

**DELAWARE MUSEUM OF
NATURAL HISTORY, INC.**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

Great advice. Great people.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware Museum of Natural History, Inc.
Greenville, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the Delaware Museum of Natural History, Inc. (the "Museum"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 auditor considers 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 the Delaware Museum of Natural History, Inc. as of December 31, 2016 and 2015, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statements of functional expenses for the years ended December 31, 2016 and 2015 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants

April 6, 2017

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 32,500	\$ 29,747
Accounts receivable	9,672	12,373
Contributions receivable	24,768	32,894
Inventories	15,303	13,357
Prepaid expenses	130,143	115,592
	<u>212,386</u>	<u>203,963</u>
 INVESTMENTS	 16,664,919	 16,166,633
 CASH DESIGNATED FOR SPECIFIC PURPOSES	 403,270	 968,905
 PROPERTY AND EQUIPMENT		
Land	150,000	150,000
Construction in progress	-	17,559
Building and improvements	9,137,989	9,084,957
Land improvements	840	840
Furniture and equipment	990,070	985,589
Automotive	15,925	15,925
Exhibits and laboratory	447,261	447,261
	<u>10,742,085</u>	<u>10,702,131</u>
Less: Accumulated depreciation	5,333,875	5,066,238
	<u>5,408,210</u>	<u>5,635,893</u>
 COLLECTION ITEMS - See accompanying notes	 -	 -
 TOTAL ASSETS	 <u><u>\$ 22,688,785</u></u>	 <u><u>\$ 22,975,394</u></u>

The accompanying notes are an integral part of these financial statements

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2016 AND 2015**

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts payable	\$ 32,349	\$ 12,532
Accrued expenses	43,306	33,353
Deferred revenue	66,044	43,035
Total current liabilities	<u>141,699</u>	<u>88,920</u>
 UNRESTRICTED NET ASSETS		
Board designated - investment portfolio	16,151,336	16,166,633
Board designated - other	414,193	701,832
Net investment in property and equipment	5,408,210	5,635,893
Total unrestricted	<u>21,973,739</u>	<u>22,504,358</u>
 TEMPORARILY RESTRICTED NET ASSETS	59,764	68,533
 PERMANENTLY RESTRICTED NET ASSETS	<u>513,583</u>	<u>313,583</u>
 TOTAL NET ASSETS	<u>22,547,086</u>	<u>22,886,474</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 22,688,785</u></u>	<u><u>\$ 22,975,394</u></u>

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Investment draw	\$ 1,034,442	\$ -	\$ -	\$ 1,034,442	\$ 1,022,478	\$ -	\$ -	\$ 1,022,478
Contributions and grants	334,516	54,962	200,000	589,478	355,936	104,343	313,583	773,862
Admissions	185,824	-	-	185,824	190,990	-	-	190,990
Gift shop revenue	90,977	-	-	90,977	90,946	-	-	90,946
Memberships	89,589	-	-	89,589	87,473	-	-	87,473
Special event revenues	259,594	-	-	259,594	218,531	-	-	218,531
Miscellaneous income	34,364	-	-	34,364	40,594	-	-	40,594
Net assets released from restrictions:								
Satisfaction of program restrictions	68,569	(68,569)	-	-	130,892	(130,892)	-	-
Total support and revenue	2,097,875	(13,607)	200,000	2,284,268	2,137,840	(26,549)	313,583	2,424,874
OPERATING EXPENSES								
Program services:								
Birds and mammals	134,292	-	-	134,292	126,655	-	-	126,655
Education	382,445	-	-	382,445	357,497	-	-	357,497
Volunteer	3,494	-	-	3,494	6,328	-	-	6,328
Mollusks	312,760	-	-	312,760	285,166	-	-	285,166
Public relations	194,082	-	-	194,082	241,013	-	-	241,013
Exhibits	389,929	-	-	389,929	376,808	-	-	376,808
	1,417,002	-	-	1,417,002	1,393,467	-	-	1,393,467
Support services:								
General and administrative	355,501	-	-	355,501	215,891	-	-	215,891
Fundraising	251,015	-	-	251,015	212,453	-	-	212,453
Maintenance	328,774	-	-	328,774	326,869	-	-	326,869
Visitor Services	89,618	-	-	89,618	86,128	-	-	86,128
Gift shop	139,299	-	-	139,299	141,391	-	-	141,391
	1,164,207	-	-	1,164,207	982,732	-	-	982,732
Total operating expenses	2,581,209	-	-	2,581,209	2,376,199	-	-	2,376,199
Change in Net Assets - Operating	(483,334)	(13,607)	200,000	(296,941)	(238,359)	(26,549)	313,583	48,675
Non-Operating Activities								
Investment performance net of draw	(17,860)	4,838	-	(13,022)	(1,408,839)	-	-	(1,408,839)
Loss from disposal of assets	(29,425)	-	-	(29,425)	(52,646)	-	-	(52,646)
CHANGE IN NET ASSETS	(530,619)	(8,769)	200,000	(339,388)	(1,699,844)	(26,549)	313,583	(1,412,810)
NET ASSETS AT BEGINNING OF YEAR	22,504,358	68,533	313,583	22,886,474	24,204,202	95,082	-	24,299,284
NET ASSETS AT END OF YEAR	\$ 21,973,739	\$ 59,764	\$ 513,583	\$ 22,547,086	\$ 22,504,358	\$ 68,533	\$ 313,583	\$ 22,886,474

