



FINANCIAL STATEMENTS
December 31, 2020 and 2019

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

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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, 2020 and 2019, 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

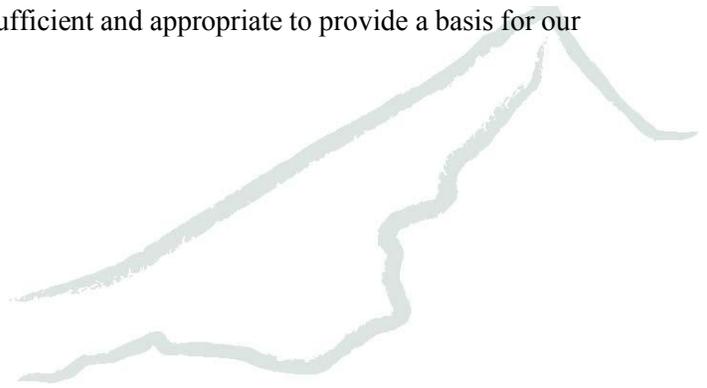
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and 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, 2020 and 2019, 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.

A handwritten signature in cursive script, consisting of the letters 'RLR' followed by 'LLP' in a smaller font.

Fort Collins, Colorado
June 28, 2021

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
Current assets		
Cash and cash equivalents	\$ 23,824	\$ 84,171
Promises to give, net	110,000	160,361
Inventory, gift shop	24,232	29,696
Prepaid expenses	33,562	77,611
Employee Retention Credit receivable (Note 9)	139,754	-
Total current assets	331,372	351,839
Cash and cash equivalents (restricted)	1,228,974	1,469,514
Cash and cash equivalents (endowment)	18,686	18,686
Beneficial interest in		
assets held by foundation (endowment)	1,193,395	1,172,989
Long-term promises to give, net	63,977	128,702
Prepaid content programming, net	48,408	64,093
Property and equipment, net	4,007,128	4,266,699
Total assets	\$ 6,891,940	\$ 7,472,522
Current liabilities		
Accounts payable	\$ 22,146	\$ 37,218
Accrued expenses	96,828	84,363
Deferred revenue	51,429	274,913
Note payable, current maturities	40,000	40,000
Total current liabilities	210,403	436,494
Note payable, less current maturities	40,000	80,000
Total liabilities	250,403	516,494
Net assets		
Without donor restrictions	3,682,406	3,935,106
With donor restrictions		
Time and/or purpose	2,245,711	2,307,502
Perpetual in nature	713,420	713,420
Total net assets	6,641,537	6,956,028
Total liabilities and net assets	\$ 6,891,940	\$ 7,472,522

See accompanying notes to the financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Support, Revenues, and Gains			
Contributions			
In-kind support	\$ 40,742	\$ -	\$ 40,742
Foundations	216,800	117,500	334,300
Corporations	44,755	16,532	61,287
Individuals and other	59,762	5,100	64,862
Government grants	72,635	260,000	332,635
Admission fees and memberships	366,214	-	366,214
Investment return, net	7,251	107,446	114,697
Program revenue	20,725	-	20,725
Gift shops sales, net of cost of goods sold of \$20,823	19,076	-	19,076
Special events revenue, net of direct benefits to donors of \$1,821	18,047	-	18,047
COVID-19 relief funding (Note 9)	356,539	-	356,539
Net assets released from restrictions	568,369	(568,369)	-
Total support, revenues, and gains	1,790,915	(61,791)	1,729,124
Expenses and Losses			
Program services	1,699,093	-	1,699,093
Administration and general	121,701	-	121,701
Fundraising	222,821	-	222,821
Total expenses and losses	2,043,615	-	2,043,615
Change in Net Assets	(252,700)	(61,791)	(314,491)
Net Assets, Beginning of Year	3,935,106	3,020,922	6,956,028
Net Assets, End of Year	<u>\$ 3,682,406</u>	<u>\$ 2,959,131</u>	<u>\$ 6,641,537</u>

See accompanying notes to the financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Support, Revenues, and Gains			
Contributions			
In-kind support	\$ 74,725	\$ -	\$ 74,725
Foundations	158,047	34,940	192,987
Corporations	3,366	4,625	7,991
Individuals and other	63,860	-	63,860
Government grants	22,141	-	22,141
Admission fees and memberships	954,366	-	954,366
Investment return, net	-	145,923	145,923
Program revenue	87,514	-	87,514
Gift shops sales, net of cost of goods sold of \$61,790	71,046	-	71,046
Special events revenue, net of direct benefits to donors of \$67,716	50,495	-	50,495
Net assets released from restrictions	423,123	(423,123)	-
Total support, revenues, and gains	1,908,683	(237,635)	1,671,048
Expenses and Losses			
Program services	1,718,340	-	1,718,340
Administration and general	162,112	-	162,112
Fundraising	274,602	-	274,602
Total expenses and losses	2,155,054	-	2,155,054
Change in Net Assets	(246,371)	(237,635)	(484,006)
Net Assets, Beginning of Year	4,181,477	3,258,557	7,440,034
Net Assets, End of Year	<u>\$ 3,935,106</u>	<u>\$ 3,020,922</u>	<u>\$ 6,956,028</u>

