

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

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**WITH INDEPENDENT AUDITOR'S REPORT**

## 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 Delaware Museum of Natural History, Inc. (the "Museum"), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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***

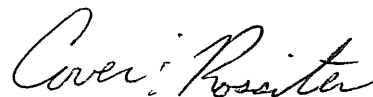
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Museum of Natural History, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in the New Accounting Pronouncement note to the financial statements, the Museum adopted the new accounting guidance required by generally accepted accounting principles from Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and changed its classification of net assets and enhanced its disclosures about net assets, expenses, and liquidity. The change in accounting principle has been applied retrospectively to the prior period presented. Our opinion is not modified with respect to this matter.

### ***Report on Summarized Comparative Information***

We have previously audited the Museum's December 31, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.



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Certified Public Accountants

March 8, 2019

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	2018	2017
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Operating	\$ 87,221	\$ 35,717
Designated and restricted	614,469	1,465,095
Total cash and cash equivalents	701,690	1,500,812
Accounts receivable	3,645	2,143
Contributions receivable	136,967	110,659
Inventories	16,062	15,594
Prepaid expenses	130,213	102,002
Total current assets	988,577	1,731,210
<b>INVESTMENTS</b>	19,219,255	18,167,855
<b>CONTRIBUTIONS RECEIVABLE, NONCURRENT</b>	234,479	252,336
<b>PROPERTY AND EQUIPMENT</b>		
Land	710,000	150,000
Building and improvements	9,405,305	9,197,078
Furniture and equipment	814,010	998,284
Automotive	15,925	15,925
Exhibits and laboratory	445,470	441,755
	11,390,710	10,803,042
Less: accumulated depreciation	5,922,857	5,645,000
	5,467,853	5,158,042
<b>COLLECTION ITEMS - See accompanying notes</b>	-	-
<b>TOTAL ASSETS</b>	<b>\$ 25,910,164</b>	<b>\$ 25,309,443</b>

The accompanying notes are an integral part of these financial statements

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.  
STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	2018	2017
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 49,430	\$ 43,418
Accrued expenses	72,920	47,652
Deferred revenue	109,968	75,878
Total current liabilities	232,318	166,948
<b>NET ASSETS:</b>		
Without donor restrictions:		
Board designated - investment portfolio	15,710,720	17,470,919
Board designated - other	353,135	251,802
Board designated - net investment in property and equipment	5,467,853	5,158,042
	21,531,708	22,880,763
With donor restrictions:		
Purpose restrictions	3,527,701	1,648,149
Perpetual restrictions and endowments	618,437	613,583
	4,146,138	2,261,732
Total net assets	25,677,846	25,142,495
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 25,910,164</b>	<b>\$ 25,309,443</b>

