



FINANCIAL STATEMENTS
December 31, 2018 and 2017

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-17



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, 2018 and 2017, and the related statements of activities, functional expenses, 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.

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.

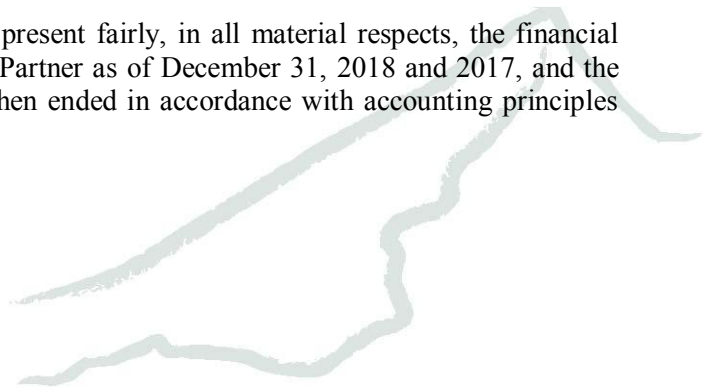
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, 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.



May 2, 2019
Fort Collins, Colorado



FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
Current assets		
Cash and cash equivalents	\$ 295,725	\$ 270,248
Promises to give, net	98,886	109,479
Inventory, gift shop	18,678	8,900
Prepaid expenses	33,189	19,579
Total current assets	446,478	408,206
Cash and cash equivalents (restricted)	1,569,999	1,807,224
Cash and cash equivalents (endowment)	18,686	18,686
Beneficial interest in		
assets held by foundation (endowment)	1,035,729	1,128,208
Long-term promises to give, net	209,665	242,645
Prepaid content programming, net	65,057	69,923
Property and equipment, net	4,563,025	4,842,223
Total assets	\$ 7,908,639	\$ 8,517,115
Current liabilities		
Accounts payable	\$ 41,831	\$ 59,292
Due to related party	7,966	-
Accrued expenses	105,731	86,649
Note payable, current maturities	40,000	40,000
Total current liabilities	195,528	185,941
Note payable, less current maturities	120,000	160,000
Total liabilities	315,528	345,941
Net assets		
Without donor restrictions	4,334,554	4,591,550
With donor restrictions		
Time and/or purpose restricted	2,545,137	2,866,204
Perpetual in nature	713,420	713,420
Total with donor restrictions	3,258,557	3,579,624
Total net assets	7,593,111	8,171,174
Total liabilities and net assets	\$ 7,908,639	\$ 8,517,115

See accompanying notes to financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2018
Support, revenues, and gains			
Contributions			
In-kind support	\$ 17,342	\$ -	\$ 17,342
Foundations	129,982	58,750	188,732
Corporations	24,731	2,250	26,981
Individuals and other	50,584	-	50,584
Government grants	16,540	-	16,540
Admission fees and memberships	835,185	-	835,185
Investment return	-	(43,679)	(43,679)
Program revenue	78,556	-	78,556
Gift shops sales, net of cost of goods sold of \$46,276	62,972	-	62,972
Special events revenue, net of direct benefits to donors of \$43,318	55,112	-	55,112
Net assets released from restrictions	338,388	(338,388)	-
Total support, revenues, and gains	1,609,392	(321,067)	1,288,325
Expenses and losses			
Program services	1,487,750	-	1,487,750
Administration and general	166,230	-	166,230
Fundraising	212,408	-	212,408
Total expenses and losses	1,866,388	-	1,866,388
Change in Net Assets	(256,996)	(321,067)	(578,063)
Net Assets, Beginning of Year	4,591,550	3,579,624	8,171,174
Net Assets, End of Year	<u>\$ 4,334,554</u>	<u>\$ 3,258,557</u>	<u>\$ 7,593,111</u>

See accompanying notes to financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total 2017
Support, revenues, and gains			
Contributions			
In-kind support	\$ 45,066	\$ 98,696	\$ 143,762
Foundations	119,843	25,220	145,063
Corporations	113,388	7,100	120,488
Individuals and other	45,862	1,571	47,433
Government grants	34,250	-	34,250
Admission fees and memberships	858,397	-	858,397
Investment return	380	122,452	122,832
Program revenue	41,537	-	41,537
Gift shops sales, net of cost of goods sold of \$31,055	41,283	-	41,283
Special events revenue, net of direct benefits to donors of \$25,755	41,333	-	41,333
Net assets released from restrictions	306,339	(306,339)	-
Total support, revenues, and gains	1,647,678	(51,300)	1,596,378
Expenses and losses			
Program services	1,693,034	-	1,693,034
Administration and general	195,216	-	195,216
Fundraising	236,492	-	236,492
Total expenses and losses	2,124,742	-	2,124,742
Change in Net Assets	(477,064)	(51,300)	(528,364)
Net Assets, Beginning of Year	5,068,614	3,630,924	8,699,538
Net Assets, End of Year	<u>\$ 4,591,550</u>	<u>\$ 3,579,624</u>	<u>\$ 8,171,174</u>

