

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2023 AND 2022



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**NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
North Carolina Museum of Life and Science, Inc.
Durham, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of North Carolina Museum of Life and Science, Inc. (the Museum) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

The 2022 financial statements of the Museum were audited by other auditors whose report dated November 30, 2022, expressed an unmodified opinion on those statements.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, in 2023, the Museum adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

Board of Directors
North Carolina Museum of Life and Science, Inc.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Raleigh, North Carolina
June 3, 2024

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS	2023	2022
Cash and Cash Equivalents:		
Board-Designated	\$ 1,699,697	\$ 1,644,138
Other	4,221,275	4,219,986
Total	5,920,972	5,864,124
Grants Receivable:		
Bond Expenses Receivable	290,161	1,313,607
Other Grants Receivable	179,902	141,432
Total	470,063	1,455,039
Other Receivables:		
Pledges	1,801,748	14,500
Other Receivables	277,529	97,855
Total	2,079,277	112,355
Museum Store Inventory	173,802	169,299
Prepaid Expenses	126,383	118,771
Investments:		
Board-Designated Certificate of Deposit	-	160,110
With Donor Restrictions, Other than Endowments	33,885	30,890
With Donor Restrictions, Held Under Endowments	136,544	128,613
Total	170,429	319,613
Property and Equipment, Net	15,875,337	14,500,485
Right of Use Assets:		
Operating	18,184	-
Financing	72,395	-
Total	90,579	-
Total Assets	\$ 24,906,842	\$ 22,539,686

See accompanying Notes to Financial Statements.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2023 AND 2022

	2023	2022
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 635,109	\$ 1,450,298
Accrued Employer Contributions to Retirement Plans	22,189	23,509
Accrued Wages and Other Payroll-Related Liabilities	623,852	539,439
Accrued Vacation	195,955	168,618
Deferred Membership Revenue	1,316,524	1,185,357
Other Deferred Revenue	879,558	817,171
Operating Lease Liability	18,434	-
Financing Lease Liability	73,481	-
Total Liabilities	3,765,102	4,184,392
NET ASSETS		
Without Donor Restrictions		
Operating Reserves:		
Board-Designated Net Assets:		
Contingency Reserve Fund	1,056,658	1,021,582
Capital Reserve Fund	643,039	782,666
Undesignated	1,147,463	1,634,089
Total Operating Reserves	2,847,160	3,438,337
Net Property and Equipment	15,875,337	14,500,485
Total Net Assets Without Donor Restrictions	18,722,497	17,938,822
With Donor Restrictions		
Other than Endowment	1,319,586	287,859
Held Under Endowment	1,099,657	128,613
Total Net Assets With Donor Restrictions	2,419,243	416,472
Total Net Assets	21,141,740	18,355,294
Total Liabilities and Net Assets	\$ 24,906,842	\$ 22,539,686

See accompanying Notes to Financial Statements.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUES, AND OTHER INCOME			
Government Support:			
Durham County Bond Income	\$ 1,901,688	\$ -	\$ 1,901,688
Government Contracts/Grants	108,367	2,327,031	2,435,398
Contributions and Other Grants	383,703	2,097,422	2,481,125
Corporate and Foundation			
Donations	217,931	170,000	387,931
Contributed Goods and Services	17,418	-	17,418
Fundraising and Special Events	441,458	-	441,458
Education	1,330,631	-	1,330,631
Admissions	2,532,177	-	2,532,177
Museum Store Sales	1,018,948	-	1,018,948
Train Revenue	403,543	-	403,543
Concession Revenue	121,968	-	121,968
Membership Dues	2,771,907	-	2,771,907
Rental Income	541,474	-	541,474
Investment Income (Loss), Net	62,377	-	62,377
Gain from Asset Disposal	-	-	-
Other Income	30,778	-	30,778
Net Assets Released from			
Restrictions Due to:			
Released from Non-Endowed Funds	2,590,731	(2,590,731)	-
Appropriated from Endowment Funds	951	(951)	-
Total Support, Revenues, and Other Income	14,476,050	2,002,771	16,478,821
EXPENSES			
Program Services	10,297,094	-	10,297,094
Support Services:			
Management and General	2,831,556	-	2,831,556
Fundraising	563,725	-	563,725
Total Support Services	3,395,281	-	3,395,281
Total Expenses	13,692,375	-	13,692,375
CHANGE IN NET ASSETS	783,675	2,002,771	2,786,446
Net Assets - Beginning of Year	17,938,822	416,472	18,355,294
NET ASSETS - END OF YEAR	\$ 18,722,497	\$ 2,419,243	\$ 21,141,740

