



FINANCIAL STATEMENTS
December 31, 2016 and 2015

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-15
SUPPLEMENTAL INFORMATION	
Schedules of Functional Expenses	16-17



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fort Collins Museum of Discovery, Nonprofit Partner
Fort Collins, Colorado

We have audited the accompanying financial statements of Fort Collins Museum of Discovery, Nonprofit Partner (a nonprofit corporation), which are comprised of the statements of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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.

Auditors' 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 as established by the Auditing Standards Board. 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 auditors' 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 auditors consider 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 financial statements referred to above present fairly, in all material respects, the financial position of Fort Collins Museum of Discovery, Nonprofit Partner as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses 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.

The financial statements of Fort Collins Museum of Discovery, Nonprofit Partner as of and for the year ended December 31, 2015, were audited by other auditors, whose report dated August 25, 2016, expressed an unmodified opinion on those statements.

A handwritten signature in black ink, consisting of the letters 'RLR' in a cursive style, followed by a small 'LLP' in a different script.

June 21, 2017
Fort Collins, Colorado

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
Current assets		
Cash and cash equivalents	\$ 371,290	\$ 258,268
Promises to give, net	335,993	270,568
Inventory, gift shop	10,077	13,689
Prepaid expenses	26,466	18,345
Traveling exhibit deposit	177,600	200,000
	921,426	760,870
Cash and cash equivalents (restricted)	1,919,621	2,768,142
Certificate of deposit (restricted)	76,114	75,774
Cash and cash equivalents (endowment)	18,686	18,686
Beneficial interest in		
assets held by foundation (endowment)	1,005,756	927,624
Long-term promises to give, net	-	110,984
Prepaid content programming, net	93,614	107,860
Property and equipment, net	4,783,775	5,113,321
	\$ 8,818,992	\$ 9,883,261
	\$ 8,818,992	\$ 9,883,261
Current liabilities		
Accounts payable	\$ 33,932	\$ 223,577
Accrued expenses	85,522	62,460
Deferred membership revenue	120,154	78,920
	239,608	364,957
	239,608	364,957
Net assets		
Unrestricted	4,948,460	5,400,580
Temporarily restricted	2,917,504	3,404,304
Permanently restricted	713,420	713,420
	8,579,384	9,518,304
	8,579,384	9,518,304
Total liabilities and net assets	\$ 8,818,992	\$ 9,883,261

See accompanying notes to financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
Support, revenues, and gains				
Contributions				
In-kind support	\$ 110,953	\$ 20,416	\$ -	\$ 131,369
Foundations	107,483	28,400	-	135,883
Corporations	32,935	105	-	33,040
Individuals and other	84,691	10,171	-	94,862
Government grants	62,513	-	-	62,513
Admission fees and memberships	685,460	-	-	685,460
Investment return	362	78,132	-	78,494
Program revenue	130,103	-	-	130,103
Special events revenue, net of direct benefits to donors of \$20,020	27,132	-	-	27,132
Net assets released from restrictions	624,024	(624,024)	-	-
Total support, revenues, and gains	1,865,656	(486,800)	-	1,378,856
Expenses and losses				
Program services	1,824,590	-	-	1,824,590
Administration and general	163,409	-	-	163,409
Fundraising	329,777	-	-	329,777
Total expenses and losses	2,317,776	-	-	2,317,776
Change in Net Assets	(452,120)	(486,800)	-	(938,920)
Net Assets, Beginning of Year	5,400,580	3,404,304	713,420	9,518,304
Net Assets, End of Year	\$ 4,948,460	\$ 2,917,504	\$ 713,420	\$ 8,579,384

