



FINANCIAL STATEMENTS
December 31, 2021 and 2020

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

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June 22, 2022

Dear friends,

Here at Fort Collins Museum of Discovery, we're your place for gathering, discovery, fun and sharing in history. In 2022 the museum celebrates its 10-year anniversary along with another very exciting milestone – FCMoD's 1 millionth visitor. No matter the generation or background, FCMoD is privileged to share in so many lifelong memories that center discovery, meaningful connections, exploration, and just plain 'ol fun!

It is through this legacy – remaining a steadfast and trusted community hub for all - that we navigated the multifaceted and very challenging impacts of the COVID-19 pandemic. FCMoD's 2020-2021 audited financial statements for the Nonprofit Partner puts into clear focus the impacts of this extraordinary time in history and sheds light into the bold steps museum leadership have taken to secure the museum's optimistic future and continued generational impact.

Like many cultural entities, the nonprofit's financial model has relied considerably on earned revenue from areas such as admission, memberships, retail sales and programs. In 2020 alone, the museum experienced more than four months of mandated closures and experienced required capacity reductions of up to 90% through much of 2021. The financial implications for the Nonprofit Partner were unavoidable. The board of directors and leadership team took swift action to mitigate structural impacts to the museum's financial outlook, putting in motion plans to strategically rebuild and reimagine over the coming years.

Federal, state and local recovery program dollars serve as the largest contributor to the Nonprofit Partner's financial outlook with more than \$1.1 million secured over a 12-month period. These important, one-time dollars are bridging gaps in earned revenue, stabilizing potential operational fluctuations, and launching FCMoD into spaces of experimentation to fuel learnings for the museum's bright future.

While significant, these recovery program dollars are part of the museum's short-term fiscal strategies that support FCMoD's continued financial solvency. FCMoD's long term health will always center on our unwavering commitment to serve as a community hub, a commitment that comes to life with support from our dear partners. Through the pandemic and as we emerge, the museum continues to experience extreme generosity from individuals, foundations, partners, and sponsors whose contributions provide necessary and sustained support to serve our mission and optimize our impact in Northern Colorado.


As visitation nears pre-pandemic levels, engagement with new, lifelong audiences reflecting greater cross-sections of Northern Colorado fuels an even more impactful, sustainable, and exciting future. Since the onset of the pandemic, FCMoD has partnered with more than 50 organizations to deepen people's sense of belonging, connection, and wonder in culturally relevant and responsive ways. From hosting two runs of the inspiring, interactive *Mental Health: Mind Matters* exhibit, to supporting our youngest learners

during new remote and summer learning programs, to kicking off a youth MoD Squad, to hosting quarterly Music Industry Nights, and so much more, FCMoD continues to build lifetime connection and memories with people of all ages.

As FCMoD looks toward its next 10 years, we know that this moment in time serves as another pivotal milestone in our unique story. We are proud of the strength, resolve, and vision demonstrated over some of our history's most challenging moments secure the museum's optimistic and bright future.

To the board of directors - past and present - leadership and staff team, volunteers, and dedicated partners and supporters, we thank you from the bottom of our hearts for your investment in Fort Collins Museum of Discovery. Your belief and investments in FCMoD have charted a course for more than 1 million people of all ages to interact with science, history, and culture in ways beyond imagination. And at a time where sharing in the magic of connection, wonder, and discovery feels a little extra special, we look forward to writing the next 10 exciting years of FCMoD's story, together.

Sincerely,



Cynthia Eichler
President, Board of Directors



Laura Valdez
Co-Executive Director, Nonprofit Partner



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Fort Collins Museum of Discovery, Nonprofit Partner (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 (the Museum) as of December 31, 2021 and 2020, 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 (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, as established by the Auditing Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, as promulgated by the Auditing Standards Board, a division of the American Institute of Certified Public Accountants (AICPA), we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script, reading "RLR, LLP". The signature is written in dark ink and is positioned above the typed name and date.

