391,562	6,397,983
Total liabilities	20,269,003	17,434,803
Net assets:		
Unrestricted	153,919,509	193,455,801
Temporarily restricted	168,549,216	194,524,272
Permanently restricted	269,113,453	314,932,427
Total net assets	591,582,178	702,912,500
Total liabilities and net assets	\$ 611,851,181	\$ 720,347,303

See notes to financial statements.

Statement of Activities

Year Ended December 31, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support				
Contributions and memberships	\$ 3,597,861			\$ 3,597,861
Trust fund revenues	3,106,425	\$ 182,221		3,288,646
Gifts from independent dedicated trusts:				
John Huntington Art and Polytechnic Trust	4,900,000			4,900,000
Horace Kelley Art Foundation	365,000			365,000
Grants	821,303	1,178,102		1,999,405
Program revenues	1,431,865			1,431,865
Special events	688,333			688,333
Other	69,310	422,810		492,120
Stores, café, parking, and products	3,389,756			3,389,756
Grants and gifts for specific capital expenditures		2,059,605		2,059,605
Investment return designated for current operations (Note 6)	13,409,884	343,840		13,753,724
Net assets released from restrictions used for operations (Note 5)	1,899,183	(1,899,183)		
Total revenues and support	33,678,920	2,287,395		35,966,315
Expenses				
Curatorial, conservation, and registrar	6,668,645			6,668,645
Design and security expenses	6,584,738			6,584,738
Education, library, and extensions	4,236,387			4,236,387
Publications, printing, and photography	630,003			630,003
Membership services	660,425			660,425
Development, special events, and visitor services	3,870,990			3,870,990
Administration	5,745,327			5,745,327
Specific building repairs and maintenance	186,507			186,507
Stores, café, parking, and products	3,026,136			3,026,136
Depreciation	2,049,221			2,049,221
Total expenses	33,658,379			33,658,379
Excess of revenues and support over expenses before other changes in net assets	20,541	2,287,395		2,307,936
Other changes in net assets				
Endowment and trust income for art purchases		12,928,128		12,928,128
Net assets released from restrictions used to fund acquisition of art objects (Note 5)	14,003,047	(14,003,047)		
Expenditures for the acquisition of art objects	(14,003,047)			(14,003,047)
Gifts, contributions, and other changes	688,720	605,002		1,293,722
Investment return (loss) after amounts designated (Note 6)	(40,097,387)	(27,940,700)		(68,038,087)
Net assets released from restrictions used for capital (Note 5)	2,930,995	(2,930,995)		
Change in fair value of charitable perpetual trusts			\$ (45,818,974)	(45,818,974)
Reclassification of net assets (Note 2)	(3,079,161)	3,079,161		
Decrease in net assets	(39,536,292)	(25,975,056)	(45,818,974)	(111,330,322)
Net assets at January 1, 2002	193,455,801	194,524,272	314,932,427	702,912,500
Net assets at December 31, 2002	\$ 153,919,509	\$ 168,549,216	\$ 269,113,453	\$ 591,582,178

See notes to financial statements.