See accompanying notes to financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
Support, revenues, and gains				
Contributions				
In-kind support	\$ 23,457	\$ -	\$ -	\$ 23,457
Foundations	186,564	74,373	-	260,937
Corporations	36,204	1,409	-	37,613
Individuals and other	151,245	237	-	151,482
Government grants	17,358	-	-	17,358
Admission fees and memberships	604,280	-	-	604,280
Investment return	325	(3,410)	-	(3,085)
Program revenue	123,803	-	-	123,803
Special events revenue, net of direct benefits to donors of \$16,653	31,003	-	-	31,003
Net assets released from restrictions	1,312,084	(1,312,084)	-	-
Total support, revenues, and gains	2,486,323	(1,239,475)	-	1,246,848
Expenses and losses				
Program services	1,962,961	-	-	1,962,961
Administration and general	213,428	-	-	213,428
Fundraising	250,521	-	-	250,521
Total expenses and losses	2,426,910	-	-	2,426,910
Change in Net Assets	59,413	(1,239,475)	-	(1,180,062)
Net Assets, Beginning of Year	5,341,167	4,643,779	713,420	10,698,366
Net Assets, End of Year	\$ 5,400,580	\$ 3,404,304	\$ 713,420	\$ 9,518,304

See accompanying notes to financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets		
Adjustments to reconcile change in net assets to net cash (used) by operating activities	(938,920)	(1,180,062)
Depreciation	359,026	360,766
Loss on disposal of other assets	-	7,282
Donated property and equipment	(22,916)	-
Change on discount on long-term promises to give	(1,750)	(3,253)
Changes in operating assets and liabilities		
Promises to give	47,309	512,987
Inventory, gift shop	3,612	8,990
Prepaid expenses	(8,121)	34,141
Traveling exhibit deposit	22,400	(200,000)
Prepaid content programming	14,246	9,184
Cash and cash equivalents, restricted	848,521	612,009
Accounts payable	(189,645)	192,690
Accrued expenses	23,062	10,863
Deferred membership revenue	41,234	5,247
Net cash provided by operating activities	198,058	370,844
Cash flows from investing activities		
Change in beneficial interest in investments	(78,132)	3,410
Reinvested earnings on certificate of deposit	(340)	(233)
Purchases of property and equipment	(6,564)	(14,660)
Net cash (used) by investing activities	(85,036)	(11,483)
Cash flows from financing activities		
Payments on notes payable	-	(250,000)
Net cash (used) by investing activities	-	(250,000)
Net increase in cash and cash equivalents	113,022	109,361
Cash and cash equivalents, beginning of year	258,268	148,907
Cash and cash equivalents, end of year	\$ 371,290	\$ 258,268
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ 4,091
Supplemental disclosure of non-cash activity		
In-kind contributions	\$ 131,369	\$ 23,457
Donated property and equipment	\$ (22,916)	\$ -
In-kind expenses	\$ (108,453)	\$ (23,457)

See accompanying notes to financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Fort Collins Museum of Discovery, Nonprofit Partner (the "Museum"), a nonprofit corporation, was incorporated in the state of Colorado on March 17, 1989 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Museum and the City of Fort Collins (the "City") entered into a formal partnership on March 6, 2008. In December of 2011, the staff moved into a newly constructed facility, and on November 10, 2012, the new Fort Collins Museum of Discovery opened its doors. Together with the City, the Museum operates a museum where visitors from the northern Colorado region and surrounding areas can experience interactive exhibits and educational programs focused on science and culture.

Basis of Presentation

The financial statement presentation follows the guidance as set forth in accounting principles generally accepted in the United States of America ("GAAP"). Under this guidance, the Museum is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted amounts are those currently available at the discretion of the Board of Directors (the Board") for use in the Museum's operations and those resources invested in property and equipment.

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or exhibit campaign.

Permanently restricted amounts are assets that must be maintained permanently by the Museum as required by the donor, but the Museum is permitted to use or expend part or all of any income derived from those assets.

Cash and Cash Equivalents

The Museum considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held as part of the long-term investment portfolio. The Museum continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. The Museum has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash accounts.