Fort Collins, Colorado
June 22, 2022

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
Current assets		
Cash and cash equivalents	\$ 698,933	\$ 23,824
Promises to give, net	88,333	110,000
Due from related party (Note 10)	36,241	-
Inventory, gift shop	20,742	24,232
Prepaid expenses	83,191	33,562
Employee Retention Credit receivable (Note 9)	139,464	139,754
Total current assets	1,066,904	331,372
Cash and cash equivalents (restricted)	1,365,382	1,228,974
Cash and cash equivalents (endowment)	18,686	18,686
Beneficial interest in		
assets held by foundation (endowment)	1,372,785	1,193,395
Long-term promises to give, net	7,812	63,977
Prepaid content programming, net	38,466	48,408
Property and equipment, net	3,912,923	4,007,128
Total assets	\$ 7,782,958	\$ 6,891,940
Current liabilities		
Accounts payable	\$ 28,745	\$ 22,146
Accrued expenses	78,494	96,828
Deferred revenue	399,126	51,429
Note payable, current maturities	40,000	40,000
Total current liabilities	546,365	210,403
Note payable, less current maturities	-	40,000
Total liabilities	546,365	250,403
Net assets		
Without donor restrictions	498,351	(293,130)
Invested in property and equipment	3,911,389	3,975,536
With donor restrictions		
Time and/or purpose	6,024,822	2,245,711
Perpetual in nature	713,420	713,420
Total net assets	7,236,593	6,641,537
Total liabilities and net assets	\$ 7,782,958	\$ 6,891,940

See accompanying notes to the financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Support, Revenues, and Gains			
Contributions			
In-kind support	\$ 95,279	\$ -	\$ 95,279
Foundations	94,896	82,753	177,649
Corporations	55,246	-	55,246
Individuals and other	126,255	-	126,255
Government grants	238,916	12,766	251,682
Admission fees and memberships	409,010	-	409,010
Investment return, net	1,074	186,430	187,504
Program revenue	3,432	50,000	53,432
Gift shops sales, net of cost of goods sold of \$30,917	29,652	-	29,652
COVID-19 relief funding (Note 9)	683,362	-	683,362
Loss on disposal of property and equipment	(587)	-	(587)
Net assets released from restrictions	464,227	(464,227)	-
Total support, revenues, and gains	2,200,762	(132,278)	2,068,484
Expenses and Losses			
Program services	1,306,207	-	1,306,207
Administration and general	79,175	-	79,175
Fundraising	88,046	-	88,046
Total expenses and losses	1,473,428	-	1,473,428
Change in Net Assets	727,334	(132,278)	595,056
Net Assets, Beginning of Year	3,682,406	2,959,131	6,641,537
Net Assets, End of Year	<u>\$ 4,409,740</u>	<u>\$ 2,826,853</u>	<u>\$ 7,236,593</u>

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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services	Administration and General	Fundraising	Total
Wages and benefits	\$ 713,234	\$ 45,581	\$ 86,312	\$ 845,127
Depreciation	144,498	7,605	-	152,103
Professional fees	92,588	18,354	-	110,942
Advertising	11,045	-	-	11,045
Contracted services	13,504	-	-	13,504
Supplies	54,891	3,250	-	58,141
Postage, printing and other	36,608	-	-	36,608
Meals and entertainment	11,931	-	1,734	13,665
Insurance	45,855	293	-	46,148
Fees	67,002	4,092	-	71,094
Interest expense	3,448	-	-	3,448
Content programming	9,942	-	-	9,942
Travel	2,464	-	-	2,464
Durable goods (exhibits)	96,500	-	-	96,500
Maintenance - exhibits	2,697	-	-	2,697
	<u>\$ 1,306,207</u>	<u>\$ 79,175</u>	<u>\$ 88,046</u>	<u>\$ 1,473,428</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	\$ 968,691	\$ 48,264	\$ 199,163	\$ 1,216,118
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	47,811	439	-	48,250
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
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 595,056	\$ (314,491)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	152,103	259,571
Amortization	9,942	15,685
Bad debt write off	-	5,553
Donation of property and equipment	(58,485)	-
Loss on disposal of property and equipment	587	-
Change in discount on long-term promises to give	(501)	(609)
Change in beneficial interest in investments, net	(186,430)	(107,446)
Changes in operating assets and liabilities		
Promises to give	78,333	110,142
Due from related party	(36,241)	-
Inventory, gift shop	3,490	5,464
Prepaid expenses	(49,629)	44,049
COVID-19 relief funding receivable	290	(139,754)
Cash and cash equivalents, restricted	(136,408)	240,540
Accounts payable	6,599	(15,072)
Accrued expenses	(18,334)	12,465
Deferred revenue	347,697	(223,484)
Net cash provided (used) by operating activities	<u>708,069</u>	<u>(107,387)</u>
Cash flows from investing activities		
Distributions from beneficial interest in investments	7,040	87,040
Net cash provided by investing activities	<u>7,040</u>	<u>87,040</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	675,109	(60,347)
Cash and cash equivalents, beginning of year	23,824	84,171
Cash and cash equivalents, end of year	<u>\$ 698,933</u>	<u>\$ 23,824</u>
Supplemental disclosure of non-cash activity		
In-kind contributions	\$ 95,279	\$ 40,742
In-kind expenses	\$ (36,794)	\$ (40,742)
In-kind furniture and equipment	\$ (58,485)	\$ -
Supplemental cash flow disclosure		
Cash paid for interest	\$ 3,448	\$ 5,186