See accompanying Notes to Financial Statements.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUES, AND OTHER INCOME			
Government Support:			
Durham County Bond Income	\$ 2,553,163	\$ -	\$ 2,553,163
Government Contracts/Grants	1,936,786	2,072,262	4,009,048
Contributions and Other Grants	234,019	93,400	327,419
Corporate and Foundation			
Donations	311,989	420,000	731,989
Contributed Goods and Services	24,938	-	24,938
Fundraising and Special Events	412,301	-	412,301
Education	1,049,949	-	1,049,949
Admissions	2,363,080	-	2,363,080
Museum Store Sales	927,223	-	927,223
Train Revenue	469,170	-	469,170
Concession Revenue	73,060	-	73,060
Membership Dues	2,417,308	-	2,417,308
Rental Income	467,872	-	467,872
Investment Income (Loss), Net	348	(19,421)	(19,073)
Gain from Asset Disposal	4,000	-	4,000
Other Income	24,800	-	24,800
Net Assets Released from Restrictions Due to:			
Released from Non-Endowed Funds	2,621,333	(2,621,333)	-
Appropriated from Endowment Funds	1,074	(1,074)	-
Total Support, Revenues, and Other Income	15,892,413	(56,166)	15,836,247
EXPENSES			
Program Services	8,824,159	-	8,824,159
Support Services:			
Management and General	2,266,613	-	2,266,613
Fundraising	530,016	-	530,016
Total Support Services	2,796,629	-	2,796,629
Total Expenses	11,620,788	-	11,620,788
CHANGE IN NET ASSETS	4,271,625	(56,166)	4,215,459
Net Assets - Beginning of Year	13,667,197	472,638	14,139,835
NET ASSETS - END OF YEAR	\$ 17,938,822	\$ 416,472	\$ 18,355,294

See accompanying Notes to Financial Statements.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total
PERSONNEL COSTS				
Salaries and Wages	\$ 4,673,018	\$ 1,576,336	\$ 315,825	\$ 6,565,179
Fringe Benefits	813,604	226,297	23,660	1,063,561
Payroll Taxes	365,837	116,485	24,268	506,590
Total Personnel Costs	<u>5,852,459</u>	<u>1,919,118</u>	<u>363,753</u>	<u>8,135,330</u>
OTHER EXPENSES				
Occupancy	272,551	30,283	-	302,834
Facilities Maintenance	719,914	55,516	-	775,430
Property Insurance	129,248	14,361	-	143,609
Museum Store Expenses	451,675	(700)	-	450,975
Temporary Exhibits	21,823	-	-	21,823
Exhibits - Supplies and Maintenance	264,680	451	-	265,131
School Program Expenses	73,460	-	-	73,460
Informal Program Expenses	169,570	-	-	169,570
Animal Care	117,691	-	-	117,691
Professional Fees	73,776	194,227	25,000	293,003
Contract Labor and Subcontracts	52,363	58,472	-	110,835
Telephone	12,922	2,306	47	15,275
Postage	4,298	806	3,548	8,652
Leasing and Service Contracts	45,508	2,669	-	48,177
Materials and Supplies	26,775	8,684	210	35,669
Other Operating Costs	212,809	218,342	22,391	453,542
Staff Development	67,493	78,591	12,393	158,477
Development/Marketing (Non-Personnel)	73,774	148,274	128,038	350,086
Bank and Merchant Fees	283,300	2,466	8,338	294,104
Interest	109	3,392	-	3,501
Contributed Goods and Services	17,418	-	-	17,418
Allocation of Indirect Costs - Facilities	28,483	(28,483)	-	-
Allocation of Indirect Costs - Admin	31,422	(31,422)	-	-
Bad Debts	5,695	-	-	5,695
Miscellaneous	70,600	20,468	7	91,075
Total Other Expenses	<u>3,227,357</u>	<u>778,703</u>	<u>199,972</u>	<u>4,206,032</u>
Total Operating Expenses Before Depreciation	9,079,816	2,697,821	563,725	12,341,362
Depreciation and Amortization	<u>1,217,278</u>	<u>133,735</u>	<u>-</u>	<u>1,351,013</u>
Total Expenses, Net	<u>\$ 10,297,094</u>	<u>\$ 2,831,556</u>	<u>\$ 563,725</u>	<u>\$ 13,692,375</u>