The accompanying notes are an integral part of these financial statements

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions and grants	\$ 428,311	\$ 1,120,162	\$ 1,548,473	\$ 289,649	\$ 145,352	\$ 435,001
Admissions	205,050	-	205,050	207,746	-	207,746
Gift shop revenue	99,675	-	99,675	101,926	-	101,926
Memberships	95,906	-	95,906	96,626	-	96,626
Special event revenues	310,752	-	310,752	292,510	-	292,510
Miscellaneous income	25,277	-	25,277	56,077	-	56,077
Investment draw	1,041,017	-	1,041,017	1,058,323	-	1,058,323
Endowment draw	25,835	-	25,835	1,177	-	1,177
Net assets released from restrictions:						
Satisfaction of program restrictions	179,827	(179,827)	-	75,709	(75,709)	-
Total support and revenue	<u>2,411,650</u>	<u>940,335</u>	<u>3,351,985</u>	<u>2,179,743</u>	<u>69,643</u>	<u>2,249,386</u>
<b>OPERATING EXPENSES</b>						
Program services:						
Birds and mammals	179,387	-	179,387	170,144	-	170,144
Education	500,735	-	500,735	475,731	-	475,731
Volunteer	9,926	-	9,926	3,562	-	3,562
Mollusks	419,421	-	419,421	437,796	-	437,796
Communications	199,569	-	199,569	198,161	-	198,161
Exhibits	547,529	-	547,529	541,521	-	541,521
	<u>1,856,567</u>	<u>-</u>	<u>1,856,567</u>	<u>1,826,915</u>	<u>-</u>	<u>1,826,915</u>
Support services:						
General and administrative	191,751	-	191,751	194,455	-	194,455
Fundraising	300,832	-	300,832	312,570	-	312,570
Visitor services	93,935	-	93,935	101,265	-	101,265
Gift shop	154,974	-	154,974	157,840	-	157,840
	<u>741,492</u>	<u>-</u>	<u>741,492</u>	<u>766,130</u>	<u>-</u>	<u>766,130</u>
Total operating expenses	<u>2,598,059</u>	<u>-</u>	<u>2,598,059</u>	<u>2,593,045</u>	<u>-</u>	<u>2,593,045</u>
Change in Net Assets - Operating	(186,409)	940,335	753,926	(413,302)	69,643	(343,659)
<b>Non-Operating Activities</b>						
Investment performance net of draw	(1,759,642)	(44,885)	(1,804,527)	1,320,326	83,353	1,403,679
Loss from disposal of assets	(1,925)	-	(1,925)	-	-	-
Capital campaign	-	1,027,877	1,027,877	-	1,535,389	1,535,389
Releases from restrictions - capital campaign	38,921	(38,921)	-	-	-	-
Donated land	560,000	-	560,000	-	-	-
Total non-operating activities	<u>(1,162,646)</u>	<u>944,071</u>	<u>(218,575)</u>	<u>1,320,326</u>	<u>1,618,742</u>	<u>2,939,068</u>
CHANGE IN NET ASSETS	(1,349,055)	1,884,406	535,351	907,024	1,688,385	2,595,409
NET ASSETS AT BEGINNING OF YEAR	<u>22,880,763</u>	<u>2,261,732</u>	<u>25,142,495</u>	<u>21,973,739</u>	<u>573,347</u>	<u>22,547,086</u>
NET ASSETS AT END OF YEAR	<u>\$ 21,531,708</u>	<u>\$ 4,146,138</u>	<u>\$ 25,677,846</u>	<u>\$ 22,880,763</u>	<u>\$ 2,261,732</u>	<u>\$ 25,142,495</u>