See accompanying notes to the financial statements.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 72% and 93% of total promises to give as of December 31, 2021 and 2020, respectively. Additionally, the Museum had promises to give from two donors of 17% and 10% respectively, of total promises to give at December 31, 2021.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 \$1,372,785 and \$1,193,395 at December 31, 2021 and 2020, 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, 2021 and 2020, \$96,500 and \$226,976, respectively, was charged to exhibits expense.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 \$47,311 in exhibit deposits as of December 31, 2021.

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, 2021 and 2020.

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, 2021 and 2020 was \$11,045 and \$65,827, respectively.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020

Note 2 - Promises to Give

Unconditional promises to give consist of the following:

	2021	2020
Exhibit campaign	\$ 70,000	\$ 140,000
Other	26,667	35,000
	<u>\$ 96,667</u>	<u>\$ 175,000</u>

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

	2021	2020
Receivables due within one year for operating expenses	\$ 18,333	\$ 30,000
Receivables due within one year for exhibit projects	70,000	80,000
Receivables due after one year	8,334	65,000
Total unconditional promises to give	96,667	175,000
Less discounts to net present value	(522)	(1,023)
Net unconditional promises to give	<u>\$ 96,145</u>	<u>\$ 173,977</u>

The discount rate used on long-term promises to give that were outstanding as of December 31, 2021 and 2020 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:

	2021	2020
Equity securities in restricted beneficial interest in assets held by the Foundation	\$ 823,671	\$ 716,037
Debt securities in restricted beneficial interest in assets held by the Foundation	549,114	477,358
Total investments, at fair value	<u>\$ 1,372,785</u>	<u>\$ 1,193,395</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, 2021 and 2020

Note 4 - Restricted Cash and Cash Equivalents and Investments

As of December 31, 2021, 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	\$ 1,365,382	\$ 698,933	\$ 2,083,001
Beneficial interest in assets held by the Foundation	694,734	678,051	-	1,372,785
	<u>\$ 713,420</u>	<u>\$ 2,043,433</u>	<u>\$ 698,933</u>	<u>\$ 3,455,786</u>

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>

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.

During the years ended December 31, 2021 and 2020, 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 \$678,051 and \$498,661 are reported in net assets with donor restrictions – time and/or purpose restricted as of December 31, 2021 and 2020, 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, 2021 and 2020

Note 5 - Investments in Endowment (continued)

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, 2021 and 2020, the Museum elected to take distributions of \$7,040 and \$87,040, 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, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and/or Purpose	Perpetuity	
Endowment net assets, beginning of year	\$ -	\$ 498,661	\$ 713,420	\$ 1,212,081
Investment return				
Investment loss, net	-	(12,327)	-	(12,327)
Refund of fees overcharged		55,477		55,477
Net appreciation	-	143,280	-	143,280
Total investment return	-	186,430	-	186,430
Distributions	-	(7,040)	-	(7,040)
Endowment net assets, end of year	\$ -	\$ 678,051	\$ 713,420	\$ 1,391,471

During the year ended December 31, 2021, the Museum identified it was overcharged for administration fees in prior periods. Accordingly, the Museum has recognized the restoration of those fees to its beneficial interest in investments at December 31, 2021.

