

LAS VEGAS NATURAL HISTORY MUSEUM
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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Independent Auditor's Report

To the Board of Directors
Las Vegas Natural History Museum

We have audited the accompanying financial statements of Las Vegas Natural History Museum (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Las Vegas Natural History Museum as of December 31, 2015 and 2014, 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.

Ellsworth & Stout, LLC

Las Vegas, Nevada
August 10, 2016



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**LAS VEGAS NATURAL HISTORY MUSEUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 189,191	\$ 185,855
Cash and cash equivalents, restricted	181,855	144,600
Certificates of deposit	109,495	109,168
Prepaid expenses	5,000	-
Inventory	11,252	11,521
Total current assets	<u>496,793</u>	<u>451,144</u>
Property and Equipment, net	<u>2,473,415</u>	<u>2,625,274</u>
Other Assets:		
Cash and cash equivalents, restricted	37,529	12,647
Investments, restricted	962,471	987,353
Total other assets	<u>1,000,000</u>	<u>1,000,000</u>
Total Assets	<u>\$ 3,970,208</u>	<u>\$ 4,076,418</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 2,193	\$ 5,856
Accrued expenses	9,686	7,604
Total current liabilities	<u>11,879</u>	<u>13,460</u>
Net Assets:		
Unrestricted	1,008,244	1,090,188
Temporarily restricted	1,950,085	1,972,770
Permanently restricted	1,000,000	1,000,000
Total net assets	<u>3,958,329</u>	<u>4,062,958</u>
Total Liabilities and Net Assets	<u>\$ 3,970,208</u>	<u>\$ 4,076,418</u>

See accompanying notes to the financial statements.

**LAS VEGAS NATURAL HISTORY MUSEUM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Unrestricted Net Assets		
Unrestricted revenue and other support:		
Admissions	\$ 301,619	\$ 235,354
Memberships	94,895	87,510
Donations	30,380	17,566
Special events, net of expenses of \$279,220 and \$160,972, respectively	68,309	154,576
In-kind donations	257,975	139,433
Investment income	355	354
Other income	38,908	29,787
Released from restrictions	277,669	176,268
	<u>1,070,110</u>	<u>840,848</u>
Expenses:		
Program services	1,027,066	892,080
Supporting services:		
Management and general	100,871	87,411
Fundraising and community awareness	24,117	22,101
	<u>1,152,054</u>	<u>1,001,592</u>
Decrease in unrestricted net assets	<u>(81,944)</u>	<u>(160,744)</u>
Temporarily Restricted Net Assets		
Contributions	242,782	149,154
Net investment income	36,129	31,328
Net realized and unrealized loss on investments	(23,927)	(19,427)
Released from restrictions	(277,669)	(176,268)
Decrease in temporarily restricted net assets	<u>(22,685)</u>	<u>(15,213)</u>
Decrease in Net Assets	<u>(104,629)</u>	<u>(175,957)</u>
Net Assets, Beginning of Year	<u>4,062,958</u>	<u>4,238,915</u>
Net Assets, End of Year	<u>\$ 3,958,329</u>	<u>\$ 4,062,958</u>

See accompanying notes to the financial statements.

**LAS VEGAS NATURAL HISTORY MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	Program	Management and General	Fundraising	Total
Advertising	\$ 41,157	\$ -	\$ 4,573	\$ 45,730
Animal care	26,996	-	-	26,996
Bank charges	-	13,584	-	13,584
Depreciation	206,943	14,793	1,199	222,935
Dues and subscriptions	5,294	-	1,765	7,059
Exhibit expense	41,725	-	-	41,725
Fundraising	-	-	268	268
Insurance	32,868	4,586	764	38,218
Meals and entertainment	-	3,511	-	3,511
Miscellaneous	-	943	-	943
Office expenses	11,054	4,318	1,900	17,272
Professional fees	58,231	19,410	-	77,641
Program expenses	90,810	-	-	90,810
Repair and maintenance	12,902	679	-	13,581
Salaries, taxes and related expenses	443,694	28,937	9,646	482,277
Telephone	2,864	2,780	2,780	8,424
Utilities	52,528	7,330	1,222	61,080
	<u>\$ 1,027,066</u>	<u>\$ 100,871</u>	<u>\$ 24,117</u>	<u>\$ 1,152,054</u>

See accompanying notes to the financial statements.

**LAS VEGAS NATURAL HISTORY MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 53,060	\$ -	\$ 5,896	\$ 58,956
Animal care	16,404	-	-	16,404
Bank charges	-	11,793	-	11,793
Depreciation	221,739	14,779	1,196	237,714
Dues and subscriptions	5,386	-	1,795	7,181
Exhibit expense	46,908	-	-	46,908
Fundraising	-	-	125	125
Insurance	31,096	4,339	723	36,158
Meals and entertainment	-	2,544	-	2,544
Miscellaneous	-	905	-	905
Office expenses	11,397	4,452	1,959	17,808
Professional fees	45,230	15,077	-	60,307
Program expenses	3,244	-	-	3,244
Repair and maintenance	10,793	568	-	11,361
Salaries, taxes and related expenses	369,088	24,071	8,024	401,183
School bus expense	23,640	-	-	23,640
Staff development	395	395	-	790
Telephone	1,197	1,162	1,162	3,521
Utilities	52,503	7,326	1,221	61,050
	<u>\$ 892,080</u>	<u>\$ 87,411</u>	<u>\$ 22,101</u>	<u>\$ 1,001,592</u>

See accompanying notes to the financial statements.