The accompanying notes are an integral part of these financial statements

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and grants	\$ 420,317	\$ 444,445
Cash received from admissions, gift shop sales and special events	663,049	626,757
Cash received from interest and dividends	348,803	338,018
Cash paid to suppliers and employees	<u>(2,263,725)</u>	<u>(2,095,679)</u>
Net cash used by operating activities	<u>(831,556)</u>	<u>(686,459)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in property and equipment	(105,953)	(84,236)
Net change in designated cash	565,635	(219,511)
Purchase of investments	(3,267,647)	(6,786,594)
Proceeds from sale of investments	<u>3,442,274</u>	<u>7,475,218</u>
Net cash provided by investing activities	<u>634,309</u>	<u>384,877</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions	<u>200,000</u>	<u>313,583</u>
Net cash provided by financing activities	<u>200,000</u>	<u>313,583</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,753	12,001
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>29,747</u>	<u>17,746</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 32,500</u></u>	<u><u>\$ 29,747</u></u>

The accompanying notes are an integral part of these financial statements

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in net assets	\$ (339,388)	\$ (1,412,810)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	304,211	304,541
Loss on disposal of assets	29,425	52,646
Net realized and unrealized (gain) / loss on investments	(672,913)	724,379
Endowment contributions	(200,000)	(313,583)
(Increase) decrease in operating assets:		
Accounts receivable	2,701	(1,777)
Contributions receivable	8,126	(11,459)
Inventories	(1,946)	4,189
Prepaid expenses	(14,551)	(19,178)
Increase (decrease) in operating liabilities:		
Accounts payable	19,817	(13,579)
Accrued expenses	9,953	4,547
Deferred revenue	23,009	(4,375)
 NET CASH USED BY OPERATING ACTIVITIES	 \$ (831,556)	 \$ (686,459)

The accompanying notes are an integral part of these financial statements

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Delaware Museum of Natural History, Inc. (the "Museum") is presented to assist in understanding the Museum's financial statements. The financial statements and notes are representations of Museum management who is responsible for their integrity and objectivity. These accounting policies conform to the accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Activities

The Museum is a Delaware non-profit educational corporation which was formed for the purposes of encouraging and cultivating learning in the natural sciences and natural history. Its primary activity is operation of a museum, displaying exhibits of natural specimens and offering a variety of educational programs. Additionally, it maintains a library, laboratories, and extensive scientific collections used by researchers worldwide.

Basis of Accounting

The Museum's policy is to prepare its financial statements on the accrual basis of accounting.

Basis of Presentation

Information regarding financial position and activities is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Accounts are maintained for unrestricted net assets available for support of Museum operations.

Temporarily Restricted Net Assets

Net assets whose use by the Museum has been limited by donors (a) to later periods of time or after specific dates, or (b) to specified purposes are reported as temporarily restricted.

Unless otherwise requested by donors, gains or losses on investment transactions earned on temporarily restricted funds are considered unrestricted.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanently restricted net assets

Net assets whose use by the Museum has been limited by donors in perpetuity.

Cash, Cash Equivalents and Credit Risk

Cash and cash equivalents include unrestricted cash balances that are available for current use. Cash equivalents include all unrestricted highly liquid investments with an initial maturity of three months or less, except for cash or money market positions held within endowment accounts. Cash designated for specific purposes or received with donor-imposed restrictions limiting its use to specific purposes is excluded from cash and cash equivalents and presented as "cash designated for specific purposes." Cash, available for current use and designated for specific purposes, is maintained with two financial institutions. The bank balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation. From time to time, in the normal course of business, the Museum's balances may exceed this amount. Management believes the risk of loss is remote.