Promises to Give

Promises to give consist of contributions relating to the exhibit campaign. Promises to give that are expected to be collected within one year are recorded at their net realizable value, and promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. All outstanding amounts are deemed collectible; thus, no allowance is considered necessary. The Museum had promises to give from one donor totaling 81% and 77% of total promises to give as of December 31, 2016 and 2015, respectively.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Beneficial Interest in Assets Held by Foundation

The Museum has an endowment fund that is held by the Community Foundation of Northern Colorado (the "Foundation"). Under the terms and conditions of the agreement, the Museum makes transfers of permanently restricted endowment funds to the Foundation, and the Foundation provides investment management services. Distributions from the endowment fund, per terms of the agreement, will be paid to the Museum. The Museum's investment in the Foundation, including funds transferred and investment earnings, totaled \$1,005,756 and \$927,624 at December 31, 2016 and 2015, respectively.

Funds transferred to the Foundation are not considered to be a contribution from the Museum to the Foundation, but rather are accounted for as a reciprocal transfer. Accordingly, the assets are reflected in the statements of financial position as a restricted beneficial interest in the assets held by the Foundation.

Fair Value

Fair value is the price that would be received from the sale of an asset or settlement of a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, the Organization considers the principal or most advantageous market in which a hypothetical sale or transfer would take place and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

The fair value hierarchy is made up of three levels of inputs which may be used to measure fair value: Level 1—observable inputs such as quoted prices for identical instruments in active markets; Level 2—observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model derived valuations in which all significant inputs are observable in active markets; and Level 3—unobservable inputs for which there is little or no market data and which require us to develop our own assumptions. The Organization categorizes fair value measurements within the fair value hierarchy based upon the lowest level of the most significant inputs used to determine such fair value measurement.

Prepaid Content Programming

Long-term prepaid usage agreements for content programming within the Museum are expensed over the remaining usage period, ranging from 5 to 10 years.

Exhibits

The Museum's exhibits are comprised of scientific specimens and exhibits that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying its existence and assessing its condition are performed continuously.

The Museum expenses exhibit costs to exhibits expense as they are incurred. Exhibits in progress are expensed during construction as work is completed. During the years ended December 31, 2016 and 2015, \$604,023 and \$758,741, respectively, was expensed to exhibits expense.

Traveling Exhibit Deposit

The Museum paid a deposit for a traveling exhibit to be open from November 2016 through April 2017. Exhibit deposits are expensed over the remaining exhibit display period. The Museum had total exhibit deposits of \$177,600 and \$200,000 as of December 31, 2016 and 2015, respectively.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost. Donated fixed assets are capitalized at fair value at the date of donation. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which range from 3 to 39 years.

Long-Lived Assets

The Museum is required to test for asset impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. The Museum analyzes assets for impairment when indicators of impairment are present. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets. The Museum did not recognize an impairment of long-lived assets during the years ending December 31, 2016 and 2015.

Deferred Membership Revenue

Deferred membership revenue consists of payments received from Museum patrons who purchase a membership that will provide access to the Museum for a period of time, depending on the membership purchased. The Museum recognizes revenue from memberships ratably over the membership period. As of December 31, 2016 and 2015, the Museum had \$120,154 and \$78,920, respectively, of deferred membership revenue that will be recognized into revenue during subsequent years.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Museum. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions.

In-Kind Contributions

In-kind contributions consist of donated professional services, supplies, and equipment. The Museum recognizes contribution revenue for certain services received at the fair value of those services provided when those services create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Materials are recorded at fair value at the date of donation.

Functional Expenses

Expenses incurred directly for a program service are charged to such service. Fringe benefits are allocated to all services based on a pro-rata basis of total direct salary expenses incurred. Allocations of certain overhead costs are allocated to services on a pro-rata basis of total space occupied by each service.

Advertising

Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$88,043 and \$47,964, respectively.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

The Museum is a not-for-profit corporation and qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in these financial statements.

The Museum has adopted the recognition requirements for uncertainty in income taxes as required by ASC 740-10. The standard prescribes a comprehensive model for how an organization should recognize, measure, present and disclose in the financial statements uncertainty in income taxes the organization has taken or expects to take on a tax return. The Museum's income tax filings are subject to audit by various taxing authorities.