The accompanying notes are an integral part of these financial statements

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	Program Services										2017 Total	
	Birds & Mammals	Education		Volunteer	Mollusks	Communications	Exhibits	2018 Total	2017 Total			
		Formal	Informal									
<b>COMPENSATION AND RELATED EXPENSES</b>												
Salaries	\$ 79,460	\$ 189,157	\$ 125,604	\$ 5,332	\$ 156,140	\$ 93,940	\$ 113,672	\$ 763,305	\$ 708,931		\$	
Pensions and benefits	1,037	1,934	1,408	80	1,832	1,175	1,522	8,988	8,153			
Medical insurance	8,919	22,446	13,946	769	13,988	10,853	14,588	85,509	98,346			
Payroll taxes	5,828	13,887	9,125	402	11,442	6,881	8,295	55,860	52,076			
	<u>95,244</u>	<u>227,424</u>	<u>150,083</u>	<u>6,583</u>	<u>183,402</u>	<u>112,849</u>	<u>138,077</u>	<u>913,662</u>	<u>867,506</u>			
<b>OTHER EXPENSES</b>												
Supplies	1,542	11,929	3,982	1,669	3,059	366	3,435	25,982	31,812			
Special events	-	-	4,257	-	-	-	-	4,257	6,760			
Exhibits expense	-	-	-	-	-	-	98,050	98,050	116,945			
Printing	-	884	-	-	-	15,914	-	16,798	30,906			
Administrative expense	3,018	101	600	52	2,577	2,655	2,001	11,004	10,686			
Freight and postage	102	79	28	8	793	2,712	120	11,004	10,686			
Telephone	2,766	2,818	716	-	3,190	724	1,092	3,842	4,856			
Utilities	14,915	7,458	249	1,554	55,559	1,802	59,163	140,700	137,361			
Repairs and maintenance	15,854	7,444	1,891	-	16,977	1,489	93,852	137,507	159,430			
Computer support	7,059	13,454	665	-	10,063	5,668	3,899	40,808	21,572			
Professional development	-	1,292	464	-	415	163	49	2,383	638			
Travel and entertainment	1,646	2,087	-	-	930	98	90	4,851	2,865			
Miscellaneous expenses	-	-	-	60	-	-	-	60	-			
Grant expenses	-	22,007	-	-	-	-	-	22,007	16,294			
Reproduction equipment	51	2,587	802	-	85	380	579	4,484	8,441			
Professional fees	376	7,200	6,314	-	2,852	38	1,427	18,207	19,646			
Advertising and promotion	-	-	-	-	934	49,751	-	50,685	44,686			
Minor furniture and equipment	270	(2,200)	3,431	-	2,457	544	735	5,237	2,914			
Insurance on assets	5,809	2,905	702	-	21,640	702	23,044	54,802	52,945			
Depreciation	30,735	15,368	3,714	-	114,488	3,714	121,916	289,935	285,054			
<b>TOTAL EXPENSES</b>	<u>\$ 179,387</u>	<u>\$ 322,837</u>	<u>\$ 177,898</u>	<u>\$ 9,926</u>	<u>\$ 419,421</u>	<u>\$ 199,569</u>	<u>\$ 547,529</u>	<u>\$ 1,856,567</u>	<u>\$ 1,826,915</u>			

The accompanying notes are an integral part of these financial statements

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	Supporting Services				2018 Total	2017 Total
	General and Administrative	Fundraising	Visitor Services	Museum Store		
<b>COMPENSATION AND RELATED EXPENSES</b>						
Salaries	\$ 59,002	\$ 175,446	\$ 69,637	\$ 71,525	\$ 375,610	\$ 421,940
Pensions and benefits	665	2,200	610	993	4,468	5,493
Medical insurance	2,567	16,607	7,485	13,656	40,315	59,332
Payroll taxes	4,325	12,867	5,169	5,437	27,798	30,426
	66,559	207,120	82,901	91,611	448,191	517,191
<b>OTHER EXPENSES</b>						
Supplies	2,008	31,793	1,312	1,776	36,889	45,076
Gift shop purchases	-	-	-	45,772	45,772	47,688
Printing	-	5,902	-	-	5,902	18,461
Administrative expenses	8,606	9,614	-	3,138	21,358	8,452
Freight and postage	635	6,093	-	169	6,897	6,946
Telephone	1,534	737	958	549	3,778	5,381
Utilities	9,260	3,604	-	1,802	14,666	38,827
Repairs and maintenance	6,459	1,961	-	1,489	9,909	173,004
Computer support	41,430	19,719	4,014	3,173	68,336	26,640
Professional development	630	636	180	60	1,506	1,339
Travel and entertainment	-	25	-	-	25	317
Miscellaneous labor	2,979	-	-	-	2,979	2,513
Miscellaneous expenses	-	-	-	37	37	2,006
Reproduction equipment	1,421	1,741	-	138	3,300	4,230
Professional fees	18,792	3,018	4,570	38	26,418	82,003
Minor furniture and equipment	4,540	37	-	806	5,383	1,147
Insurance on assets	3,607	1,404	-	702	5,713	14,032
Insurance on trustees	3,320	-	-	-	3,320	3,320
Search committee expenses	889	-	-	-	889	11,252
Depreciation	19,082	7,428	-	3,714	30,224	75,545
Bad debt expense	-	-	-	-	-	746
<b>TOTAL EXPENSES</b>	<b>\$ 191,751</b>	<b>\$ 300,832</b>	<b>\$ 93,935</b>	<b>\$ 154,974</b>	<b>\$ 741,492</b>	<b>\$ 1,086,116</b>