Collections

The Museum does not capitalize donated collection items or recognize them as revenues or gains. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as decreases in temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Proceeds from de-accessions or insurance recoveries are reflected as increases in the appropriate net asset class. The collections are held for public exhibition, education, or research in furtherance of public service rather than financial gain. They are protected, kept unencumbered, cared for, and preserved, and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Listed below is a categorization of inexhaustible collection items stated at cost, acquired by purchase or donation that were owned by the Museum as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Statues	\$ 193,005	\$ 193,005
Bird specimens	530,311	530,311
Mollusk specimens	1,008,012	1,008,012
Mammal specimens	169,103	169,103
Mineral specimens	67,550	67,550
Bird egg specimens	32,357	32,357
Art	4,700	4,700
Books	142,700	142,700
	<u>\$ 2,147,738</u>	<u>\$ 2,147,738</u>

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories, consisting of books and merchandise available for sale in the Museum's gift shop, are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Fair value for equity securities is readily determinable if sales prices or bid-and-asked quotations are currently available on recognized security exchanges. Gains or losses on sales are reported in the statement of activity as realized net gain (loss) on investments.

Fair Value Hierarchy

The Museum has adopted FASB ASC 820-10, which establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at acquisition cost if purchased, or fair value at date of donation if acquired by gift. Donated property and equipment received without donor-imposed stipulations restricting use of the property is recorded as an increase in unrestricted net assets. Expenditures for property and equipment in excess of \$1,500 are capitalized.

Depreciation of property and equipment is provided using the straight line method based on the following estimated useful lives:

	<u>Years</u>
Building and improvements	35-50
Land improvements	20
Furniture and equipment	3-20
Automotive	3
Library and films	7-20
Exhibits and laboratory	10-20

Depreciation expense for the years ended December 31, 2016 and 2015 was \$304,211 and \$304,541, respectively.

Income Tax Status

The Museum is a publicly supported charity as described in Internal Revenue Code Section 509(a)(1). Contributions to the Museum are deductible to the donor.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at net realizable value. The allowance for uncollectible accounts is periodically reviewed by management and an allowance for doubtful accounts is established at the discretion of the Museum's management. No allowance for doubtful accounts receivable has been recorded as management believes that all accounts receivable are fully collectible.

Contributions Receivable

Contributions receivable represent unconditional promises to give made by individuals and are recorded at net realizable value. Contributions receivable as of December 31, 2016 and 2015 were \$24,768 and \$32,894, respectively. All contributions receivable at December 31, 2016 and 2015 were receivable within one year. No allowance for uncollectible accounts receivable has been recorded as management believes that all contributions receivable are fully collectible.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs incurred during 2016 and 2015 were \$43,063 and \$65,595, respectively.

Subsequent Events

Management has evaluated subsequent events through April 6, 2017, the date the financial statements were available to be issued.

Reclassifications

Certain 2015 amounts have been reclassified to conform with the 2016 presentation. These reclassifications had no effect on previously reported net assets or change in net assets.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

INVESTMENTS

Investments and fair values of assets measured on a recurring basis, in accordance with FASB ASC 820-10, consisted of the following:

	December 31, 2016		
	Cost	Fair Value	Cumulative Unrealized Gain/(Loss)
Cash designated for specific purposes	\$ 403,270	\$ 403,270	\$ -
	December 31, 2016		
	Cost	Fair Value	Cumulative Unrealized Gain/(Loss)
Money market (Level 1)	\$ 798,882	\$ 798,882	\$ -
Vanguard bond mutual funds (Level 1):			
Short-term investment grade	917,428	921,670	4,242
Intermediate term	3,848,937	4,175,999	327,062
Common stocks - Glenmede (Level 1)	-	341	341
Vanguard equity mutual funds (Level 1):			
Domestic	1,740,490	2,382,002	641,512
International and emerging market	3,349,340	3,303,007	(46,333)
Vanguard alternative funds (Level 1):			
Global Equity	2,564,741	2,522,810	(41,931)
Others	2,555,969	2,560,208	4,239
	<u>\$ 15,775,787</u>	<u>\$ 16,664,919</u>	<u>\$ 889,132</u>

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

INVESTMENTS (CONTINUED)