See accompanying notes to the financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services	Administration and General	Fundraising	Total
Wages and benefits	\$ 961,510	\$ 48,264	\$ 199,163	\$ 1,208,937
Depreciation	245,808	13,763	-	259,571
Professional fees	33,224	8,550	-	41,774
Advertising	22,161	39,107	4,559	65,827
Contracted services	5,532	-	500	6,032
Supplies	41,659	1,664	3,065	46,388
Postage, printing and other	13,099	-	6,992	20,091
Meals and entertainment	1,629	393	1,913	3,935
Insurance	54,992	439	-	55,431
Fees	58,324	3,520	6,629	68,473
Interest expense	5,186	-	-	5,186
Content programming	15,685	-	-	15,685
Travel	1,802	448	-	2,250
Durable goods (exhibits)	226,976	-	-	226,976
Maintenance - exhibits	11,506	-	-	11,506
Bad debt	-	5,553	-	5,553
	<u>\$ 1,699,093</u>	<u>\$ 121,701</u>	<u>\$ 222,821</u>	<u>\$ 2,043,615</u>

See accompanying notes to the financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Administration and General	Fundraising	Total
Wages and benefits	\$ 832,682	\$ 53,488	\$ 196,070	\$ 1,082,240
Depreciation	277,311	19,015	-	296,326
Professional fees	77,372	10,551	-	87,923
Advertising	18,065	54,996	9,177	82,238
Contracted services	713	-	14,095	14,808
Supplies	113,144	1,048	14,861	129,053
Postage, printing and other	17,673	1,505	18,061	37,239
Meals and entertainment	2,708	426	20,671	23,805
Insurance	46,530	319	-	46,849
Fees	67,601	488	1,667	69,756
Interest expense	6,895	-	-	6,895
Content programming	21,464	-	-	21,464
Travel	9,733	20,276	-	30,009
Durable goods (exhibits)	209,892	-	-	209,892
Maintenance - exhibits	16,557	-	-	16,557
	<u>\$ 1,718,340</u>	<u>\$ 162,112</u>	<u>\$ 274,602</u>	<u>\$ 2,155,054</u>

See accompanying notes to the financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (314,491)	\$ (484,006)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	259,571	296,326
Amortization	15,685	21,464
Bad debt write off	5,553	-
Change in discount on long-term promises to give	(609)	(1,037)
Change in beneficial interest in investments, net	(107,446)	(144,740)
Changes in operating assets and liabilities		
Promises to give	110,142	20,525
Inventory, gift shop	5,464	(11,018)
Prepaid expenses	44,049	(44,422)
COVID-19 relief funding receivable	(139,754)	-
Cash and cash equivalents, restricted	240,540	100,485
Accounts payable	(15,072)	(12,579)
Accrued expenses	12,465	(21,368)
Deferred revenue	(223,484)	121,836
Net cash (used) by operating activities	<u>(107,387)</u>	<u>(158,534)</u>
Cash flows from investing activities		
Distributions from beneficial interest in investments	87,040	7,480
Purchase of content programming	-	(20,500)
Net cash provided (used) by investing activities	<u>87,040</u>	<u>(13,020)</u>
Cash flows from financing activities		
Repayments on notes payable	(40,000)	(40,000)
Net cash (used) by financing activities	<u>(40,000)</u>	<u>(40,000)</u>
Net change in cash and cash equivalents	(60,347)	(211,554)
Cash and cash equivalents, beginning of year	84,171	295,725
Cash and cash equivalents, end of year	<u>\$ 23,824</u>	<u>\$ 84,171</u>
Supplemental disclosure of non-cash activity		
In-kind contributions	\$ 40,742	\$ 74,725
In-kind expenses	\$ (40,742)	\$ (74,725)
In-kind sponsorships	\$ -	\$ 53,056
In-kind direct benefit to donor	\$ -	\$ (53,056)
Supplemental cash flow disclosure		
Cash paid for interest	\$ 5,186	\$ 6,895

See accompanying notes to the financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 statements of the Museum have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). 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.

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 93% of total promises to give as of December 31, 2020. The Museum had promises to give from two donors of 64% and 20%, respectively, of total promises to give at December 31, 2019.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 \$1,193,395 and \$1,172,989 at December 31, 2020 and 2019, 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.

Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

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 20 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, 2020 and 2019, \$238,482 and \$226,449, respectively, was charged to exhibits expense.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

Traveling Exhibit Deposit

Exhibit deposits are expensed over the remaining exhibit display period. The Museum had no exhibit deposits at December 31, 2020. The Museum had \$50,000 in exhibit deposits as of December 31, 2019.

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, 2020 and 2019.

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.

Revenue and Revenue Recognition

The Museum recognizes revenue from sales of products and services when the products are transferred and the services are provided. Gift shop sales are recognized at the time of purchase. Membership dues, which are nonrefundable, are considered exchange transactions based on the benefits received. The Museum recognizes the membership dues over the membership period. The Museum records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. With the exception of goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time.

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.

Advertising

Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2020 and 2019 was \$65,827 and \$82,238 respectively.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

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.

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, 2020 and 2019.

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 U.S. 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.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 2 - Promises to Give

Unconditional promises to give consist of the following:

	2020	2019
Exhibit campaign	\$ 140,000	\$ 165,553
Other	35,000	125,142
	<u>\$ 175,000</u>	<u>\$ 290,695</u>

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

	2020	2019
Receivables due within one year for operating expenses	\$ 30,000	\$ 74,808
Receivables due within one year for exhibit projects	80,000	85,553
Receivables due after one year	65,000	130,334
Total unconditional promises to give	175,000	290,695
Less discounts to net present value	(1,023)	(1,632)
	<u>\$ 173,977</u>	<u>\$ 289,063</u>

The discount rate used on long-term promises to give that were outstanding as of December 31, 2020 and 2019 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:

	2020	2019
Equity securities in restricted beneficial interest in assets held by the Foundation	\$ 716,037	\$ 703,793
Debt securities in restricted beneficial interest in assets held by the Foundation	477,358	469,196
Total investments, at fair value	<u>\$ 1,193,395</u>	<u>\$ 1,172,989</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, 2020 and 2019**

Note 4 - Restricted Cash and Cash Equivalents and Investments

As of December 31, 2020, 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	\$ 1,228,974	\$ 23,824	\$ 1,271,484
Beneficial interest in assets held by the Foundation	694,734	498,661	-	1,193,395
	<u>\$ 713,420</u>	<u>\$ 1,727,635</u>	<u>\$ 23,824</u>	<u>\$ 2,464,879</u>

As of December 31, 2019, 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	\$ 1,469,514	\$ 84,171	\$ 1,572,371
Beneficial interest in assets held by the Foundation	694,734	478,255	-	1,172,989
	<u>\$ 713,420</u>	<u>\$ 1,947,769</u>	<u>\$ 84,171</u>	<u>\$ 2,745,360</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, 2020 and 2019

Note 5 - Investments in Endowment (continued)

During the years ended December 31, 2020 and 2019, 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 \$498,661 and \$478,255 are reported in net assets with donor restrictions – time and/or purpose restricted as of December 31, 2020 and 2019, 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, 2020 and 2019, the Museum elected to take distributions of \$87,040 and \$7,480, respectively, to pay for the current year loan principal and interest.

Invested endowment net asset composition by type of fund and changes in invested endowment net assets for the fiscal year ended December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and/or Purpose	Perpetuity	
Endowment net assets, beginning of year	\$ -	\$ 478,255	\$ 713,420	\$ 1,191,675
Investment return				
Investment loss, net	-	(5,043)	-	(5,043)
Net appreciation	-	112,489	-	112,489
Total investment return	-	107,446	-	107,446
Distributions	-	(87,040)	-	(87,040)
Endowment net assets, end of year	\$ -	\$ 498,661	\$ 713,420	\$ 1,212,081

Invested endowment net asset composition by type of fund and changes in invested endowment net assets for the fiscal year ended December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and/or Purpose	Perpetuity	
Endowment net assets, beginning of year	\$ -	\$ 340,995	\$ 713,420	\$ 1,054,415
Investment return				
Investment income	-	(2,351)	-	(2,351)
Net depreciation	-	147,091	-	147,091
Total investment loss	-	-	-	144,740
Distributions	-	(7,480)	-	(7,480)
Endowment net assets, end of year	\$ -	\$ 478,255	\$ 713,420	\$ 1,191,675

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 5 - Investments in Endowment (continued)

Net investment return (loss) consists of the following for the years ending December 31,

	2020	2019
Endowment fund	\$ 107,446	\$ 144,740
Interest earned on deposit accounts	7,251	1,183
	<u>\$ 114,697</u>	<u>\$ 145,923</u>

Note 6 - Property and Equipment

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

	2020	2019
Building and improvements	\$ 5,373,999	\$ 5,373,999
Equipment	481,657	481,657
Furniture and fixtures	333,315	333,315
	<u>6,188,971</u>	<u>6,188,971</u>
Less accumulated depreciation	(2,181,843)	(1,922,272)
Total property and equipment	<u>\$ 4,007,128</u>	<u>\$ 4,266,699</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$259,571 and \$296,326, respectively.