In evaluating the Museum's tax provisions and accruals, interpretations and tax planning strategies are considered. The Museum believes their estimates are appropriate based on current facts and circumstances and have not recorded any reserves, or related accruals for interest and penalties for uncertainty in income taxes at December 31, 2016.

Presentation of Sales Tax

The Museum conducts business in governmental jurisdictions in which a sales tax is imposed on all of the Museum's retail sales to non-exempt customers within their taxing district. The Museum collects sales tax from customers and remits the entire amount to the taxing authorities. The Museum's accounting policy is to exclude the tax collected and remitted from revenue and cost of goods sold.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to conform to current year presentation. These reclassifications have no effect on previously reported results of operations or total net assets.

Subsequent Events

The Museum has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance, and the Museum determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

**NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

Note 2 - Promises to Give

Unconditional promises to give consist of the following:

	<u>2016</u>	<u>2015</u>
Exhibit campaign	\$ 292,552	\$ 343,053
Other	51,040	47,848
	<u>\$ 343,592</u>	<u>\$ 390,901</u>

Unconditional promises to give are expected to be received as follows:

	<u>2016</u>	<u>2015</u>
Receivables due within one year for operating expenses	\$ 51,040	\$ 39,515
Receivables due within one year for exhibit projects	292,552	231,053
Receivables due after one year	-	120,333
Total unconditional promises to give	<u>343,592</u>	<u>390,901</u>
Less discounts to net present value	(7,599)	(9,349)
Net unconditional promises to give	<u>\$ 335,993</u>	<u>\$ 381,552</u>

The discount rate used on long-term promises to give that were outstanding as of December 31, 2016 and 2015 ranged from 0.38% to 1.58%, determined at the inception of the underlying promises to give.

Note 3 – Beneficial Interest in Investments Held by the Foundation

Beneficial interest in investments held by the Community Foundation of Northern Colorado (the foundation) consist of the following items:

	<u>2016</u>	<u>2015</u>
Equity securities in restricted beneficial interest in assets held by the foundation	\$ 603,454	\$ 556,574
Debt securities in restricted beneficial interest in assets held by the foundation	402,302	371,050
Total investments, at fair value	<u>\$ 1,005,756</u>	<u>\$ 927,624</u>

The fair value of the beneficial interest in assets held by the foundation are determined by using Level 3 inputs of the fair value hierarchy. The fair value of Level 3 beneficial interest in investments held in the foundation is determined by assuming a hypothetical transaction at the measurement date, as there is currently no market in which beneficial interests are traded and no observable exit price exists for a beneficial interest. The Museum has determined the fair value of the beneficial interest by using the fair value of the assets contributed to the fund, adjusted by the changes in fair value and distribution of the assets held in the fund, as reported to the Museum by the foundation.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

**NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

Note 4 - Restricted Cash and Cash Equivalents and Investments

As of December 31, 2016, the Museum had restricted cash and cash equivalents and investments, which consist of pledge receipts that are to be used in the Museum's endowment and capital projects. They are restricted as follows:

	Permanent Endowment	Temporarily Restricted	Unrestricted	
Cash and cash equivalents	\$ 18,686	\$ 1,919,621	\$ 371,290	\$ 2,309,597
Beneficial interest in assets held by the foundation	694,734	311,022	-	1,005,756
Certificate of deposit	-	76,114	-	76,114
	<u>\$ 713,420</u>	<u>\$ 2,306,757</u>	<u>\$ 371,290</u>	<u>\$ 3,391,467</u>

As of December 31, 2015, the Museum had restricted cash and cash equivalents and investments, which consist of pledge receipts that are to be used in the Museum's endowment and capital projects. They are restricted as follows:

	Permanent Endowment	Temporarily Restricted	Unrestricted	
Cash and cash equivalents	\$ 18,686	\$ 2,768,142	\$ 258,268	\$ 3,045,096
Beneficial interest in assets held by the foundation	694,734	232,890	-	927,624
Certificate of deposit	-	75,774	-	75,774
	<u>\$ 713,420</u>	<u>\$ 3,076,806</u>	<u>\$ 258,268</u>	<u>\$ 4,048,494</u>

Note 5 - Investments in Endowment

The Museum's endowment consists of funds held by the Foundation (Note 3). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2006, the Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), which governs the investment and management of donor-restricted endowment funds by not-for-profit organizations. In 2008, the state of Colorado enacted UPMIFA, which provides for net asset classification of donor-restricted endowment funds that are subject to UPMIFA as well as additional disclosure requirements for both donor-restricted and Board-designated endowments.

Under this guidance, the portion of an endowment that is perpetual in nature shall be classified as permanently restricted net assets. The remaining portion of accumulations to donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as dictated by the donor or, in absence of donor stipulation, as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

During the years ended December 31, 2016 and 2015, the fair value of assets associated with donor-restricted endowment funds exceeded the level that the donors required the Museum to retain as a fund of perpetual duration. Therefore, the excess amounts of \$323,535 and \$232,890 are reported in temporarily restricted net assets as of December 31, 2016 and 2015, respectively. This excess is a result of favorable market fluctuations and an absence of spending of endowment earnings.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

**NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

Note 5 - Investments in Endowment (continued)

The Board is responsible for selecting the asset mix and chose the following asset allocation: 40% fixed income and 60% equities.

The spending policy is determined pursuant to the agreement with the Foundation. Distributions from the Foundation are available at 5% of the total fixed balance based on a 16-quarter trailing average. The Foundation determines a percentage each year based on the rolling average of the endowment for the prior three years. For the years ended December 31, 2016 and 2015, the Museum did not elect to take a distribution.

Invested endowment net asset composition by type of fund and changes in invested endowment net assets for the fiscal year ended December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 232,890	\$ 713,420	\$ 946,310
Investment return				
Investment income	-	27,763	-	27,763
Net appreciation	-	50,369	-	50,369
Total investment return	-	78,132	-	78,132
Endowment net assets, end of year	\$ -	\$ 311,022	\$ 713,420	\$ 1,024,442

Invested endowment net asset composition by type of fund and changes in invested endowment net assets for the fiscal year ended December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 236,300	\$ 713,420	\$ 949,720
Investment return				
Investment income	-	17,711	-	17,711
Net depreciation	-	(21,121)	-	(21,121)
Total investment return	-	(3,410)	-	(3,410)
Endowment net assets, end of year	\$ -	\$ 232,890	\$ 713,420	\$ 946,310

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 6 - Property and Equipment

The Museum's property and equipment are comprised of the follow:

	2016	2015
Building and improvements	\$ 5,872,479	\$ 5,865,916
Equipment	175,060	152,143
Furniture and fixtures	298,663	298,663
	<u>6,346,202</u>	<u>6,316,722</u>
Less accumulated depreciation	(1,562,427)	(1,203,401)
Total property and equipment	<u>\$ 4,783,775</u>	<u>\$ 5,113,321</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$359,026 and \$368,048, respectively.

Note 7 - Temporarily and Permanently Restricted Net Assets

The temporarily restricted net assets represent the net proceeds of donations and pledges receivable that have been restricted by the donors to be used only for the following purpose:

	2016	2015
Earnings on endowment fund	\$ 311,022	\$ 232,890
Exhibit campaign	2,606,482	3,171,414
	<u>\$ 2,917,504</u>	<u>\$ 3,404,304</u>

The permanently restricted net assets represent the net proceeds of donations and pledges receivable that have been restricted by the donors to be used only for the following purpose:

	2016	2015
Endowment fund	<u>\$ 713,420</u>	<u>\$ 713,420</u>

Note 8 - Operating Agreement and Related Party

During March 2008, the Museum entered into an operating agreement (the "Agreement") with the City, which owned and operated the Fort Collins Museum ("FCM"). The Museum and the City wished to jointly create a premier educational experience for local residents and visitors by combining the current operations of the FCM and Museum into one institution. In order to facilitate the planning and construction of a new facility for the combined museum, it was decided to co-locate both organizations in one facility, 200 Mathews Street, which was the location of the FCM. The co-location was effective June 2009 through December 2011. During 2012, the new museum facility was substantially completed and was opened for public access, at which time the combined institution, Fort Collins Museum of Discovery, began operating at its new location at 408 Mason Court.