	December 31, 2015		
	Cost	Fair Value	Cumulative Unrealized Gain/(Loss)
Cash designated for specific purposes	\$ 968,905	\$ 968,905	\$ -
	December 31, 2015		
	Cost	Fair Value	Cumulative Unrealized Gain/(Loss)
Money market (Level 1)	\$ 444,990	\$ 444,990	\$ -
Vanguard bond mutual funds (Level 1):			
Short-term investment grade	1,801,820	1,798,686	(3,134)
Intermediate term	4,045,345	4,018,738	(26,607)
Common stocks - Glenmede (Level 1)	390,018	400,664	10,646
Vanguard equity mutual funds (Level 1):			
Domestic	2,366,672	3,191,594	824,922
International and emerging market	3,217,565	2,952,278	(265,287)
Vanguard alternative funds (Level 1):			
Global Equity	1,886,436	1,777,189	(109,247)
Others	1,754,406	1,582,494	(171,912)
	<u>\$ 15,907,252</u>	<u>\$ 16,166,633</u>	<u>\$ 259,381</u>

The accounts classified as cash equivalents held for long-term investments are insured up to \$500,000 with a limit of \$100,000 for each account by the Securities Investor Protection Corporation. Substantial uninsured balances existed throughout 2016 and 2015. Management believes the risk of loss is remote.

The Museum's Board of Trustees has designated the use of investments for selected transactions in Museum operations. Under the Board's direction, certain donations received since 1980 which were invested under trust arrangements will remain intact; however the Museum does not consider these Board-designated endowments. Net proceeds from sales of donated land are similarly designated. Investment earnings and gains or losses from investment transactions are made available by the Board, at its discretion, for use in the Museum's operations. The investments are accounted for as unrestricted Board designated net assets.

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

INVESTMENTS (CONTINUED)

The following is a summary of sources of funds designated by the Board as of December 2016 and 2015 shown at original cost:

<u>Date(s)</u>	<u>Source</u>	<u>Amount</u>
1980	Marian duPont Scott property sale	\$ 3,500,000
1980 & 1982	Evelyn duPont Donaldson donations	121,576
1983	John E. duPont canceled notes	640,000
1986 & 1987	Dr. R. Michael McClelland donations	50,000
1987 & 1994	Sale of donated Newtown Square properties	2,078,112
2000	Sale of donated Newtown Square property	14,932,834
		<u>\$ 21,322,522</u>

In September 2014, the Board of Trustees amended the Museum's investment policy regarding the annual spending from its board-designated investments. 50% of the annual draw is calculated using a weighted average that places a significant emphasis on the prior year's actual spending to ensure stability and visibility into the draw calculation. The remaining 50% of the annual draw is calculated at 4% of the average of the prior twelve quarters' market values as of September 30th of the current fiscal year, as provided by the investment managers. The total annual draw is subject to a cap of 6% of the market value of total investments as of September 30th of the current fiscal year. Any draw in excess of 6% requires prior approval by the Board of Trustees.

ASSETS OF THE ENDOWMENT

The Museum's endowment includes two individual funds that are restricted by donors. The Museum has an endowment fund established to support collections and research and an additional endowment fund established to support programs for the cultivation and study of the natural science at the Museum.

The Board of Trustees of the Museum has interpreted Delaware's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the guidance issued by the Financial Accounting Standards Board as requiring the preservation of the fair value of the original gift as of the date of gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Museum classifies the following as permanently restricted net assets:

1. the original value of gifts donated to the permanent endowment;
2. the original value of subsequent gifts to the permanent endowment;
3. accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

ASSETS OF THE ENDOWMENT (CONTINUED)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. the duration and preservation of the fund;
2. the Museum's mission and purpose supported by the donor-restricted endowment fund;
3. general economic conditions;
4. the possible effect of inflation and deflation;
5. the expected total return from income and the appreciation of investments;
6. the Museum's other resources; and,
7. the investment policies of the Museum

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historical value of the gift. The deficiency in temporarily restricted net assets resulting from fluctuations in market conditions during the year ended December 31, 2016 was \$2,339. The total cumulative deficiency resulting from unfavorable market conditions that occurred after the investment of new permanently restricted contributions and continued appropriation for expenditure that was deemed prudent by the Board of Trustees (specially allowed for under UPMIFA) was \$2,339 as of December 31, 2016.

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds.