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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions and grants	\$ 1,581,187	\$ 352,324
Cash received from admissions, gift shop sales and special events	735,158	762,414
Cash received from interest and dividends	425,102	343,176
Cash paid to suppliers and employees	<u>(2,275,299)</u>	<u>(2,235,011)</u>
Net cash provided (used) by operating activities	<u>466,148</u>	<u>(777,097)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment in property and equipment	(71,895)	(64,601)
Purchase of investments	(6,135,142)	(1,991,933)
Proceeds from sale of investments	<u>3,920,965</u>	<u>2,609,000</u>
Net cash provided (used) by investing activities	<u>(2,286,072)</u>	<u>552,466</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital campaign contributions	1,015,948	1,189,673
Endowment contributions	<u>4,854</u>	<u>100,000</u>
Net cash provided by financing activities	<u>1,020,802</u>	<u>1,289,673</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(799,122)	1,065,042
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,500,812</u>	<u>435,770</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 701,690</u></u>	<u><u>\$ 1,500,812</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES</b>		
Donated land	<u><u>\$ 560,000</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of 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. These collections include: Malacology (2 million specimens), Ornithology (113,000 specimens), Mammology (6,000 specimens), and smaller Entomology and Botany collections.

**Basis of Accounting**

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

**Basis of Presentation**

The financial statements of the Museum have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires the Museum to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Museum's management and the Board of Trustees.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measure of Operations**

The statements of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Museum's ongoing exhibit, education, and research operations and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

**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 and cash equivalents, designated." The balance of cash and cash equivalents, designated was \$614,469 and \$1,465,095 for the years ended December 31, 2018 and 2017, respectively. 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.

**Inventories**

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

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 activities and changes in net assets 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.

**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.

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

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, 2018 and 2017 was \$320,159 and \$314,769, respectively.

**Income Tax Status**

The Museum has been granted tax-exempt status as a non-profit organization under Section 501(c) (3) of the Internal Revenue Code and, accordingly, files Federal Tax Form 990 (Return of Organization Exempt from Income Tax), annually. No provision for income taxes is required in the Museum's financial statements. The Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 740-10, Accounting for Uncertainty in Income Taxes, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. The Museum does not believe there are any uncertain tax positions that require recognition in the financial statements.

**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.

**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.

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2018 and 2017 were \$371,446 and \$362,995, respectively. No allowance for uncollectible accounts receivable has been recorded as management believes that all contributions receivable are fully collectible.

During the year ended December 31, 2017, the Museum started a capital campaign, Museum Metamorphosis, to raise \$9.8 million to complete the Master Exhibit Plan. Cumulative gifts and pledges recorded in the Museum's financial statements for the capital campaign were \$2,563,266 and \$1,535,389 as of December 31, 2018 and 2017, respectively.

Capital campaign contributions receivable are scheduled to be received according to the following schedule:

<u>Year Ending December 31,</u>		
2019	\$	123,166
2020		100,872
2021		79,587
2022		54,020
2023		-
	<u>\$</u>	<u>357,645</u>

An additional \$13,801 of other contributions receivable were scheduled to be received during the year ended December 31, 2019.

**Advertising Costs**

Advertising costs are charged to expense as incurred. Advertising costs incurred during 2018 and 2017 were \$50,685 and \$44,686, respectively.

**Functional Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, certain expenses require allocation between program and supporting services on a reasonable basis that is consistently applied.

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses (Continued)**

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries, benefits, and payroll taxes	Time and effort
Occupancy and utilities	Square footage
Repairs and maintenance	Square footage
Computer support	Number of units
Insurance	Square footage
Depreciation	Square footage

**New Accounting Pronouncement**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Museum has adjusted the presentation of these statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

**Subsequent Events**

Management has evaluated subsequent events through March 8, 2019, the date the financial statements were available to be issued.