See accompanying notes to financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services	Administration and General	Fundraising	Total
Wages and benefits	\$ 806,899	\$ 72,715	\$ 162,684	\$ 1,042,298
Depreciation	286,324	15,070	-	301,394
Professional fees	44,333	7,308	9,277	60,918
Advertising	14,314	63,806	-	78,120
Contracted services	713	-	10,633	11,346
Supplies	68,160	2,446	9,767	80,373
Postage, printing and other	14,507	2,505	13,714	30,726
Meals and entertainment	19,020	1,283	2,332	22,635
Insurance	62,453	426	-	62,879
Fees	92,056	671	2,274	95,001
Interest expense	8,619	-	-	8,619
Content programming	20,866	-	-	20,866
Travel	8,006	-	1,727	9,733
Durable goods (exhibits)	18,131	-	-	18,131
Maintenance - exhibits	23,349	-	-	23,349
	<u>\$ 1,487,750</u>	<u>\$ 166,230</u>	<u>\$ 212,408</u>	<u>\$ 1,866,388</u>

See accompanying independent auditors' report

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program Services	Administration and General	Fundraising	Total
Wages and benefits	\$ 785,634	\$ 57,984	\$ 188,331	\$ 1,031,949
Depreciation	263,715	15,560	-	279,275
Professional fees	20,288	40,272	6,628	67,188
Advertising	34,814	53,994	-	88,808
Contracted services	115,619	923	9,288	125,830
Supplies	35,940	1,982	7,991	45,913
Postage, printing and other	4,442	11,030	17,780	33,252
Meals and entertainment	6,576	10,430	2,094	19,100
Insurance	58,848	426	-	59,274
Fees	254,181	1,055	2,032	257,268
Content programming	33,816	-	-	33,816
Travel	4,346	1,560	2,348	8,254
Durable goods (exhibits)	67,370	-	-	67,370
Maintenance - exhibits	7,445	-	-	7,445
	<u>\$ 1,693,034</u>	<u>\$ 195,216</u>	<u>\$ 236,492</u>	<u>\$ 2,124,742</u>

See accompanying independent auditors' report

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (578,063)	\$ (528,364)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	301,394	279,275
Donated property and equipment	-	(37,583)
Change in discount on long-term promises to give	(685)	(4,245)
Change in beneficial interest in investments	43,679	(122,452)
Changes in operating assets and liabilities		
Promises to give	44,258	(11,886)
Inventory, gift shop	(9,778)	1,177
Prepaid expenses	(13,610)	6,887
Traveling exhibit deposit	-	177,600
Prepaid content programming	4,866	23,691
Cash and cash equivalents, restricted	237,225	112,397
Accounts payable	(9,495)	25,360
Accrued expenses	19,082	1,127
Net cash provided by operating activities	38,873	45,436
Cash flows from investing activities		
Distributions from beneficial interest in investments	48,800	-
Reinvested earnings on certificate of deposit	-	(370)
Maturity of certificate of deposit	-	76,484
Purchases of property and equipment	(22,196)	(300,140)
Net cash provided (used) by investing activities	26,604	(346,478)
Cash flows from financing activities		
Advances on notes payable	-	200,000
Repayments on notes payable	(40,000)	-
Net cash provided (used) by financing activities	(40,000)	200,000
Net change in cash and cash equivalents	25,477	(101,042)
Cash and cash equivalents, beginning of year	270,248	371,290
Cash and cash equivalents, end of year	\$ 295,725	\$ 270,248
Supplemental disclosure of non-cash activity		
In-kind contributions	\$ 17,342	\$ 143,762
Donated property and equipment	\$ -	\$ (37,583)
In-kind expenses	\$ (17,342)	\$ (106,179)

See accompanying notes to financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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.

New Accounting Pronouncement:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Museum has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Museum's financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a new disclosure about liquidity and availability of resources (Note 12).

Basis of Presentation

The financial statements of the Museum have been prepared on the accrual basis of accounting. The Museum reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restrictions 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.

Net assets with donor restrictions are assets restricted by donors either for certain time periods, purposes, or exhibit campaign, or 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.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

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 71% and 73% of total promises to give as of December 31, 2018 and 2017, respectively. Another donor totaled 16% and 23% of promises to give at December 31, 2018 and 2017, respectively.

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 \$1,035,729 and \$1,128,208 at December 31, 2018 and 2017, 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 Museum 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 Museum 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.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

Exhibits (continued)

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, 2018 and 2017, \$41,480 and \$74,815, respectively, was expensed to exhibits expense.