To satisfy its long-term rate of return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a strategic asset allocation that places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

ASSETS OF THE ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund at December 31 was as follows:

<u>December 31, 2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 513,583	\$ 513,583
Board-designated endowment funds	16,151,336	-	-	16,151,336
	<u>\$ 16,151,336</u>	<u>\$ -</u>	<u>\$ 513,583</u>	<u>\$ 16,664,919</u>

<u>December 31, 2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 313,583	\$ 313,583
Board-designated endowment funds	16,166,633	-	-	16,166,633
	<u>\$ 16,166,633</u>	<u>\$ -</u>	<u>\$ 313,583</u>	<u>\$ 16,480,216</u>

Changes in endowment net assets for the years ended December 31 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	\$ 17,579,636	\$ -	\$ -	\$ 17,579,636
Investment return:				
Investment income, net of fees	333,854	-	-	333,854
Net realized / unrealized gains	(724,379)	-	-	(724,379)
Total investment return	(390,525)	-	-	(390,525)
Contributions transferred into endowment	-	-	313,583	313,583
Appropriation of assets for expenditure	(1,022,478)	-	-	(1,022,478)
Endowment net assets, December 31, 2015	\$ 16,166,633	\$ -	\$ 313,583	\$ 16,480,216
Investment return:				
Investment income, net of fees	341,394	4,838	-	346,232
Net realized / unrealized gains (losses)	677,751	(4,838)	-	672,913
Total investment return	1,019,145	-	-	1,019,145
Contributions transferred into endowment	-	-	200,000	200,000
Appropriation of assets for expenditure	(1,034,442)	-	-	(1,034,442)
Endowment net assets, December 31, 2016	<u>\$ 16,151,336</u>	<u>\$ -</u>	<u>\$ 513,583</u>	<u>\$ 16,664,919</u>

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

ASSETS OF THE ENDOWMENT (CONTINUED)

Amounts classified as permanently restricted (endowment assets only) as of December 31 were as follows:

Permanently Restricted Net Assets – Endowment Only

	2016	2015
In support of collections and research	\$ 400,000	\$ 200,000
In support of cultivation and study of natural science	113,583	113,583
	\$ 513,583	\$ 313,583

FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by the Museum in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments – The fair value of investments in marketable equity and debt securities is based on quoted market prices. The Museum’s investment values are reported using Level 1 inputs, which are based on unadjusted quoted market prices within active markets.

ASSETS HELD BY THE DELAWARE COMMUNITY FOUNDATION

The Museum is the beneficiary of an endowment fund held by the Delaware Community Foundation (the “Foundation”). The fund was gifted to the Foundation in the name of the Museum through an agreement that states that the endowment is owned and held by the Foundation. The Foundation possesses variance power over the assets that were gifted; therefore, in accordance with FASB ASC 958-605-15, these assets are not recorded on the Museum’s financial statements. The agreement states that future gifts will be invested and held by the Foundation, and that a portion of the invested gifts and related income will be distributed periodically to the Museum. The total market value of assets in this fund, which do not appear on the Museum’s financial statement, was \$48,844 and \$48,332 at December 31, 2016 and 2015, respectively.

The fund consists of invested gifts, appreciation and related income net of administrative and investment charges. The Museum recognizes the distributions from the Foundation as “Contribution and Grant” revenue on the statements of activities. The Museum received \$2,671 and \$2,671 in distributions from the Foundation during the years ended December 31, 2016 and 2015, respectively.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

TEMPORARILY RESTRICTED NET ASSETS

The Museum regularly receives donations which carry restrictions on how they are to be spent. This support is recorded as temporarily restricted net assets until expended toward its intended purpose, returned to the donor or reverted to operations depending on the terms of the restrictions.

Temporarily restricted net assets were available for the following purposes as of December 31, 2016:

Restricted purpose	2016			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital projects	\$ 12,884	\$ 19,757	\$ 12,885	\$ 19,756
Flower market	35	-	35	-
Larry Scott memorial	563	-	-	563
Library	900	996	-	1,896
Volunteer expense	102	-	102	-
Nature Nook	7,267	-	1,021	6,246
Publications	11,468	15,600	9,701	17,367
Animal care	2,983	2,819	1,966	3,836
Censeam mini-grant	51	-	51	-
Strategic planning	22,280	-	22,280	-
Patio tables & chairs	10,000	-	10,000	-
Capital campaign	-	100	-	100
Well repair	-	10,000	-	10,000
Exterior lighting	-	3,190	3,190	-
Curiosity cart	-	2,500	2,500	-
Investment gains (losses) from Endowment	-	4,838	4,838	-
Total Temporarily Restricted Net Assets	\$ 68,533	\$ 59,800	\$ 68,569	\$ 59,764