**LAS VEGAS NATURAL HISTORY MUSEUM
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Cash Flows from Operating Activities		
Decrease in net assets	\$ (104,629)	\$ (175,957)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	222,935	237,714
In-kind property and equipment	-	(31,200)
Net realized and unrealized loss on investments	23,927	19,427
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expenses	(5,000)	3,237
(Increase) decrease in inventory	269	48
Increase (decrease) in accounts payable	(3,663)	(4,798)
Increase (decrease) in accrued expenses	2,082	2,339
Net cash provided by operating activities	<u>135,921</u>	<u>50,810</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(71,076)	-
Net change in certificates of deposit	(327)	(327)
Proceeds from sale of investments	100,955	-
Purchase of investments	<u>(100,000)</u>	<u>(11,383)</u>
Net cash used in investing activities	<u>(70,448)</u>	<u>(11,710)</u>
Net Change in Cash and Cash Equivalents	65,473	39,100
Cash and Cash Equivalents, Beginning of Year	<u>343,102</u>	<u>304,002</u>
Cash and Cash Equivalents, End of Year	<u>\$ 408,575</u>	<u>\$ 343,102</u>
Cash and Cash Equivalents, Unrestricted	\$ 189,191	\$ 185,855
Cash and Cash Equivalents, Restricted	<u>219,384</u>	<u>157,247</u>
	<u>\$ 408,575</u>	<u>\$ 343,102</u>

See accompanying notes to the financial statements.

**LAS VEGAS NATURAL HISTORY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 – NATURE OF ORGANIZATION

The Las Vegas Natural History Museum (the Museum) is a private, non-profit institution dedicated to the children and families of the community. Through its interactive exhibits, educational programs, and the preservation of its collections, the Museum strives to instill in the public an understanding and appreciation of world wildlife and the earth's ecosystems, from the past through the present. Every museum strives for excellence but very few achieve the accolade of being accredited with the American Alliance of Museums (AAM). In July 2013, the Museum became one of only 6% of museums nationwide to gain AAM's prized accreditation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Museum's financial statements are maintained and prepared on the accrual basis of accounting. Therefore, revenue and the related assets are recognized when earned, and expenses are recognized when the obligation is incurred.

Basis of Presentation

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations, principally Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Museum is required to report information regarding its financial position and changes in financial position according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Museum considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Inventory

Inventories consist of items held for resale in the Museum's gift shop.

Property and Equipment

The Museum capitalizes significant expenditures for property and equipment at cost, generally those that exceed \$200. Property and equipment that are contributed to the Museum are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range between 5 to 50 years.

**LAS VEGAS NATURAL HISTORY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collections

The Museum has received donations of numerous collectible items that are held for public exhibition and education purposes. These collections include living animals, fossils, artwork, taxidermy animals, and other artifacts. The Museum has elected to not capitalize such items.

Contributed Materials and Services

Generally, donated materials, if significant in amount, are recorded at their fair market value, provided the Museum has a clearly measurable and objective basis for determining the value. In the case of materials where such values cannot reasonably be determined, the donation is not recorded. Donated professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The fair values of in-kind donations, which include donated materials, services and use of facilities, was \$257,975 and \$139,433 for the years ended December 31, 2015 and 2014, respectively.

In addition, a number of volunteers have donated their time to the Museum and its programs. These donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

On November 15, 1995 the Museum entered into an agreement with the City of Las Vegas to lease building space at \$1 per year under a long-term 50-year contract. The lease has been capitalized at the fair market value of the lease at the time the lease started. The fair value of the lease payments over the fifty years, were discounted at 7% to arrive at fair value at the time of the lease.

In March 2015 the Museum entered into an agreement with the City of Las Vegas and the Las Vegas/Clark County Library District to lease space for storage of exhibits, research and collections operations. The Museum is leasing approximately 10,000 square feet on a month-to-month basis at no charge. The fair value of the donated use of facilities for the year ended December 31, 2015 is \$80,000.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires by a stipulated time restriction lapsing or by the purpose of the restriction having been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period received are reported as unrestricted support.

Investment Expenses

Expenses relating to investment revenues, including investment advisory fees, amounted to \$7,678 and have been netted against temporarily restricted investment revenues in the accompanying Statement of Activities.