Traveling Exhibit Deposit

Exhibit deposits are expensed over the remaining exhibit display period. The Museum had \$25,000 in exhibit deposits as of December 31, 2018 and no exhibit deposits as of December 31, 2017.

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, 2018 and 2017.

Membership Revenue Recognition

Membership dues are recognized as revenue when the membership period begins.

Contributions

Contributions are recorded as with or without donor restrictions 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. Net assets with donor restrictions are subsequently released to net assets without donor restrictions when expenses have been incurred in satisfaction of those restrictions, or when restrictions have otherwise been satisfied.

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

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the program and supporting services benefited. 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.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

Advertising

Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2018 and 2017 was \$78,120 and \$88,808 respectively.

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, 2018 and 2017.

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, 2018 and 2017

Note 2 - Promises to Give

Unconditional promises to give consist of the following:

	2018	2017
Exhibit campaign	\$ 225,553	\$ 298,554
Other	85,667	56,925
	<u>\$ 311,220</u>	<u>\$ 355,479</u>

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

	2018	2017
Receivables due within one year for operating expenses	\$ 13,333	\$ 6,926
Receivables due within one year for exhibit projects	85,553	102,553
Receivables due after one year	212,334	246,000
Total unconditional promises to give	311,220	355,479
Less discounts to net present value	(2,669)	(3,355)
Net unconditional promises to give	<u>\$ 308,551</u>	<u>\$ 352,124</u>

The discount rate used on long-term promises to give that were outstanding as of December 31, 2018 and 2017 was 0.42%.

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:

	2018	2017
Equity securities in restricted beneficial interest in assets held by the Foundation	\$ 621,437	\$ 676,925
Debt securities in restricted beneficial interest in assets held by the Foundation	414,292	451,283
Total investments, at fair value	<u>\$ 1,035,729</u>	<u>\$ 1,128,208</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, 2018 and 2017

Note 4 - Restricted Cash and Cash Equivalents and Investments

As of December 31, 2018, 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:

	With Donor Restrictions		Without Donor Restrictions	Total
	Perpetuity	Time / Purpose		
Cash and cash equivalents	\$ 18,686	\$ 1,569,999	\$ 295,725	\$ 1,884,410
Beneficial interest in assets held by the Foundation	694,734	340,995	-	1,035,729
	<u>\$ 713,420</u>	<u>\$ 1,910,994</u>	<u>\$ 295,725</u>	<u>\$ 2,920,139</u>

As of December 31, 2017, 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:

	With Donor Restrictions		Without Donor Restrictions	Total
	Perpetuity	Time / Purpose		
Cash and cash equivalents	\$ 18,686	\$ 1,807,224	\$ 270,248	\$ 2,096,158
Beneficial interest in assets held by the Foundation	694,734	433,474	-	1,128,208
	<u>\$ 713,420</u>	<u>\$ 2,240,698</u>	<u>\$ 270,248</u>	<u>\$ 3,224,366</u>

Note 5 - Investments in Endowment

The Museum's endowment consists of funds held by the Foundation (Note 3) and cash and cash equivalents (Note 4). 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 net assets with donor restrictions – perpetual in nature. The remaining portion of accumulations to donor-restricted endowment funds that is not classified in perpetual in nature is classified as dictated by the donor or, in absence of donor stipulation, as net assets with donor restrictions – time and/or purpose restricted until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

Note 5 - Investments in Endowment (continued)

During the years ended December 31, 2018 and 2017, 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 \$340,995 and \$433,474 are reported in net assets with donor restricted – time and/or purpose restricted as of December 31, 2018 and 2017, respectively. This excess is a result of favorable market fluctuations and an absence of spending of endowment earnings.

The Board is responsible for selecting the asset mix and has chosen 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 year ended December 31, 2018, the Museum elected to take a \$48,800 distribution to pay for the current year loan principal and interest. The Museum did not elect to take a distribution during the year ended December 31, 2017.

Invested endowment net asset composition by type of fund and changes in invested endowment net assets for the fiscal year ended December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and/or Purpose	Perpetuity	
Endowment net assets, beginning of year	\$ -	\$ 433,474	\$ 713,420	\$ 1,146,894
Investment return				
Investment income	-	22,336	-	22,336
Net depreciation	-	(66,015)	-	(66,015)
Total investment loss	-	(43,679)	-	(43,679)
Distributions	-	(48,800)	-	(48,800)
Endowment net assets, end of year	\$ -	\$ 340,995	\$ 713,420	\$ 1,054,415