Statement of Activities

Year Ended December 31, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support				
Contributions and memberships	\$ 3,582,190			\$ 3,582,190
Trust fund revenues	3,708,789	\$ 197,176		3,905,965
Gifts from independent dedicated trusts:				
John Huntington Art and Polytechnic Trust	4,750,000			4,750,000
Horace Kelley Art Foundation	250,000			250,000
Grants	1,611,187	311,040		1,922,227
Program revenues	1,420,127			1,420,127
Special events	669,105			669,105
Other	167,081	400,187		567,268
Stores, café, parking, and products	3,354,672			3,354,672
Grants and gifts for specific capital expenditures		6,785,864		6,785,864
Investment return designated for current operations (Note 6)	10,330,829	366,683		10,697,512
Net assets released from restrictions used for operations (Note 5)	1,691,626	(1,691,626)		
Total revenues and support	31,535,606	6,369,324		37,904,930
Expenses				
Curatorial, conservation, and registrar	6,458,637			6,458,637
Design and security expenses	6,683,718			6,683,718
Education, library, and extensions	4,241,553			4,241,553
Publications, printing, and photography	537,418			537,418
Membership services	656,745			656,745
Development, special events, and visitor services	2,447,910			2,447,910
Administration	5,333,686			5,333,686
Specific building repairs and maintenance	476,705			476,705
Stores, café, parking, and products	2,789,973			2,789,973
Depreciation	1,905,015			1,905,015
Total expenses	31,531,360			31,531,360
Excess of revenues and support over expenses before other changes in net assets	4,246	6,369,324		6,373,570
Other changes in net assets				
Endowment and trust income for art purchases		12,265,356		12,265,356
Net assets released from restrictions used to fund acquisition of art objects (Note 5)	13,990,092	(13,990,092)		
Expenditures for the acquisition of art objects	(13,990,092)			(13,990,092)
Gifts, contributions, and other changes	361,329	662,701		1,024,030
Investment return (loss) after amounts designated (Note 6)	(16,847,775)	(11,461,526)		(28,309,301)
Net assets released from restrictions used for capital (Note 5)	2,518,755	(2,518,755)		
Change in fair value of charitable perpetual trusts			\$ (30,370,573)	(30,370,573)
Reclassification of net assets (Note 2)	(6,117,748)	6,117,748		
Adjustment for post-retirement medical benefits (Note 8)	(5,323,359)			(5,323,359)
Decrease in net assets	(25,404,552)	(2,555,244)	(30,370,573)	(58,330,369)
Net assets at January 1, 2001	218,860,353	197,079,516	345,303,000	761,242,869
Net assets at December 31, 2001	\$ 193,455,801	\$ 194,524,272	\$ 314,932,427	\$ 702,912,500

See notes to financial statements.

Statement of Cash Flows

Years Ended	December 31, 2002	December 31, 2001
Reconciliation of change in net assets to net cash provided by operating activities		
Decrease in net assets	\$ (111,330,322)	\$ (58,330,369)
Adjustments to reconcile decrease in net assets to cash (used in) provided by operating activities:		
Depreciation	2,049,221	1,905,015
Post-retirement medical benefits		5,323,359
Investment loss (return)—net	46,004,648	11,126,929
Decrease in fair value of charitable perpetual trusts	45,818,974	30,370,573
Changes provided by (used in) operating assets and liabilities:		
Decrease (increase) in accounts receivable	76,974	(86,118)
(Increase) decrease in inventories	169,187	218,973
(Increase) decrease in prepaid expenses and other current assets	970,345	1,599,696
(Increase) decrease in pledges receivable	2,086,037	(1,996,207)
(Increase) decrease in other assets	143,342	(125,950)
(Decrease) increase in accounts payable	(1,372,548)	5,935,450
Increase (decrease) in other liabilities	(141,987)	(481,507)
(Decrease) increase in deferred revenue	(91,265)	306,579
Net cash used in operating activities	\$ (15,617,394)	\$ (4,233,577)
Cash flows provided by financing activities		
Proceeds from short-term borrowings	4,440,000	
Payments on short-term borrowings		(2,700,000)
Net cash provided by (used in) financing activities	4,440,000	(2,700,000)
Cash flows provided by (used in) investing activities		
Purchases of building and equipment	(8,694,864)	(6,314,044)
Proceeds from sales and maturities of investments	118,961,089	234,094,292
Purchases of investments	(96,877,737)	(221,089,850)
Net cash provided by investing activities	13,388,488	6,690,398
Net increase (decrease) in cash and cash equivalents	2,211,094	(243,179)
Cash and cash equivalents at beginning of year	3,737,220	3,980,399
Cash and cash equivalents at end of year	\$ 5,948,314	\$ 3,737,220

See notes to financial statements.

Notes to Financial Statements

1. Organization

The Cleveland Museum of Art (the museum) maintains in the City of Cleveland a museum of art of the widest scope for the benefit of the public.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time period or for a specific purpose, from resources on which no restrictions have been placed or that arise from the general operations of the museum. Temporarily restricted gifts, grants, and bequests are recorded as additions to temporarily restricted net assets in the period received. When restricted net assets are expended for their stipulated purpose, temporarily restricted net assets become unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets consist of amounts held in perpetuity or for terms designated by donors. Earnings on investments, unless restricted by donors, of the permanently restricted net assets are included in unrestricted revenues and other changes in net assets. Restricted earnings are recorded as temporarily restricted revenues until amounts are expended in accordance with the donors' specifications.