As a result of the Agreement, and the City's right to appoint up to three directors to the Museum's Board of Directors, the City is considered a related party to the Museum. During the years ended December 31, 2016 and 2015, the Museum recognized revenue from the City of \$100,070 and \$63,017, respectively. There were no related party receivables or payables outstanding at December 31, 2016 or 2015.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

**NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

Note 9 - Line-of-Credit

The Museum has a non-revolving \$790,000 line-of-credit with a bank for the purpose of funding exhibit fabrication, which will mature December 31, 2017. Prior to December 31, 2016 and 2015, the Museum had borrowed and paid back \$160,265. As of December 31, 2016, the remaining available credit is \$629,735, and the Museum had no outstanding balance at December 31, 2016 and 2015. The line-of-credit bears interest at 5% and is secured by promises to give and two bank accounts held at First Western Trust Bank.

Note 10 - Retirement Plan

The Museum offers a simple individual retirement account ("IRA"). Eligible employees may participate in the IRA immediately, which allows for pre-tax eligible salary deferrals into the IRA. The Museum will contribute up to 3% of the employee's eligible gross salary, depending on the employee's deferral amount. The Museum contributed \$6,591 and \$5,598 to the IRA during the years ended December 31, 2016 and 2015, respectively.

SUPPLEMENTAL INFORMATION

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services	Administration and General	Fundraising	Total
Wages and benefits	\$ 588,384	\$ 57,036	\$ 275,683	\$ 921,103
Depreciation	340,061	18,965	-	359,026
Professional fees	32,857	38,985	500	72,342
Advertising	52,052	35,991	-	88,043
Contracted services	94,366	-	10,921	105,287
Supplies	33,760	2,754	10,710	47,224
Postage, printing and other	11,478	5,441	14,709	31,628
Meals and entertainment	2,893	1,758	13,346	17,997
Insurance	80,654	-	-	80,654
Fees	189,229	2,362	3,865	195,456
Content programming	20,271	-	-	20,271
Travel	12,048	117	43	12,208
Durable goods (exhibits)	290,339	-	-	290,339
Cost of goods sold	33,405	-	-	33,405
Maintenance - exhibits	42,793	-	-	42,793
	<u>\$ 1,824,590</u>	<u>\$ 163,409</u>	<u>\$ 329,777</u>	<u>\$ 2,317,776</u>

See accompanying independent auditors' report

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services	Administration and General	Fundraising	Total
Wages and benefits	\$ 546,211	\$ 102,377	\$ 199,064	\$ 847,652
Depreciation	341,943	18,823	-	360,766
Professional fees	3,606	26,483	6,198	36,287
Advertising	-	47,964	-	47,964
Contracted services	24,130	-	8,814	32,944
Supplies	40,192	3,282	7,749	51,223
Postage, printing and other	12,308	4,469	7,817	24,594
Meals and entertainment	390	1,879	14,819	17,088
Insurance	92,288	1,883	-	94,171
Fees	81,307	672	5,596	87,575
Content programming	15,684	-	-	15,684
Interest expense	-	4,091	-	4,091
Travel	4,349	1,505	464	6,318
Durable goods (exhibits)	758,741	-	-	758,741
Cost of goods sold	33,269	-	-	33,269
Maintenance - exhibits	8,543	-	-	8,543
	<u>\$ 1,962,961</u>	<u>\$ 213,428</u>	<u>\$ 250,521</u>	<u>\$ 2,426,910</u>

See accompanying independent auditors' report