**Prior Year Financial Statements**

The financial statements include certain prior year summarized comparative information in total but not by functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be used in conjunction with the Museum's financial statements for the year ended December 31, 2017, from which the information was derived.

**Reclassifications**

Certain 2017 amounts have been reclassified to conform to the 2018 presentation. These reclassifications had no effect on previously reported net assets or change in net assets.

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

Investments and fair values of assets measured on a recurring basis, in accordance with FASB ASC 820-10, consisted of the following as of December 31:

<u>2018</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gain/(Loss)</u>
Money market (Level 1)	\$ 3,099,211	\$ 3,099,211	\$ -
Vanguard bond mutual funds (Level 1):			
Short-term investment grade	2,150,151	2,130,226	(19,925)
Intermediate term	3,361,589	3,289,878	(71,711)
Vanguard equity mutual funds (Level 1):			
Domestic	2,554,103	3,369,646	815,543
International and emerging market	3,289,408	3,514,361	224,953
Vanguard alternative funds (Level 1):			
Global Equity	1,655,238	1,647,216	(8,022)
Others	2,175,230	2,168,717	(6,513)
	<u>\$ 18,284,930</u>	<u>\$ 19,219,255</u>	<u>\$ 934,325</u>
<u>2017</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gain/(Loss)</u>
Money market (Level 1)	\$ 321,609	\$ 321,609	\$ -
Vanguard bond mutual funds (Level 1):			
Short-term investment grade	1,030,642	1,032,148	1,506
Intermediate term	4,357,111	4,384,347	27,236
Vanguard equity mutual funds (Level 1):			
Domestic	2,072,688	3,135,563	1,062,875
International and emerging market	3,411,056	4,426,991	1,015,935
Vanguard alternative funds (Level 1):			
Global Equity	2,108,561	2,266,823	158,262
Others	2,258,429	2,600,374	341,945
	<u>\$ 15,560,096</u>	<u>\$ 18,167,855</u>	<u>\$ 2,607,759</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 2018 and 2017. 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.**  
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**INVESTMENTS (CONTINUED)**

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 30<sup>th</sup> 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 30<sup>th</sup> of the current fiscal year. Any draw in excess of 6% requires prior approval by the Board of Trustees.

**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.

**AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS**

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, comprised of the following at December 31:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 701,690	\$ 1,500,812
Contributions receivable	371,446	362,995
Investments	<u>19,219,255</u>	<u>18,167,855</u>
Total financial assets	20,292,391	20,031,662
Less amounts not available to be used within one year:		
Net assets with donor restrictions	4,146,138	2,213,618
Board designated operating items	<u>353,135</u>	<u>251,802</u>
	<u>4,499,273</u>	<u>2,465,420</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 15,793,118</u>	<u>\$ 17,566,242</u>

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
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**AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS (CONTINUED)**

The Museum's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Museum's board-designated endowment of \$15,710,720 and \$17,470,919 as of December 31, 2018 and 2017, respectively, and is subject to a maximum draw of 6% of the market value of total investments, as described further in the Investments footnote. Other than for amounts appropriated for general expenditure as part of the Board's annual budget approval, the Museum does not intend to spend from this board-designated endowment; however, these amounts could be made available if necessary with approval from the Board.

**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 sciences 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.

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.

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
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**ASSETS OF THE ENDOWMENT (CONTINUED)**

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. There was no deficiency in temporarily restricted net assets during the years ended December 31, 2018 and 2017.

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.