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets were available for the following purposes as of December 31, 2015:

<u>Restricted purpose</u>	2015			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	
Capital projects	\$ 4,744	\$ 24,965	\$ 16,825	\$ 12,884
Flower market	20	2,744	2,729	35
Larry Scott memorial	563	-	-	563
Library	630	300	30	900
Volunteer expense	102	-	-	102
Nature Nook	7,362	-	95	7,267
Publications	370	14,300	3,202	11,468
Animal care	3,210	1,034	1,261	2,983
Censeam mini-grant	51	-	-	51
Strategic planning	-	45,000	22,720	22,280
Interior / exterior painting	69,655	-	69,655	-
Website development	3,375	-	3,375	-
Lord Howe Island	-	6,000	6,000	-
Patio tables & chairs	-	10,000	-	10,000
Special exhibits	5,000	-	5,000	-
Total Temporarily Restricted Net Assets	<u>\$ 95,082</u>	<u>\$ 104,343</u>	<u>\$ 130,892</u>	<u>\$ 68,533</u>

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of following as of December 31:

	<u>2016</u>	<u>2015</u>
In support of collections and research	\$ 400,000	\$ 200,000
In support of cultivation and study of natural science	113,583	113,583
	<u>\$ 513,583</u>	<u>\$ 313,583</u>

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

RETIREMENT PLAN

In 2009, the Museum established a 401(k) profit sharing plan (the "Plan"), which combined the Money Purchase Plan and tax-deferred annuity plans into one defined contribution plan. All full-time employees who meet certain minimum age and service requirements are eligible to participate in the Plan. Participants are entitled to contribute voluntarily and the Museum funds contributions to the Plan at a rate of 1.5% of the annual gross salaries of eligible employees. The Museum's contribution to the Plan was \$11,265 and \$12,770 for the years ended December 31, 2016 and 2015, respectively.

VOLUNTEER SERVICES

In accordance with FASB ASC 958-605, the Museum only recognizes donated volunteer services when those services enhance a non-financial asset or require specialized skill that would otherwise need to be purchased. No donated services met those criteria for the years ended December 31, 2016 or 2015.

A substantial number of volunteers have made significant contributions of their time to develop the Museum's programs. Volunteers donated approximately 7,814 hours and 4,473 hours of time to the Museum's programs and services during the years ended December 31, 2016 and 2015, respectively. Although the volunteer services are essential to the Museum's operations, no amounts are reflected in these financial statements to report the value of these services.

RELATED PARTY TRANSACTIONS

The Museum regularly purchases insurance services from an enterprise formerly owned by one of its trustees. The Museum incurred insurance expense to this enterprise in the amount of \$60,805 and \$60,153 for the years ended December 31, 2016 and 2015, respectively.

CONTINGENCIES

The Museum is self-insured for unemployment purposes. In the normal course of the Museum's business, charges are incurred for former employees who are eligible for unemployment compensation. Since no reliable estimate can be made of this contingent liability, no amount has been accrued in the financial statements as of December 31, 2016 or 2015.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
SUPPLEMENTAL STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services							Total Program Services
	Birds & Mammals	Education		Volunteer	Mollusks	Public Relations	Exhibits	
		Formal	Informal					
COMPENSATION AND RELATED EXPENSES								
Salaries	\$ 63,041	\$ 167,213	\$ 89,738	\$ -	\$ 123,207	\$ 92,525	\$ 86,916	\$ 622,640
Pensions and benefits	943	1,696	639	-	873	418	1,181	5,750
Medical insurance	9,646	20,114	8,396	-	9,678	17,312	12,724	77,870
Payroll taxes	3,928	9,694	6,042	-	8,100	6,349	6,038	40,151
	<u>77,558</u>	<u>198,717</u>	<u>104,815</u>	<u>-</u>	<u>141,858</u>	<u>116,604</u>	<u>106,859</u>	<u>746,411</u>
OTHER EXPENSES								
Supplies	3,256	7,202	2,331	1,973	2,673	707	3,396	21,538
Special events	-	-	5,415	-	-	-	-	5,415
Exhibits expense	-	-	-	-	-	-	104,692	104,692
Printing	-	1,376	-	-	-	21,322	60	22,758
Administrative expense	2,554	134	36	-	1,906	823	215	5,668
Freight and postage	165	473	-	16	325	2,349	62	3,390
Telephone	997	1,888	364	-	997	564	505	5,315
Utilities	12,039	6,019	-	1,505	45,144	1,505	48,154	114,366
Repairs and maintenance	2,291	-	-	-	1,173	231	1,671	5,366
Computer support	2,082	5,661	1,432	-	4,211	2,741	2,452	18,579
Professional development	539	793	99	-	888	25	140	2,484
Travel and entertainment	2,627	1,506	-	-	298	-	60	4,491
Grant expenses	-	10,153	-	-	-	-	60	10,213
Reproduction equipment	137	2,637	459	-	324	895	1,331	5,783
Professional fees	336	4,436	3,190	-	2,313	552	355	11,182
Advertising and promotion	-	-	-	-	991	42,072	-	43,063
Minor furniture and equipment	685	3,291	1,347	-	1,151	75	4,174	10,723
Insurance on assets	4,599	2,874	575	-	17,245	575	18,395	44,263
Search committee expenses	90	12	-	-	-	-	-	102
Depreciation	24,337	15,210	-	-	91,263	3,042	97,348	231,200
TOTAL EXPENSES	<u>\$ 134,292</u>	<u>\$ 262,382</u>	<u>\$ 120,063</u>	<u>\$ 3,494</u>	<u>\$ 312,760</u>	<u>\$ 194,082</u>	<u>\$ 389,929</u>	<u>\$ 1,417,002</u>