Art Collection

In keeping with standard museum practice, expenditures for art objects are charged as acquisitions in the statement of activities and are carried at no value on the statements of financial position of the museum.

Cash Equivalents

Cash equivalents are highly liquid investments with a maturity of three months or less when purchased. Cash equivalents are measured at fair value in the balance sheets and exclude amounts restricted or designated for long-term purposes.

Inventories

Inventories consist of merchandise available for sale and are stated at the lower of average cost or market.

Investment Income

Investment income, including realized gains (losses), is added to (deducted from) the appropriate unrestricted or temporarily restricted net assets. Unrealized gains (losses) are added to (deducted from) the applicable unrestricted, temporarily, or permanently restricted net assets.

Financial Instruments

The carrying values of accounts receivable, accounts payable, accrued expenses, and short-term borrowings are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

Donated Services

No amounts have been reflected in the financial statements for donated services. The museum pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the museum with various programs.

Special Exhibitions

Prepaid expenses and deferred revenue include expenditures and revenues in connection with the development of special exhibitions. Revenues and expenses are recognized pro-rata over the life of the exhibition. Revenues include such items as corporate and individual sponsorships. The expenditures generally include such items as research, travel, insurance, transportation, and other costs related to the development and installation of the exhibition.

Contributions

Unconditional pledges to give cash, marketable securities, and other assets are reported at fair value and discounted to present value at the date the pledge is made to the extent estimated to be collectible by the museum. Conditional promises to give and indications of intentions to give are not recognized until the condition is satisfied. Pledges received with donor restrictions that limit the use of the donated assets are reported as either temporarily or permanently restricted support, or other changes in net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

	2002	2001
Pledges due:		
In less than one year	\$ 3,244,687	\$ 3,950,433
In one to five years	5,113,320	5,691,563
Greater than five years	7,647,337	8,387,337
	16,005,344	18,029,333
Discount on pledges	(4,125,684)	(4,063,636)
	\$ 11,879,660	\$ 13,965,697

Charitable Perpetual Trusts

The museum is the sole income beneficiary of several charitable perpetual trusts and a partial income beneficiary of other charitable perpetual trusts. Because the trusts are not controlled by the museum, the assets are recorded as permanently restricted net assets. The charitable perpetual trusts are recorded at the fair value of the museum's portion of the underlying trust assets. The fair value of the charitable perpetual trusts decreased by \$45,818,974 and \$30,370,573 in 2002 and 2001, respectively, and the decrease was recorded as a permanently restricted other change in the statement of activities. Income distributed to the museum by the trusts amounted to \$13,202,055 and \$14,686,461 in 2002 and 2001, respectively, and was recorded as unrestricted and temporarily restricted revenue in trust fund revenues and gifts from independent dedicated trusts, including income restricted for acquisition of art objects of \$4,648,409 and \$5,780,496, in 2002 and 2001, respectively, which was recorded as an other change in temporarily restricted net assets.

Buildings and Equipment

Buildings and equipment are carried at cost. Depreciation is computed by the straight-line method using the estimated useful lives of the assets.

During 2000, the museum undertook a project to restore and renovate the original 1916 building and surrounding walkways and landscaping. Included in operating expenses for 2002 and 2001 are \$186,507 and \$476,705 related to the assessment and phase one segments of the project. Phase one expenses primarily relate to repair and maintenance of the exterior of the 1916 building. Phases two and three relate to expenditures that are capital in nature and prolong the useful life of the buildings. Included in construction in progress and net assets released from restriction used for capital at December 31, 2002 and 2001 are \$2,930,995 and \$2,518,755, respectively, related to the capital phases of the project. The museum has approximately \$150,000 in additional commitments related to the project.