See accompanying Notes to Financial Statements.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total
PERSONNEL COSTS				
Salaries and Wages	\$ 4,208,699	\$ 903,306	\$ 271,097	\$ 5,383,102
Fringe Benefits	713,917	90,767	40,594	845,278
Payroll Taxes	327,428	68,383	22,344	418,155
Total Personnel Costs	<u>5,250,044</u>	<u>1,062,456</u>	<u>334,035</u>	<u>6,646,535</u>
OTHER EXPENSES				
Occupancy	221,070	24,563	-	245,633
Facilities Maintenance	482,335	46,349	360	529,044
Property Insurance	106,852	11,873	-	118,725
Museum Store Expenses	427,558	-	-	427,558
Exhibits - Supplies and Maintenance	206,015	321	-	206,336
School Program Expenses	28,191	-	-	28,191
Informal Program Expenses	123,649	-	10,815	134,464
Animal Care	142,343	-	-	142,343
Professional Fees	15,979	209,571	13,275	238,825
Contract Labor and Subcontracts	50,270	406,564	12,019	468,853
Telephone	12,173	2,197	987	15,357
Postage	6,262	5,845	816	12,923
Leasing and Service Contracts	21,458	8,848	-	30,306
Materials and Supplies	18,244	4,476	65	22,785
Other Operating Costs	310,305	213,652	24,732	548,689
Staff Development	30,413	59,451	1,397	91,261
Development/Marketing (Non-Personnel)	13,800	104,296	115,896	233,992
Bank and Merchant Fees	242,511	5,103	2,642	250,256
Contributed Goods and Services	11,131	830	12,977	24,938
Allocation of Indirect Costs - Facilities	12,554	(12,554)	-	-
Allocation of Indirect Costs - Admin	13,911	(13,911)	-	-
Bad Debts	(140)	4,264	-	4,124
Miscellaneous	32,049	6,288	-	38,337
Total Other Expenses	<u>2,528,933</u>	<u>1,088,026</u>	<u>195,981</u>	<u>3,812,940</u>
Total Operating Expenses Before Depreciation	7,778,977	2,150,482	530,016	10,459,475
Depreciation and Amortization	<u>1,045,182</u>	<u>116,131</u>	<u>-</u>	<u>1,161,313</u>
Total Expenses, Net	<u>\$ 8,824,159</u>	<u>\$ 2,266,613</u>	<u>\$ 530,016</u>	<u>\$ 11,620,788</u>

See accompanying Notes to Financial Statements.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,786,446	\$ 4,215,459
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,337,354	1,161,313
Amortization of ROU Assets	13,659	-
Gain on Disposal of Fixed Assets	-	(4,000)
Bond Income for Capital Improvements	(1,901,688)	(2,553,163)
Support Restricted for Capital Campaign	14,500	20,000
Change in Fair Value of Investments, Net Loss (Gain)	(10,933)	21,726
Changes in Operating Assets and Liabilities:		
Receivables (Excluding Bonds and Capital Campaign)	(2,019,892)	(97,641)
Museum Store Inventory	(4,503)	(58,699)
Prepaid Expenses and Other	(7,612)	9,534
Accounts Payable	(815,189)	986,691
Accrued Employer Contributions to Retirement Plans	(1,320)	(219,232)
Accrued Wages and Other Payroll Related Liabilities	84,413	(69,543)
Accrued Vacation	27,337	(27,325)
Deferred Membership Revenue	193,554	265,688
Other Deferred Revenue	-	145,594
Lease Liabilities	2,677	-
Net Cash Provided (Used) by Operating Activities	(301,197)	3,796,402
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	-	(3,368)
Proceeds from Sale of Operating Investments	160,117	-
Distributions from Investments	-	1,421
Proceeds from Disposal of Property and Equipment	-	4,000
Purchases of Property and Equipment	(2,712,206)	(3,452,720)
Net Cash Used by Investing Activities	(2,552,089)	(3,450,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Bonds for Capital Improvements	2,925,134	1,246,249
Principal Payments on Financing Leases	(15,000)	-
Net Cash Provided by Financing Activities	2,910,134	1,246,249
NET CHANGE IN CASH AND CASH EQUIVALENTS	56,848	1,591,984
Cash and Cash Equivalents - Beginning of Year	5,864,124	4,272,140
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,920,972	\$ 5,864,124
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 2,427	\$ -