See independent auditor's report

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
SUPPLEMENTAL STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

	Support Services					Total Support Services
	General and Administrative	Fundraising	Maintenance	Visitor Services	Gift Shop	
COMPENSATION AND RELATED EXPENSES						
Salaries	\$ 60,463	\$ 140,249	\$ 65,594	\$ 68,632	\$ 67,566	\$ 402,504
Pensions and benefits	1,126	1,907	953	884	645	5,515
Medical insurance	16,510	24,772	9,917	6,768	7,837	65,804
Payroll taxes	13,065	9,154	4,194	3,964	4,888	35,265
	<u>91,164</u>	<u>176,082</u>	<u>80,658</u>	<u>80,248</u>	<u>80,936</u>	<u>509,088</u>
OTHER EXPENSES						
Supplies	2,763	39,270	6,055	1,406	1,940	51,434
Gift shop purchases	-	-	-	-	40,861	40,861
Printing	11	878	-	26	-	915
Administrative expenses	3,779	640	585	-	2,298	7,302
Freight and postage	379	5,673	249	-	102	6,403
Telephone	2,138	910	769	754	375	4,946
Utilities	7,524	3,010	24,077	-	1,505	36,116
Repairs and maintenance	-	-	153,529	750	220	154,499
Computer support	3,758	8,173	1,886	1,815	3,577	19,209
Professional development	1,317	319	-	95	-	1,731
Travel and entertainment	666	611	-	59	-	1,336
Investment fees	1,946	-	-	-	-	1,946
Miscellaneous labor	1,813	-	-	-	-	1,813
Miscellaneous expenses	172	506	-	-	103	781
Reproduction equipment	-	2,698	321	87	355	3,461
Professional fees	212,970	5,031	286	3,828	2,341	224,456
Minor furniture and equipment	2,169	555	2,488	550	1,069	6,831
Insurance on assets	2,875	575	9,197	-	575	13,222
Insurance on trustees	3,320	-	-	-	-	3,320
Search committee expenses	1,056	-	-	-	-	1,056
Depreciation	15,211	6,084	48,674	-	3,042	73,011
Bad debt expense	470	-	-	-	-	470
	<u>355,501</u>	<u>251,015</u>	<u>328,774</u>	<u>89,618</u>	<u>139,299</u>	<u>1,164,207</u>
TOTAL EXPENSES	\$ 355,501	\$ 251,015	\$ 328,774	\$ 89,618	\$ 139,299	\$ 1,164,207

See independent auditor's report

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
SUPPLEMENTAL STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