In addition, approximately \$11.0 million has been committed for architect/contractor fees related to new construction and renovation of existing facilities of which \$4.9 million has been expended and is included in construction in progress at December 31, 2002.

Reclassifications

In 2002 and 2001 certain assets were reclassified from unrestricted to temporarily restricted based on a review of donor specifications.

3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	2002	2001
Acquisition of art	\$ 128,791,644	\$ 151,342,282
Specific operating activities:		
Curatorial and conservation	6,766,681	7,203,253
Education and extensions	3,209,751	2,926,777
Library	1,573,918	1,755,970
Publications, printing, and photography	1,794,309	1,950,763
Musical programming	2,995,441	3,385,064
Buildings, grounds, and protection services	19,360,166	21,378,309
Fine Arts Garden	2,137,632	2,574,572
Sundry	1,919,674	2,007,282
Total temporarily restricted net assets	\$ 168,549,216	\$ 194,524,272

4. Permanently Restricted Net Assets

Permanently restricted net assets are amounts held in perpetuity, or for terms designated by donors, the income from which is expendable to support the following purposes at December 31:

	2002	2001
Purchase of art	\$ 88,957,826	\$ 103,022,642
Specific operating activities	4,223,552	4,741,322
General operating activities	175,932,075	207,168,463
Total permanently restricted net assets	\$ 269,113,453	\$ 314,932,427

5. Net Assets Released from Restrictions

Net assets were released from restrictions during 2002 and 2001 by incurring expenses or making capital expenditures satisfying the restricted purposes as follows:

	2002	2001
Acquisition of art	\$ 14,003,047	\$ 13,990,092
Specific operating activities:		
Curatorial and conservation	\$ 414,369	\$ 216,825
Education and extensions	551,005	587,624
Library	24,731	28,782
Publications, printing, and photography	0	490
Musical programming	139,001	60,418
Fine Arts Garden	280,592	79,471
Sundry	302,978	241,311
Buildings, repair, and maintenance	186,507	476,705
Net assets released from restrictions used for operations	\$ 1,899,183	\$ 1,691,626

Net assets released from restrictions used for capital expenditures were \$2,930,995 and \$2,518,755 for 2002 and 2001, respectively.

6. Investments

Fair Value
Fair value, based on quoted market prices, of investments at December 31 are as follows:

	2002	2001
Cash and cash equivalents	\$ 3,900,912	\$ 16,125,293
Bonds and combined bond funds	57,040,936	70,014,911
Stocks and combined stock funds	252,300,445	298,205,606
Other assets	3,017,519	2,002
	\$ 316,259,812	\$ 384,347,812

Investment Returns

The following summarizes returns from the museum's investments and the related classifications in the statements of activities.

	2002	Temporarily Restricted	Permanently Restricted
Dividends and interest	\$ 3,254,229	\$ 4,059,470	
Realized and unrealized losses net of realized and unrealized gains	(29,941,732)	(23,376,615)	
Change in fair value of charitable perpetual trusts			(45,818,974)
Investment return (loss)	(26,687,503)	(19,317,145)	\$ (45,818,974)
Investment return designated for current operations	13,409,884	343,840	
Investment return after amounts designated		8,279,715	
Investment return (loss) after amounts designated	\$ (40,097,387)	\$ (27,940,700)	\$ (45,818,974)
2001			
Dividends and interest	\$ 4,457,213	\$ 3,963,450	
Realized and unrealized losses net of realized and unrealized gains	(10,974,159)	(8,573,433)	
Change in fair value of charitable perpetual trusts			\$ (30,370,573)
Investment return (loss)	(6,516,946)	(4,609,983)	(30,370,573)
Investment return designated for current operations	10,330,829	366,683	
Investment return after amounts designated		6,484,860	
Investment return (loss) after amounts designated	\$ (16,847,775)	\$ (11,461,526)	\$ (30,370,573)

Spending Rule Concept

The museum uses the spending rule concept in making distributions from its investments. In doing so, the museum takes into account the distributions from the charitable perpetual trusts. Under this method, a portion of its investment earnings is recorded as unrestricted revenue. For 2002 and 2001, the amount of investment income used by the museum for its operations and purchases of

art was calculated using a spending rate of 5.0% of the market value of the investments for the prior twenty-quarter average ending September 30 of the prior year, as adjusted (subject to certain limitations) for inflation and additional contributions. Investment returns in excess of (less than) amounts designated for current operations are classified as other changes in the statement of activities.

