

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 statement of financial position as of December 31, 2020, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Museum's December 31, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cover & Rossiter, P.A.

Certified Public Accountants

April 26, 2021
Wilmington, Delaware

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents		
Operating	\$ 166,532	\$ 55,579
Designated and restricted	1,208,516	500,269
Total cash and cash equivalents	1,375,048	555,848
Accounts receivable	151,501	4,584
Contributions receivable	169,731	242,860
Inventories	12,047	23,367
Prepaid expenses	58,776	90,964
Total current assets	1,767,103	917,623
INVESTMENTS	22,868,165	22,010,090
CONTRIBUTIONS RECEIVABLE, NONCURRENT	149,066	287,607
PROPERTY AND EQUIPMENT		
Land	710,000	710,000
Building and improvements	9,556,454	9,519,733
Furniture and equipment	847,874	819,556
Automotive	15,925	15,925
Exhibits and laboratory	456,241	456,241
Construction in progress	919,871	94,016
	12,506,365	11,615,471
Less: accumulated depreciation	6,522,916	6,238,641
	5,983,449	5,376,830
COLLECTION ITEMS - See accompanying notes	-	-
TOTAL ASSETS	\$ 30,767,783	\$ 28,592,150

The accompanying notes are an integral part of these financial statements

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020	2019
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 265,308	\$ 106,240
Accrued expenses	43,762	27,179
Deferred revenue	81,652	75,426
Total current liabilities	390,722	208,845
NET ASSETS:		
Without donor restrictions:		
Board designated - investment portfolio	18,282,603	17,507,245
Board designated - other	1,551,061	861,395
Board designated - net investment in property and equipment	5,983,449	5,376,830
	25,817,113	23,745,470
With donor restrictions:		
Purpose restrictions	3,941,511	4,019,398
Perpetual restrictions and endowments	618,437	618,437
	4,559,948	4,637,835
Total net assets	30,377,061	28,383,305
TOTAL LIABILITIES AND NET ASSETS	\$ 30,767,783	\$ 28,592,150

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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and grants	\$ 365,893	\$ 129,684	\$ 495,577	\$ 271,533	\$ 247,782	\$ 519,315
Admissions	59,924	-	59,924	238,080	-	238,080
Gift shop revenue	39,621	-	39,621	100,954	-	100,954
Memberships	48,086	-	48,086	102,541	-	102,541
Special event revenues	111,251	-	111,251	337,713	647	338,360
Miscellaneous income	15,334	-	15,334	29,518	-	29,518
PPP conditional grant	263,784	-	263,784	-	-	-
Investment draw	1,051,000	-	1,051,000	1,088,810	-	1,088,810
Endowment draw	32,254	-	32,254	32,238	-	32,238
Net assets released from restrictions:						
Satisfaction of program restrictions	588,136	(588,136)	-	831,903	(831,903)	-
Total support and revenue	<u>2,575,283</u>	<u>(458,452)</u>	<u>2,116,831</u>	<u>3,033,290</u>	<u>(583,474)</u>	<u>2,449,816</u>
OPERATING EXPENSES						
Program services:						
Birds and mammals	113,212	-	113,212	186,273	-	186,273
Education	454,383	-	454,383	540,708	-	540,708
Volunteer	23,937	-	23,937	28,110	-	28,110
Mollusks	428,056	-	428,056	442,078	-	442,078
Communications	156,770	-	156,770	209,455	-	209,455
Exhibits	375,982	-	375,982	506,626	-	506,626
	<u>1,552,340</u>	<u>-</u>	<u>1,552,340</u>	<u>1,913,250</u>	<u>-</u>	<u>1,913,250</u>
Support services:						
General and administrative	82,721	-	82,721	153,257	-	153,257
Fundraising	221,135	-	221,135	270,214	-	270,214
Guest experience	110,873	-	110,873	124,269	-	124,269
Gift shop	74,009	-	74,009	131,492	-	131,492
	<u>488,738</u>	<u>-</u>	<u>488,738</u>	<u>679,232</u>	<u>-</u>	<u>679,232</u>
Total operating expenses	<u>2,041,078</u>	<u>-</u>	<u>2,041,078</u>	<u>2,592,482</u>	<u>-</u>	<u>2,592,482</u>
Change in Net Assets - Operating	534,205	(458,452)	75,753	440,808	(583,474)	(142,666)
Non-Operating Activities						
Investment performance net of draw	778,925	78,639	857,564	1,784,447	200,378	1,984,825
Loss from disposal of assets	(1,418)	-	(1,418)	-	-	-
Capital campaign	-	1,176,659	1,176,659	-	908,250	908,250
Capital campaign expenses	(114,802)	-	(114,802)	(44,950)	-	(44,950)
Releases from restrictions - capital campaign	874,733	(874,733)	-	33,457	(33,457)	-
Total non-operating activities	<u>1,537,438</u>	<u>380,565</u>	<u>1,918,003</u>	<u>1,772,954</u>	<u>1,075,171</u>	<u>2,848,125</u>
CHANGE IN NET ASSETS	2,071,643	(77,887)	1,993,756	2,213,762	491,697	2,705,459
NET ASSETS AT BEGINNING OF YEAR	<u>23,745,470</u>	<u>4,637,835</u>	<u>28,383,305</u>	<u>21,531,708</u>	<u>4,146,138</u>	<u>25,677,846</u>
NET ASSETS AT END OF YEAR	<u>\$ 25,817,113</u>	<u>\$ 4,559,948</u>	<u>\$ 30,377,061</u>	<u>\$ 23,745,470</u>	<u>\$ 4,637,835</u>	<u>\$ 28,383,305</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, 2020 WITH COMPARATIVE TOTALS FOR 2019