	Program Services							Total Program Services
	Birds & Mammals	Education		Volunteer	Mollusks	Public Relations	Exhibits	
	Formal	Informal						
COMPENSATION AND RELATED EXPENSES								
Salaries	\$ 62,560	\$ 162,333	\$ 81,843	\$ -	\$ 105,302	\$ 102,800	\$ 89,943	\$ 604,781
Pensions and benefits	935	2,315	855	-	1,248	1,372	1,029	7,754
Medical insurance	8,900	21,914	8,644	-	8,036	15,091	11,434	74,019
Payroll taxes	4,156	10,358	5,594	-	7,227	7,644	6,389	41,368
	<u>76,551</u>	<u>196,920</u>	<u>96,936</u>	<u>-</u>	<u>121,813</u>	<u>126,907</u>	<u>108,795</u>	<u>727,922</u>
OTHER EXPENSES								
Supplies	3,347	9,994	1,284	1,738	2,879	362	548	20,152
Special events	-	-	6,051	-	-	-	-	6,051
Exhibits expense	-	-	-	-	-	-	112,924	112,924
Printing	-	1,560	-	-	-	27,245	65	28,870
Administrative expense	2,710	55	-	-	1,460	2,893	85	7,203
Freight and postage	128	321	-	17	226	4,365	211	5,268
Telephone	880	1,192	783	-	880	909	426	5,070
Utilities	12,113	6,057	-	1,514	45,424	1,514	48,452	115,074
Repairs and maintenance	1,244	-	-	-	219	286	889	2,638
Computer support	1,432	2,141	786	-	4,917	2,514	3,082	14,872
Professional development	350	504	30	-	780	25	-	1,689
Travel and entertainment	1,884	2,098	-	14	1,724	-	64	5,784
Grant expenses	-	1,814	-	-	-	-	-	1,814
Reproduction equipment	257	4,777	810	-	571	1,292	1,415	9,122
Professional fees	561	3,659	6,877	-	2,841	6,396	432	20,766
Advertising and promotion	-	-	-	-	1,460	63,260	-	64,720
Minor furniture and equipment	835	666	-	-	8,609	-	1,966	12,076
Depreciation	24,363	12,182	-	3,045	91,363	3,045	97,454	231,452
TOTAL EXPENSES	<u><u>\$ 126,655</u></u>	<u><u>\$ 243,940</u></u>	<u><u>\$ 113,557</u></u>	<u><u>\$ 6,328</u></u>	<u><u>\$ 285,166</u></u>	<u><u>\$ 241,013</u></u>	<u><u>\$ 376,808</u></u>	<u><u>\$ 1,393,467</u></u>

See independent auditor's report

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
SUPPLEMENTAL STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

	Support Services					Total Support Services
	General and Administrative	Fundraising	Maintenance	Visitor Services	Gift Shop	
COMPENSATION AND RELATED EXPENSES						
Salaries	\$ 42,479	\$ 117,519	\$ 76,515	\$ 72,043	\$ 64,567	\$ 373,123
Pensions and benefits	619	1,784	1,115	733	765	5,016
Medical insurance	12,231	19,055	9,891	4,597	7,535	53,309
Payroll taxes	7,208	7,921	5,280	4,775	5,002	30,186
	<u>62,537</u>	<u>146,279</u>	<u>92,801</u>	<u>82,148</u>	<u>77,869</u>	<u>461,634</u>
OTHER EXPENSES						
Supplies	1,638	35,404	5,396	408	1,565	44,411
Gift shop purchases	-	-	-	-	48,080	48,080
Printing	703	272	-	188	-	1,163
Administrative expense	(1,376)	325	505	-	2,230	1,684
Freight and postage	1,161	4,565	333	153	282	6,494
Telephone	2,491	733	1,022	681	681	5,608
Utilities	7,571	3,028	24,226	-	1,514	36,339
Repairs and maintenance	-	-	151,591	-	159	151,750
Computer support	2,003	3,667	1,076	1,020	1,097	8,863
Professional development	1,764	299	200	50	-	2,313
Travel and entertainment	702	430	11	30	45	1,218
Investment fees	3,421	-	-	-	-	3,421
Miscellaneous labor	1,067	-	-	-	-	1,067
Miscellaneous expenses	(737)	-	-	-	-	(737)
Reproduction equipment	-	2,343	441	340	458	3,582
Professional fees	56,327	7,849	461	1,010	4,366	70,013
Advertising and promotion	-	875	-	-	-	875
Minor furniture and equipment	-	294	79	100	-	473
Insurance on assets	56,833	-	-	-	-	56,833
Insurance on trustees	3,320	-	-	-	-	3,320
Search committee expenses	1,119	-	-	-	-	1,119
Depreciation	15,227	6,090	48,727	-	3,045	73,089
Bad debt expense	120	-	-	-	-	120
	<u>\$ 215,891</u>	<u>\$ 212,453</u>	<u>\$ 326,869</u>	<u>\$ 86,128</u>	<u>\$ 141,391</u>	<u>\$ 982,732</u>
TOTAL EXPENSES	\$ 215,891	\$ 212,453	\$ 326,869	\$ 86,128	\$ 141,391	\$ 982,732

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