**LAS VEGAS NATURAL HISTORY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Museum received notification from the Internal Revenue Service that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation under Sections 509(a)(2) and 170(b)(1)(A)(vi). As such, the Museum is exempt from Federal income tax. Therefore, no provision for income taxes is made in the accompanying financial statements.

Management has evaluated the tax positions taken within their tax returns and does not believe there are any significant uncertain positions taken on the returns.

As of December 31, 2015, the tax years that remain subject to potential examination by taxing authorities begin with 2012.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on management’s estimates.

Advertising

Advertising costs are expensed as incurred.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2015	2014
Capital lease - building	\$ 2,997,000	\$ 2,997,000
Equipment	223,373	183,373
Exhibits	1,947,542	1,925,061
Leasehold improvements	575,992	567,396
	5,743,907	5,672,830
Accumulated depreciation	(3,270,492)	(3,047,556)
	\$ 2,473,415	\$ 2,625,274

Depreciation expense for the years ended December 31, 2015 and 2014 was \$222,935 and \$237,714, respectively.

In 1995 the Museum entered into a lease agreement with the City of Las Vegas for the building it occupies located at 900 Las Vegas Boulevard North. The Museum agreed to pay a rental fee of \$1 per year. The term of the lease agreement as amended in 1998 is for 50 years ending in November 2045. Amortization of assets held under the capital lease is included with depreciation expense.

**LAS VEGAS NATURAL HISTORY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014**

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair values of assets measured at December 31, 2015 are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Coporate bonds	\$ 835,977	\$ 835,977	-	-
Corporate notes	126,494	126,494	-	-
Total recurring fair value measurements	<u>\$ 962,471</u>	<u>\$ 962,471</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of assets measured at December 31, 2014 are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Coporate bonds	\$ 961,210	\$ 961,210	-	-
Corporate notes	26,143	26,143	-	-
Total recurring fair value measurements	<u>\$ 987,353</u>	<u>\$ 987,353</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes and periods:

	2015	2014
Animal Care Program	\$ 13,746	\$ 11,709
Capital lease, net (from City of Las Vegas)	1,768,230	1,828,170
Collections Cleaning	51,675	9,399
Education Program	34,593	39,923
Exhibit Sponsorship	39,031	68,438
Museum Expansion	42,810	15,131
	<u>\$ 1,950,085</u>	<u>\$ 1,972,770</u>

**LAS VEGAS NATURAL HISTORY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014**

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets consist of cash and cash equivalents of \$180,443 and net property and equipment of \$1,768,230 as of December 31, 2015.

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of an endowment fund that was established for the long-term financial security of the Museum. In 2009, the Museum received a \$1 million endowment from the Engelstad Family Foundation. The principal balance has been invested in corporate bonds, corporate notes, cash and cash equivalents and is classified as a permanently restricted net asset on the statement of financial position. The agreement states that all investment earnings on the contributed funds are to be used for traveling exhibit expenses, which is classified as temporarily restricted net assets within the endowment fund until used for the specified purpose.

NOTE 7 – ENDOWMENT

The Museum’s endowment fund is summarized as follows:

	2015	2014
Cash and cash equivalents	\$ 38,749	\$ 18,166
Corporate bonds	835,977	961,210
Corporate notes	126,494	26,142
	<u>\$ 1,001,220</u>	<u>\$ 1,005,518</u>

The endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Museum has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in accordance with the standard of prudence prescribed by SPMIFA. There are no board designations of endowment funds. In accordance with SPMIFA, 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 purposes of 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. Other resources of the Museum
7. The Museum’s investment policies

**LAS VEGAS NATURAL HISTORY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014**

NOTE 7 – ENDOWMENT (Continued)

Investment Return Objectives, Risk Parameters and Strategies

The Museum has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while also maintaining the purchasing power of those endowment assets over the long-term. The Museum’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to return 4%, net of investment fees. Actual returns in any given year may vary from this amount. 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). See further details related to the endowment fund in Note 6 above. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Endowment fund has a policy described in Note 6. In establishing this policy, the Museum considered the long-term expected return on its investment assets, the nature and duration of the individual endowment fund, of which a portion must be maintained in perpetuity because of donor-restrictions, and the effects of inflation. This is consistent with the Museum’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 1,220	\$ 1,000,000	\$ 1,001,220

Changes in endowment net assets as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ -	\$ 5,518	\$ 1,000,000	\$ 1,005,518
Net investment income	-	36,129	-	36,129
Net depreciation	-	(23,927)	-	(23,927)
Appropriation of endowment assets for expenditure	-	(16,500)	-	(16,500)
Endowment net assets, ending	\$ -	\$ 1,220	\$ 1,000,000	\$ 1,001,220

**LAS VEGAS NATURAL HISTORY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014**

NOTE 8 – RELATED PARTY

The Museum became an affiliate of the Smithsonian Institution in 2014 and it requires annual dues payments. Total dues paid for the year ended December 31, 2015 and 2014 was \$3,000 per year.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 10, 2016, which is the date the financial statements were available to be issued.