7. Pension

The museum converted from a contributory defined benefit pension plan (the Plan) for eligible employees to a non-contributory plan on January 1, 2002. Eligible participants in the Plan on December 31, 2001 were given the option of continuing to contribute to the contributory defined benefit plan. For those employees not making this election, their accumulated

benefit was converted to the non-contributory plan. Benefits under the Plan are based on years of service and the final five-year average compensation. It is the policy of the museum to fund with an insurance company at least the minimum amounts required by the Employee Retirement Income Security Act. Plan assets are invested in group annuity contracts.

The following table sets forth the funded status of the Plan at December 31:

	2002	2001
Benefit obligation at year end	\$ 17,799,789	\$ 16,736,556
Fair value of plan assets at year end	20,511,873	19,056,789
Over funded status of the plan	\$ 2,712,084	\$ 2,320,233
Prepaid benefit cost recognized in the statements of financial position	\$ 495,782	\$ 767,138

	2002	2001
Weighted-average assumptions as of December 31:		
Discount rate	6.75%	7.00%
Expected rate of return on plan assets	7.00%	7.00%
Compensation growth rate	3.00%	3.00%

The following table summarizes the net periodic pension cost and other activity related to the Plan for the year ended December 31:

	2002	2001
Net periodic benefit cost	\$ 271,356	\$ 92,344
Employer contributions	—	—
Employee contributions	118,511	292,793
Benefits paid	973,749	951,952

In addition, effective January 1, 2002 the museum initiated a 401(k) savings plan. The museum matches employee contributions at a rate of 50% of the first 4%. The museum's contributions to the 401(k) plan were \$190,324 in 2002.

8. Postretirement Medical Benefits

The museum provides health care benefits upon retirement to certain employees. The museum's policy is to fund the annual costs of these benefits from unrestricted assets of the museum. The museum paid postretirement medical benefits of \$341,824 and \$360,379 in 2002 and 2001, respectively. During 2002, the museum had net postretirement benefit expense of \$380,390, and at December 31, 2002 the accumulated postretirement medical benefit obligation was approximately \$5.4 million

and is included in other liabilities. The post-retirement benefit obligation was actuarially determined with a discount rate of 6.75% and 7.50% in 2002 and 2001, respectively. The health care cost trend rate for 2003 is 8% decreasing to an ultimate rate of 5% in 2007. In 2001, the museum reduced unrestricted net assets by approximately \$5.3 million to record the accumulated postretirement medical benefits under the postretirement medical plan.

9. Financing Arrangements

At December 31, 2002 and 2001, the museum has \$3,000,000 of short-term borrowings under a demand note with a bank. The amount borrowed under the note bears interest at the London Interbank Offering Rate (LIBOR) plus 30 basis points (1.93% and 2.42% at December 31, 2002 and 2001, respectively) and is payable on demand. The museum incurred interest expense on the note of approximately \$72,000 and \$142,000 in 2002 and 2001. Interest payments amounted to approximately \$73,000 and \$149,000 in 2002 and 2001, respectively. At December 31, 2002, the museum has \$4,440,000 of short-term borrowings under a line of credit with a bank. No amounts were

outstanding under the line at December 31, 2001. The amounts borrowed under the line of credit bears interest at the LIBOR plus 75 basis points (2.17% to 2.51% at December 31, 2002) and is payable on demand. The unused portion of the line of credit, \$15,560,000 and \$40,000,000 at December 31, 2002 and 2001, respectively, can be drawn upon as needed. The line was reduced in January 2003 to \$20,000,000. The museum incurred interest expense on the line of credit of approximately \$25,000 and \$112,000 in 2002 and 2001. Interest payments amounted to approximately \$22,000 and \$129,000 in 2002 and 2001, respectively.

10. Income Taxes

The museum is a nonprofit organization and is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code.