See accompanying Notes to Financial Statements.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

The North Carolina Museum of Life and Science, Inc. dba: Museum of Life and Science (the Museum), operates and maintains a museum in Durham, North Carolina for natural, historical, and scientific educational purposes. The mission of the Museum is to create a place of lifelong learning where people, from young child to senior citizen, embrace science as a way of knowing about themselves, their community, and their world. Nationally, the Museum is an active member of leading informal learning organizations including the Association of Science and Technology Centers (ASTC) and the Association of Zoos and Aquariums (AZA).

Basis of Accounting

The Museum uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from these estimates.

Adoption of Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of Right-of-Use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of the ROU assets and lease liabilities by lessees for those leases classified as operating and financing leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Museum adopted the requirements of this standard effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Museum has elected the package of practical expedients available in the year of adoption, which allows organizations to not reassess whether arrangements contain leases, the classification of leases, and the capitalization of initial direct costs. In addition, the Museum elected the short-term lease recognition whereby operating lease related assets or liabilities for leases with a lease term less than twelve months will not be recognized.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Adoption of Accounting Standard (Continued)

As a result of the adoption of the new lease accounting guidance, the Museum recognized on July 1, 2022 a lease liability of approximately \$122,000, which represents the present value of the remaining operating and finance lease payments of \$132,000, discounted using a risk-free discount rate, and a right-of-use asset of approximately \$122,000.

Cash and Cash Equivalents

Cash and cash equivalents represent cash-on-hand and highly liquid instruments with original maturities of three months or less. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of these instruments.

Grants Receivable

Grants receivable consist of reimbursements due from the County of Durham for bond-related expenditures, as well as amounts due from various governmental entities, corporations, and nonprofit organizations. Management believes all receivables are fully collectible; therefore, no allowance has been provided. Receivables are unsecured and are due within a year.

Other Receivables

Other receivables include pledges and amounts due from various entities in the normal course of operations, including sales tax receivable. These amounts are recorded at net realizable value. Any accounts past due are analyzed for collectability and management will provide an allowance for uncollectible pledges as necessary.

Inventory

Museum store inventory is stated at the lower of cost (first-in, first-out method) or net realizable value.

Investments

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section. Investment income includes (interest, dividends, as well as realized and unrealized gains and losses on equity securities. Realized and unrealized gains and losses on investments relating to investments with donor restrictions are added to or deducted from net assets with donor restrictions, depending on the type of restriction.

Uniform Prudent Management of Institutional Funds Act

Endowment funds are reported under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) standard, which is intended to improve the quality and consistency of financial reporting of endowments held by nonprofit organizations. Under UPMIFA, all unappropriated endowment funds are considered restricted.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Museum emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Museum has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full-term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage backed securities that are traded by dealers or brokers in active over-the-counter markets.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Museum adopted the policy to value certain financial instruments at fair value. The Museum has not elected to measure any existing financial instruments at fair value under this option; however, it may elect to measure newly acquired financial instruments at fair value in the future.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, 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 (ranging from 3 to 40 years). Gains or losses from the disposal of property and equipment are reported within support, revenues and other income.

Net Assets

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Museum, its accounts are separated into the following classes of net assets:

Without Donor Restrictions:

Undesignated net assets represent resources whose use is not limited or restricted by donors or internal designations. These assets generally arise as a result of exchange transactions, contributions without donor restrictions, or contributions with donor restrictions whose restrictions have expired.