	Program Services						2020 Total	2019 Total	
	Birds & Mammals	Education		Volunteer	Mollusks	Communications			Exhibits
		Formal	Informal						
COMPENSATION AND RELATED EXPENSES									
Salaries	\$ 34,645	\$ 231,328	\$ 91,575	\$ 17,171	\$ 166,699	\$ 97,579	\$ 88,435	\$ 727,432	\$ 758,327
Pensions and benefits	796	2,255	905	204	2,271	1,594	730	8,755	8,499
Medical insurance	6,756	23,503	4,148	1,590	13,282	4,470	9,606	63,355	83,407
Payroll taxes	(7,129)	(28,256)	2,791	3,210	2,597	(2,093)	(3,145)	(32,025)	55,943
	35,068	228,830	99,419	22,175	184,849	101,550	95,626	767,517	906,176
OTHER EXPENSES									
Supplies	1,191	8,640	644	40	7,297	434	2,998	21,244	31,650
Special events	-	-	1,565	-	-	-	-	1,565	4,125
Exhibits expense	-	-	-	-	-	-	44,364	44,364	114,033
Printing	-	222	-	-	-	10,631	-	10,853	20,585
Administrative expense	2,303	100	345	179	27,079	2,021	1,641	33,668	18,328
Freight and postage	140	156	44	22	448	2,060	142	3,012	3,839
Telephone	3,474	3,667	931	-	3,870	943	1,421	14,306	10,013
Utilities	10,651	5,325	178	1,109	39,673	1,287	42,247	100,470	110,814
Repairs and maintenance	11,544	7,688	1,218	-	12,392	1,021	38,796	72,659	123,368
Computer support	12,516	17,420	950	-	16,646	9,252	4,178	60,962	42,278
Professional development	50	438	-	-	-	-	35	523	3,405
Travel and entertainment	268	504	1	-	32	1	34	840	6,825
Miscellaneous labor	-	607	-	-	-	-	153	760	501
Miscellaneous expenses	-	-	-	-	-	-	900	900	180
Grant expenses	-	36,812	-	-	-	-	-	36,812	74,900
Reproduction equipment	29	3,904	656	412	66	333	300	5,700	7,372
Professional fees	367	8,017	3,723	-	1,320	37	1,943	15,407	29,584
Advertising and promotion	-	-	-	-	696	22,898	-	23,594	60,957
Minor furniture and equipment	13	279	1	-	1,087	1	-	1,381	4,848
Insurance on assets	5,455	2,727	659	-	20,319	659	21,637	51,456	53,495
Depreciation	30,143	15,071	3,642	-	112,282	3,642	119,567	284,347	285,974
TOTAL EXPENSES	\$ 113,212	\$ 340,407	\$ 113,976	\$ 23,937	\$ 428,056	\$ 156,770	\$ 375,982	\$ 1,552,340	\$ 1,913,250