Invested endowment net asset composition by type of fund and changes in invested endowment net assets for the fiscal year ended December 31, 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and/or Purpose	Perpetuity	
Endowment net assets, beginning of year	\$ -	\$ 311,022	\$ 713,420	\$ 1,024,442
Investment return				
Investment income	-	18,227	-	18,227
Net appreciation	-	104,225	-	104,225
Total investment return	-	122,452	-	122,452
Endowment net assets, end of year	\$ -	\$ 433,474	\$ 713,420	\$ 1,146,894

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

Note 6 - Property and Equipment

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

	2018	2017
Building and improvements	\$ 5,373,999	\$ 5,366,026
Equipment	481,657	467,434
Furniture and fixtures	333,315	333,315
	<u>6,188,971</u>	<u>6,166,775</u>
Less accumulated depreciation	(1,625,946)	(1,324,552)
Total property and equipment	<u>\$ 4,563,025</u>	<u>\$ 4,842,223</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$301,394 and \$279,275, respectively.

Note 7 – Net Assets with Donor Restrictions

Time and/or Purpose: These 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:

	2018	2017
Earnings on endowment fund	\$ 340,995	\$ 433,474
Exhibit campaign	2,204,142	2,432,730
	<u>\$ 2,545,137</u>	<u>\$ 2,866,204</u>

Perpetual in Nature: These 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:

	2018	2017
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.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

Note 8 - Operating Agreement and Related Party (continued)

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 year ended December 31, 2018, the Museum recognized no revenue from the City and \$31,120 during the year ended December 31, 2017. In addition, the City reimbursed the Museum for the City's portion of insurance premiums paid by the Museum in the amount of \$28,143 and \$27,866 for the years ended December 31, 2018 and 2017, respectively. During the year ended December 31, 2018, the Museum reimbursed the City \$16,704 for supplies and small equipment with \$7,966 outstanding at December 31, 2018. The Museum did not have a due to related party at December 31, 2017.

Note 9 - 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 \$8,496 and \$7,071 to the IRA during the years ended December 31, 2018 and 2017, respectively.

Note 10. Note Payable

During the year ended December 31, 2017, the Museum entered into a \$200,000 note payable agreement with First Western Trust Bank maturing on December 21, 2022. Beginning January 2018, the Museum is required to make monthly interest-only payments at 4.25% for the term of the agreement. Beginning December 21, 2018, the Museum is required to make annual principal payments of \$40,000 until maturity, at which time all unpaid principal and interest are due. The note is secured by the assignment of the endowment fund at the Community Foundation of Northern Colorado.

Note 11. Commitments

During the year ended December 31, 2017, the Museum entered into a software subscription contract with an annual payment of \$14,459 through the year ending 2022.

During the year ending December 31, 2018, the Museum entered into a contract for a future exhibit with payments of \$72,250 through year ending 2020.

During the year ended December 31, 2018, the Museum entered into a contract for a future traveling exhibit. The contract required \$45,000 to be paid during the year ending 2020 and \$55,000 during each of the years ending 2021 and 2022. A summary of the require future commitment is as follows:

During the year ending December 31,	
2019	\$ 86,709
2020	131,709
2021	69,455
2022	69,455
	<u>\$ 357,328</u>

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Note 12. Liquidity and Availability of Financial Assets

The Museum monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

The statement of cash flows identifies the sources and uses of the Museum's cash and shows net cash and cash equivalents generated by operations of \$38,873 and \$45,436 for years ending December 31, 2018 and 2017, respectively. This net revenue is held in a board-authorized operating reserve that is recalculated yearly to ensure a balance equal to three months of expenses should the museum face a situation that would limit its ability to generate revenue from regular sources.

The Museum has the following financial assets that could readily be made available within one year of the statement of financial position date to fund expenses without limitations:

	2018	2017
Cash and cash equivalents, without donor restrictions	\$ 295,725	\$ 270,248
Promises to give	98,886	109,479
	<u>\$ 394,611</u>	<u>\$ 379,727</u>

The Museum also has cash and cash equivalents in the amount of \$1,569,999 and \$1,807,224 at December 31, 2018 and 2017, which are donor restricted and designated for future exhibit expenditures. Although not expected to be needed for operating expenditures, the Museum also has available for spending without limitation the spendable portion of the endowment of \$340,995 and \$433,474 for the years ending December 31, 2018 and 2017, respectively. These resources are invested for long-term appreciation and current income but may be spent at the discretion of the Board. See Notes 3, 4, and 5 for further information about the Museum's investments and endowment. The Museum anticipates it will be necessary to utilize these assets along with additional contributed cash and cash equivalents for the future capital needs of the Museum. The future capital needs include major repairs and improvements, blockbuster traveling exhibits, and continued growth and expansion of the organization and its operations.

In addition to financial assets available to meet general expenditures over the year, the Museum operates with a balanced budget and anticipates covering its general operating expenditures by collecting sufficient memberships and other revenues, and by utilizing donor-restricted resources from current and prior years' gifts.