Note 7. 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. The outstanding balance at December 31, 2020 and 2019 was \$80,000 and \$120,000, respectively. Principal payments of \$40,000 are due during each of the years ending December 31, 2021, and 2022.

Note 8. 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:

	2020	2019
Earnings on endowment fund	\$ 498,661	\$ 478,225
Exhibit campaign	1,747,050	1,829,277
	<u>\$ 2,245,711</u>	<u>\$ 2,307,502</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 8. Net Assets with Donor Restrictions (continued)

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:

	2020	2019
Endowment fund	\$ 713,420	\$ 713,420

Note 9. COVID-19 Relief Funding and Subsequent Events

Paycheck Protection Program

During the year ended December 31, 2020, the Museum received funds from the Federal Paycheck Protection Program through the CARES Act in the amount of \$216,785. The Act provided initial funds as an unsecured loan agreement that bore interest of 1% per year. The Museum has elected to treat the funds as a conditional contribution in accordance with ASC 958-605, Not-for-Profit Entities: Revenue Recognition. The proceeds are included in COVID-19 relief funding on the Statement of Activities. Subsequent to December 31, 2020, the Museum received loan forgiveness in accordance with the terms of the Paycheck Protection Program, which was reviewed and approved by the Small Business Administration and the financial institution.

Subsequent to December 31, 2020, the Museum received funds second draw loan from the Federal Paycheck Protection Program in the amount of \$185,875. The second draw loan provides initial funds as an unsecured loan agreement that bears interest of 1% per year and is due in April 2026. The Museum intends to apply for loan forgiveness in accordance with the terms of the Paycheck Protection Program which will require the review and approval from the Small Business Administration and the financial institution.

Employee Retention Credit

During the year ended December 31, 2020, the Museum met the qualifications for the Employee Retention Credit (ERC) through the retroactive changes to the CARES Act. The Museum calculated the credit based on eligible wages paid per employee during the qualifying time period. The amount the Museum expects to receive from the ERC is shown on the statement of financial position as Employee Retention Credit receivable and included in COVID-19 relief funding on the statement of activities for the year ended December 31, 2020.

Note 10. 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 10. 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. The Museum recognized \$44,771 from the City during the year ended December 31, 2020. The Museum recognized no revenue from the City during the year ended December 31, 2019. In addition, the City reimbursed the Museum for the City's portion of insurance premiums paid by the Museum in the amount of \$35,081 and \$33,525 for the years ended December 31, 2020 and 2019, respectively. During the year ended December 31, 2019, the Museum reimbursed the City \$3,581 for maintenance and services. There were no amounts due to the related party at December 31, 2020 or 2019

Note 11. 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 \$8,354 and \$9,273 to the IRA during the years ended December 31, 2020 and 2019, respectively.

Note 12. 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 December 31, 2022.

A summary of the required future commitments is as follows:

During the year ending	
December 31,	
2021	\$ 14,459
2022	14,459
	<u>\$ 28,918</u>

Note 13. 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 (used) by operations of (\$107,387) and (\$158,534) for years ending December 31, 2020 and 2019, 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. During they year ended December 31, 2020, the Museum operations have been broadly impacted by the world-wide coronavirus pandemic, as more fully disclosed in Note 14, and all sources of liquidity are being closely monitored for the health of the Museum. Usage of all liquidity sources including the board-authorized operating reserve are being closely monitored.

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Note 13. Liquidity and Availability of Financial Assets (continued)

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:

	2020	2019
Cash and cash equivalents, without donor restrictions	\$ 23,824	\$ 84,171
Promises to give	110,000	160,361
Employee Retention Credit receivable	139,754	-
	<u>\$ 273,578</u>	<u>\$ 244,532</u>

The Museum also has cash and cash equivalents in the amount of \$1,228,974 and \$1,469,514 at December 31, 2020 and 2019, which are donor restricted and designated for future exhibit expenditures. The Museum also has available for spending, within the restricted time and/or purpose limitations, the spendable portion of the endowment of \$498,661 and \$478,225 for the years ending December 31, 2020 and 2019, respectively. These resources are invested for long-term appreciation and current income but may be spent within the restricted time and/or purpose limitations. 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 in the near term for liquidity needs to fund operations due to the world-wide coronavirus pandemic and long term 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.

Note 14. Trends and Uncertainties

In 2020 and 2021, domestic and international economies face uncertainty related to the impact of the COVID-19 disease. Due to restrictions put in place by government officials, the Museum has experienced a period of ceased operations in the year ending December 31, 2020. The Museum may also be affected through lack of employee availability, decreases in funding, and volatility in investment markets. Management is currently evaluating the impact these factors will have on future operations. The duration and extent of the impact has yet to be determined.