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, 2020 WITH COMPARATIVE TOTALS FOR 2019

	Supporting Services				2020 Total	2019 Total
	General and Administrative	Fundraising	Guest Experience	Gift Shop		
COMPENSATION AND RELATED EXPENSES						
Salaries	\$ 42,869	\$ 155,104	\$ 92,883	\$ 38,967	\$ 329,823	\$ 371,703
Pensions and benefits	687	2,836	739	288	4,550	4,483
Unemployment	-	-	-	-	-	13,718
Medical insurance	(1,739)	19,869	7,065	2,844	28,039	42,308
Payroll taxes	(33,917)	420	(3,113)	(1,856)	(38,466)	26,265
	7,900	178,229	97,574	40,243	323,946	458,477
OTHER EXPENSES						
Supplies	3,875	6,468	409	364	11,116	33,363
Gift shop purchases	-	-	-	21,570	21,570	41,947
Printing	-	-	-	-	-	1,069
Administrative expenses	9,696	7,519	-	1,815	19,030	21,233
Freight and postage	412	3,014	11	80	3,517	6,683
Telephone	651	959	1,247	714	3,571	2,919
Utilities	6,612	2,574	-	1,287	10,473	11,550
Repairs and maintenance	4,808	1,365	-	1,021	7,194	9,589
Computer support	1,078	8,856	6,706	1,902	18,542	23,387
Professional development	369	10	32	19	430	681
Travel and entertainment	-	21	122	-	143	131
Miscellaneous labor	2,727	-	261	-	2,988	2,815
Miscellaneous expenses	266	-	-	1	267	589
Reproduction equipment	1,586	1,207	-	7	2,800	2,365
Professional fees	15,093	2,309	3,894	37	21,333	21,571
Minor furniture and equipment	2,028	2	617	648	3,295	2,157
Insurance on assets	3,387	1,318	-	659	5,364	5,576
Insurance on trustees	3,519	-	-	-	3,519	3,320
Search committee expenses	-	-	-	-	-	-
Depreciation	18,714	7,284	-	3,642	29,640	29,810
TOTAL EXPENSES	\$ 82,721	\$ 221,135	\$ 110,873	\$ 74,009	\$ 488,738	\$ 679,232

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and grants	\$ 746,531	\$ 166,821
Cash received from admissions, gift shop sales and special events	267,775	808,514
Cash received from interest and dividends	316,386	515,672
Cash paid to suppliers and employees	(2,002,867)	(2,278,635)
Net cash used by operating activities	(672,175)	(787,628)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in property and equipment	(682,367)	(224,761)
Purchase of investments	(1,749,058)	(3,296,689)
Proceeds from sale of investments	2,515,415	3,096,055
Net cash provided (used) by investing activities	83,990	(425,395)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign contributions	1,407,385	1,067,181
Net cash provided by financing activities	1,407,385	1,067,181
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	819,200	(145,842)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	555,848	701,690
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 1,375,048	\$ 555,848

The accompanying notes are an integral part of these financial statements

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 the 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), Mammalogy (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, whereby 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, 2020 AND 2019

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 designated cash and cash equivalents was \$1,208,516 and \$500,269 for the years ended December 31, 2020 and 2019, 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. The balance of the Museum's cash and cash equivalents exceeding federally insured limits was \$1,119,375 and \$289,035, respectively, as of December 31, 2020 and 2019. 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 Museum's 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. They are also 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, 2020 AND 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in securities with readily determinable fair values 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

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Museum groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

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.