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

<u>December 31, 2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 15,710,720	\$ -	\$ 15,710,720
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity	-	618,437	618,437
Accumulated investment gains	-	13,608	13,608
	<u>\$ 15,710,720</u>	<u>\$ 632,045</u>	<u>\$ 16,342,765</u>

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
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**ASSETS OF THE ENDOWMENT (CONTINUED)**

<u>December 31, 2017</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 17,470,919	\$ -	\$ 17,470,919
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity	-	613,583	613,583
Accumulated investment gains	-	83,353	83,353
	<u>\$ 17,470,919</u>	<u>\$ 696,936</u>	<u>\$ 18,167,855</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ 16,151,336	\$ 513,583	\$ 16,664,919
Investment return:			
Investment income, net of fees	330,271	12,905	343,176
Net realized / unrealized gains	2,048,378	71,625	2,120,003
Total investment return	<u>2,378,649</u>	<u>84,530</u>	<u>2,463,179</u>
Contributions transferred into endowment	-	100,000	100,000
Transfer out of closed account	(743)	-	(743)
Appropriation of assets for expenditure	<u>(1,058,323)</u>	<u>(1,177)</u>	<u>(1,059,500)</u>
Endowment net assets, December 31, 2017	17,470,919	696,936	18,167,855
Investment return:			
Investment income, net of fees	382,892	15,959	398,851
Net realized / unrealized losses	(1,102,074)	(59,869)	(1,161,943)
Total investment return	<u>(719,182)</u>	<u>(43,910)</u>	<u>(763,092)</u>
Contributions transferred into endowment	-	4,854	4,854
Appropriation of assets for expenditure	<u>(1,041,017)</u>	<u>(25,835)</u>	<u>(1,066,852)</u>
Endowment net assets, December 31, 2018	<u>\$ 15,710,720</u>	<u>\$ 632,045</u>	<u>\$ 16,342,765</u>

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
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**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 \$46,177 and \$52,312 at December 31, 2018 and 2017, 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 and changes in net assets. The Museum received \$2,000 and \$2,023 in distributions from the Foundation during the years ended December 31, 2018 and 2017, respectively.

**NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were restricted for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Restricted for specified purposes:		
Animal care	\$ 635	\$ 2,382
Birds internship	29,773	18,000
Capital campaign	2,549,898	1,535,489
Collections and research	928,491	-
Larry Scott memorial	-	563
Library	2,204	2,096
Nature Nook	2,892	6,246
Publications	-	20
Willowdale respite night	200	-
	<u>3,514,093</u>	<u>1,564,796</u>
Endowments:		
Subject to endowment spending policy:		
Collections and research	3,119	67,923
Cultivation and study of natural sciences	10,489	15,430
To be maintained in perpetuity:		
Collections and research	500,000	500,000
Cultivation and study of natural sciences	118,437	113,583
	<u>632,045</u>	<u>696,936</u>
Total endowments	<u>632,045</u>	<u>696,936</u>
Total net assets with donor restrictions	<u>\$ 4,146,138</u>	<u>\$ 2,261,732</u>

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
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**NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets with donor restrictions were released from restrictions as follows during the years ended December 31:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions:		
Animal care	\$ 3,185	\$ 4,461
Bird internship	7,727	-
Capital projects	-	32,676
Capital campaign	38,921	-
Collections and research	136,701	-
Computer replacement	24,000	-
Constellation energy	477	-
Exterior lighting	2,815	2,755
Flagpole installation	-	1,434
Flower market	735	1,036
Larry Scott Memorial	563	-
Marmot Foundation	-	6,000
Nature Nook	3,354	-
Publications	20	17,347
Well repair	-	10,000
Weymouth pine dedication	250	-
	<u>\$ 218,748</u>	<u>\$ 75,709</u>

**DELAWARE MUSEUM OF NATURAL HISTORY, INC.**  
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**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. 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 \$11,438 and \$12,825 for the years ended December 31, 2018 and 2017, 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, 2018 or 2017.

A substantial number of volunteers have made significant contributions of their time to develop the Museum's programs. Volunteers donated approximately 6,932 hours and 6,413 hours of time to the Museum's programs and services during the years ended December 31, 2018 and 2017, 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.

**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, 2018 or 2017.