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

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

Note 5 - Investments in Endowment (continued)

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

	2021	2020
Endowment fund	\$ 186,430	\$ 107,446
Interest earned on deposit accounts	1,074	7,251
	<u>\$ 187,504</u>	<u>\$ 114,697</u>

Note 6 - Property and Equipment

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

	2021	2020
Building and improvements	\$ 5,373,999	\$ 5,373,999
Equipment	402,184	481,657
Furniture and fixtures	360,124	333,315
	6,136,307	6,188,971
Less accumulated depreciation	(2,223,384)	(2,181,843)
Total property and equipment	<u>\$ 3,912,923</u>	<u>\$ 4,007,128</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$152,103 and \$259,571, 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, 2021 and 2020 was \$40,000 and \$80,000, respectively. Principal payments of \$40,000 are due during the year ending December 31, 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:

	2021	2020
Earnings on endowment fund	\$ 678,051	\$ 498,661
Exhibit campaign	1,435,382	1,747,050
	<u>\$ 2,113,433</u>	<u>\$ 2,245,711</u>

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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:

	2021	2020
Endowment fund	\$ 713,420	\$ 713,420

Note 9. COVID-19 Relief Funding

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 at December 31, 2020. During the year ended December 31, 2021, 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.

During the year ended December 31, 2021, the Museum received a second draw loan from the Federal Paycheck Protection Program in the amount of \$185,875. The second draw loan 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 at December 31, 2021. During the year ended December 31, 2021, 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.

Employee Retention Credit

During the years ended December 31, 2021 and 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 years ended December 31, 2021 and 2020.

Shuttered Venue Operator Grant

During the year ended December 31, 2021, the Museum applied for and received funds from the Shuttered Venue Operator Grant through the Small Business Administration. The Museum recognized \$397,492 of revenue presented on the statement of activities as part of COVID-19 relief funding. The Museum received an additional \$304,485 during the year ended December 31, 2021 that was not earned in accordance with ASC 958-605, Not-for-Profit Entities: Revenue Recognition. This amount is included in deferred revenue on the statement of financial position at December 31, 2021.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 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.

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 revenue of \$124,192 and \$44,771 from the City during the years ended December 31, 2021 and 2020, respectively. In addition, the City reimbursed the Museum for the City's portion of insurance premiums paid by the Museum in the amount of \$36,241 and \$35,081 for the years ended December 31, 2021 and 2020, respectively. The Museum is due \$36,241 from the City at December 31, 2021. There were no amounts due to or from the related party at December 31, 2020.

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 \$3,342 and \$8,354 to the IRA during the years ended December 31, 2021 and 2020, 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. Future minimum payments of \$14,459 are due during the year ending December 31, 2022.

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 provided (used) by operations of \$708,069 and (\$107,387) for years ending December 31, 2021 and 2020, 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 the year ending in December 31, 2020, the Museum operations had been broadly impacted by the world-wide coronavirus pandemic (as more fully disclosed in Note 14). All sources of liquidity, including the board-authorized operating reserve, continue to be closely monitored for the health of the Museum. By the year ending in December 31, 2021, the Museum secured several sources of state and federal relief funding, and the Museum anticipates utilizing this liquidity in the coming years to support its continued financial recovery from the impacts of the global pandemic.

FORT COLLINS MUSEUM OF DISCOVERY, NONPROFIT PARTNER

NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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:

	2021	2020
Cash and cash equivalents, without donor restrictions	\$ 698,933	\$ 23,824
Promises to give	88,333	110,000
Due from related party	36,241	-
Employee Retention Credit receivable	139,464	139,754
	<u>\$ 962,971</u>	<u>\$ 273,578</u>

The Museum also has cash and cash equivalents in the amount of \$1,365,382 and \$1,228,974 at December 31, 2021 and 2020, 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 \$678,051 and \$498,661 for the years ending December 31, 2021 and 2020, 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 as the Museum continues in its financial recovery from the impacts from the world-wide coronavirus pandemic and resulting operational closures. The Museum also anticipates utilizing these assets to fund future capital needs including major repairs and improvements, special exhibitions, and continued growth and expansion of the Museum and its operations.

Note 14. Trends and Uncertainties

Domestic and international economies continue to be challenged by a number of uncertainties that include the ongoing impact of the COVID-19 disease. Due to restrictions put in place by government officials, the Museum experienced a period of ceased operations in the year ending December 31, 2020 with operational restrictions in effect through 2021. The Museum continues to monitor and mitigate the impacts of the COVID-19 pandemic with funding from federal, state and local relief programs that support ongoing financial recovery. The Museum has also been and may continue to be affected through a lack of employee availability, decreases in funding, increases costs of goods and supplies, and volatility in investment markets. Management continues to evaluate the impact these factors will have on future operations. The duration and extent of the impact has yet to be determined.