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.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 are 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
Exhibits and laboratory	10-20

Depreciation expense for the years ended December 31, 2020 and 2019 was \$313,987 and \$315,784, respectively.

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. Memberships are recognized when purchased, which is not materially different than recognizing memberships over the term of the membership, which is generally one year. The Museum records special events revenue equal to the cost of direct benefits to donors and contribution revenue for the difference.

The Museum recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the condition(s) on which they depend have been substantially met. Payments received in advance of conditions being substantially met are included in deferred revenue in the Museum's statement of financial position.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

The following tables provide information about significant changes in deferred revenue for the year ended December 31:

	<u>2020</u>	<u>2019</u>
Contractual liabilities, beginning of year	\$ 13,446	\$ 46,650
Increases in due to cash received during the year	147,757	270,354
Revenue recognized for satisfaction of contractual obligations	<u>(156,530)</u>	<u>(303,558)</u>
Contractual liabilities, end of year	<u>\$ 4,673</u>	<u>\$ 13,446</u>
Conditional advances, beginning of year	\$ 61,980	\$ 63,318
Cash received from contributions with performance conditions	49,380	61,041
Satisfaction of performance conditions on contributions	<u>(34,381)</u>	<u>(62,379)</u>
Conditional advances, end of year	<u>\$ 76,979</u>	<u>\$ 61,980</u>

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, 2020 and 2019 were \$318,797 and \$530,467, 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 \$4,659,406 and \$3,454,375 as of December 31, 2020 and 2019, respectively.

Contributions receivable are scheduled to be received according to the following as of December 31, 2020:

	<u>Capital Campaign</u>	<u>Other</u>	<u>Total</u>
Less than one year	\$ 136,784	\$ 32,947	\$ 169,731
One to five years	149,066	-	149,066
More than five years	-	-	-
	<u>\$ 285,850</u>	<u>\$ 32,947</u>	<u>\$ 318,797</u>

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Museum is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code. There was no provision for income taxes due on unrelated business income and the Museum does not believe there are any uncertain tax positions that require recognition in the financial statements.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs incurred during 2020 and 2019 were \$23,594 and \$60,957, 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.

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

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 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
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, from which the information was derived.

Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 presentation. Contributions without donor restriction in the amount of \$69,711 were reclassified to contribution with donor restrictions. In addition, there is a simultaneous reclassification between satisfaction of program restrictions with donor restrictions and without donor restrictions. There was no net effect to total net assets as a result of this reclassification.

Subsequent Events

Management has evaluated subsequent events through April 26, 2021, the date the financial statements were available to be issued.

The Museum received approval for a second Paycheck Protection Program loan in the amount of \$263,812 in February 2021. Management has elected to account for the loan as a conditional contribution under ASC Subtopic 958-605.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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INVESTMENTS

Investments and fair values of assets measured on a recurring basis consisted of the following, as of December 31:

2020	Cost	Fair Value	Cumulative Unrealized Gain/(Loss)
Money market (Level 1)	\$ 4,359,552	\$ 4,359,552	\$ -
Vanguard bond mutual funds (Level 1):			
Short-term investment grade	2,269,579	2,373,015	103,436
Intermediate term	3,394,622	3,591,117	196,495
Vanguard equity mutual funds (Level 1):			
Domestic	2,125,616	3,875,117	1,749,501
International and emerging market	2,547,976	3,886,318	1,338,342
Vanguard alternative funds (Level 1):			
Global Equity	1,786,371	2,078,327	291,956
Others	2,122,387	2,704,719	582,332
	<u>\$ 18,606,103</u>	<u>\$ 22,868,165</u>	<u>\$ 4,262,062</u>
2019	Cost	Fair Value	Cumulative Unrealized Gain/(Loss)
Money market (Level 1)	\$ 4,356,447	\$ 4,356,447	\$ -
Vanguard bond mutual funds (Level 1):			
Short-term investment grade	2,215,013	2,254,653	39,640
Intermediate term	2,852,114	2,955,023	102,909
Vanguard equity mutual funds (Level 1):			
Domestic	2,378,520	3,903,757	1,525,237
International and emerging market	2,872,678	3,723,384	850,706
Vanguard alternative funds (Level 1):			
Global Equity	1,732,668	1,984,229	251,561
Others	2,530,862	2,832,597	301,735
	<u>\$ 18,938,302</u>	<u>\$ 22,010,090</u>	<u>\$ 3,071,788</u>

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
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INVESTMENTS (CONTINUED)

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 2020 and 2019. 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.

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.

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.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
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AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,375,048	\$ 555,848
Contributions receivable	318,797	530,467
Investments	<u>22,868,165</u>	<u>22,010,090</u>
Total financial assets	<u>24,562,010</u>	<u>23,096,405</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	4,559,948	4,637,835
Board designated operating items	<u>1,551,061</u>	<u>861,395</u>
	<u>6,111,009</u>	<u>5,499,230</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 18,451,001</u>	<u>\$ 17,597,175</u>

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 \$18,282,603 and \$17,507,245 as of December 31, 2020 and 2019, 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.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
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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.

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, 2020 and 2019.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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ASSETS OF THE ENDOWMENT (CONTINUED)

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:

December 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 18,282,603	\$ -	\$ 18,282,603
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity	-	618,437	618,437
Accumulated investment gains	-	172,733	172,733
	<u>\$ 18,282,603</u>	<u>\$ 791,170</u>	<u>\$ 19,073,773</u>
December 31, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 17,507,245	\$ -	\$ 17,507,245
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity	-	618,437	618,437
Accumulated investment gains	-	107,045	107,045
	<u>\$ 17,507,245</u>	<u>\$ 725,482</u>	<u>\$ 18,232,727</u>

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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ASSETS OF THE ENDOWMENT (CONTINUED)

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, 2018	\$ 15,710,720	\$ 632,045	\$ 16,342,765
Investment return:			
Investment income, net of fees	422,134	17,802	439,936
Net realized / unrealized gains	<u>2,463,201</u>	<u>107,873</u>	<u>2,571,074</u>
Total investment return	2,885,335	125,675	3,011,010
Contributions transferred into endowment	-	-	-
Appropriation of assets for expenditure	<u>(1,088,810)</u>	<u>(32,238)</u>	<u>(1,121,048)</u>
Endowment net assets, December 31, 2019	17,507,245	725,482	18,232,727
Investment return:			
Investment income, net of fees	288,096	14,359	302,455
Net realized / unrealized gains	<u>1,538,262</u>	<u>83,583</u>	<u>1,621,845</u>
Total investment return	1,826,358	97,942	1,924,300
Appropriation of assets for expenditure	<u>(1,051,000)</u>	<u>(32,254)</u>	<u>(1,083,254)</u>
Endowment net assets, December 31, 2020	<u>\$ 18,282,603</u>	<u>\$ 791,170</u>	<u>\$ 19,073,773</u>

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 \$55,609 and \$51,778 at December 31, 2020 and 2019, 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 \$2,016 in distributions from the Foundation during the years ended December 31, 2020 and 2019.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Restricted for specified purposes:		
Animal care	\$ -	\$ 908
Birds internship	-	28,372
Capital campaign	3,688,714	3,346,396
Collections and research	-	465,339
DuPont STEM	14,342	-
Education	58,114	62,843
Library	2,204	2,204
Nature Nook	2,118	2,891
Teen Science Café	2,826	3,400
Tornado restoration	460	-
	<u>3,768,778</u>	<u>3,912,353</u>
Endowments:		
Subject to endowment spending policy:		
Collections and research	138,888	21,397
Cultivation and study of natural sciences	33,845	85,648
To be maintained in perpetuity:		
Collections and research	500,000	500,000
Cultivation and study of natural sciences	118,437	118,437
	<u>791,170</u>	<u>725,482</u>
Total endowments	<u>791,170</u>	<u>725,482</u>
Total net assets with donor restrictions	<u>\$ 4,559,948</u>	<u>\$ 4,637,835</u>

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Certain net assets released from restrictions were reclassified from 2019 to conform to the 2020 presentation. Net assets with donor restrictions were released from restrictions as follows, during the years ended December 31:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Animal care	\$ 3,149	\$ 2,843
Bird internship	-	22,901
Capital projects	-	15,775
Capital campaign	873,753	161,469
Christmas Tree	1,000	1,717
Collections and research	467,284	521,653
COVID Relief	10,000	-
DE Sea grant	4,844	-
DuPont STEM	658	-
Education	29,728	56,126
Exterior lighting	2,715	2,965
Flower market	891	-
Nature Nook	774	-
NSF grant	32,723	69,711
PNC grant	24,717	-
RAPID	7,610	-
Seeing Science Everywhere	-	10,000
Teen Science Café	574	-
Tornado restoration	2,449	-
Willowdale respite night	-	200
	<u>\$ 1,462,869</u>	<u>\$ 865,360</u>

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 \$13,560 and \$13,256 for the years ended December 31, 2020 and 2019, respectively.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
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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, 2020 or 2019.

A substantial number of volunteers have made significant contributions of their time to develop the Museum's programs. Volunteers donated approximately 2,174 hours and 7,320 hours of time to the Museum's programs and services during the years ended December 31, 2020 and 2019, 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.

PAYCHECK PROTECTION PROGRAM

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The Museum applied and was approved for a loan under the Paycheck Protection Program ("PPP") provision of the CARES Act. The proceeds of this loan in the amount of \$263,784 were received on April 22, 2020.

Under the provisions of the PPP, the loan may be forgiven in whole or in part by expending the funds for qualifying expenses which include payroll (with certain qualifications) and other expenses. The Museum applied for and received loan forgiveness on November 14, 2020.

Under current guidance, management has elected to account for the loan as a conditional grant under ASC Subtopic 958-605. As a conditional contribution, the PPP loan is not recognized as revenue until the terms of the forgiveness have either been substantially met or specifically waived. From the date of the proceeds were received through the date of the application for forgiveness, qualifying expenses of \$263,784 were paid and that the terms of forgiveness have been substantially met for that amount. As of December 31, 2020, management has recorded revenue for the full amount of the loan, as the Museum received notification in November 2020 that the entire loan had been forgiven.

The CARES Act and PPP program have been amended by subsequent legislation, and may be amended again subsequent to the date of these financial statements.

DELAWARE MUSEUM OF NATURAL HISTORY, INC.
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EMPLOYEE RETENTION CREDIT

The Employee Retention Credit is a provision of the CARES Act. The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020 and before January 1, 2021. For each employee, wages (including certain health plan costs) up to \$10,000 can be counted to determine the amount of the 50% credit. The Museum recorded a receivable in the amount of \$140,476 for qualifying wages on the statement of financial position for the year ended December 31, 2020.

COMMITMENTS

The Museum entered into contracts for its construction projects in process. Under the terms of the contracts the Museum has committed to pay \$3,939,453. Approximately \$882,704 has been paid or accrued by the Museum as of December 31, 2020 on these contracts.

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, 2020 or 2019.

RISKS AND UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad impact on commerce and financial markets around the world. The United States and global markets experienced fluctuations in value resulting from uncertainty caused by the pandemic. The Museum is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these fluctuations. The extent of the impact of COVID-19 on the Museum's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Museum's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.