Board-designated net assets represent the Museum Board designated funds that have not been restricted by donors. At June 30, 2023, the Museum's net assets without donor restrictions include board-designated net assets of approximately \$1,057,000 in a Contingency Reserve Fund. These funds are expected to be drawn upon only in the event of unforeseen circumstances that have an adverse impact on the Museum's working capital. Board-designated net assets at June 30, 2023 also include approximately \$643,000 in a Capital Reserve Fund. These funds are expected to be drawn upon to cover the costs of acquiring and/or constructing fixed assets, as well as expenditures for the repair and maintenance of fixed assets. Board-designated net assets are not available to cover operating expenses, including budget shortfalls, unless specifically approved by the Board. The only other limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the operations, the environment in which it operates, the purposes specified in its formation documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

With Donor Restrictions:

Net assets with donor restrictions represent resources whose use is limited by donors for the purpose and/or time in which they may be expended, or that are restricted in perpetuity. Net assets with donor restrictions are reclassified to net assets without donor restrictions as their time and/or purpose requirements are met.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Recognition of Support

The Museum evaluates contributions, contracts, and grants to determine whether the transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred, or (2) a contribution. If determined to be an exchange transaction, revenue is recognized in accordance with ASC *Topic 606*. Promises to give, including pledges, contributions, and grants to the Museum are generally considered nonreciprocal transactions and are recognized as support when conditions, if any, have been met. A condition exists if the agreement with the donor includes a barrier that must be overcome and either a right of return of assets transferred or a right of release from the donor's obligation to transfer assets.

Support from unconditional grants and contributions is recognized as an increase in either net assets without donor restrictions or net assets with donor restrictions, based on the absence or presence of any donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Goods and Services

The Museum recognizes certain contributed goods and services (as both a revenue and expense) in connection with the support and delivery of its educational programs. Contributed goods and services are recognized at the estimated fair value of such at the date of donation and consist primarily of animal supplies and supplies and services supporting Museum fundraising and special events. Contributed goods and services are generally utilized during the reporting period. The Museum recognized support of \$17,418 and \$24,938 for contributed goods and services for the years ended June 30, 2023 and 2022, respectively.

In addition, the Museum receives services from many individuals that volunteer their time and perform a variety of tasks that assist the Museum with specific assistance programs, campaign solicitations, and various committee assignments. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958-605.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor-restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Recognition of Revenue

To determine revenue recognition for the arrangements that the Museum determines are within the scope of revenue recognition guidance (Topic 606), the Museum performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligation(s) in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation(s) in the contract, and (5) recognize revenue when the Museum satisfies a performance obligation.

The Museum recognizes revenue from educational programs, admissions, museum store sales, train revenue, special events income, rental income, and concession revenue at a point in time, as the services are provided. The Museum recognizes revenue from general membership dues over the time as the benefits are earned.

Membership Dues

The Museum sells annual general memberships, with pricing dependent upon the number of guests to which member benefits are extended. Payment is received at the point of membership sale. Member benefits include, but are not limited to, free admission to the Museum, advance registration for popular offerings, and discounts on various program fees, museum store sales, and concessions. Since members receive goods or services of commensurate value in return, memberships are accounted for as exchange transactions. Management considers member benefits to represent a single performance obligation which is satisfied ratably over the one-year membership period. Therefore, revenue from membership dues is recognized ratably over the membership period. Amounts collected in advance for the unsatisfied portion of the performance obligation are included in deferred revenue. As of June 30, 2023 and 2022, membership deferred revenue totaled \$1,316,524 and \$1,185,357, respectively. The Museum's policies contain no provision for refunds of membership dues.

Admissions

The Museum recognizes revenue from visitor admissions upon sale or date of service, as applicable. Durham Community Days provide free admission to Durham County residents, and groups from Durham Public Schools attend for free. During fiscal 2023, free admission was provided to approximately 92,000 visitors.

Other Revenue

Revenue from educational programs, admissions, museum store sales, train revenue, special events income, rental income, and concession revenue are recognized upon sale or date of service, as applicable. Amounts received prior to the date of service are held as deferred revenue until the service is provided. Other deferred revenue of approximately \$880,000 at June 30, 2023, includes advance deposits of approximately \$689,000 for 2023 summer camp, as well as approximately \$191,000 for gift cards and admissions, advances for special events, and scholarships. Other deferred revenue of approximately \$817,000 at June 30, 2022, includes advance deposits of approximately \$667,000 for 2022 summer camp, as well as approximately \$150,000 for gift cards and admissions, advances for special events, and scholarships.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Advertising

The Museum uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs were \$127,764 and \$99,126 for the years ended June 30, 2023 and 2022, respectively.

Tax Status

The Museum is a tax-exempt charitable organization that is not a private foundation. The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and from state income taxes under similar provisions of North Carolina tax laws. Management is not aware of any uncertain tax positions as June 30, 2023.

Functional Allocation of Expenses

The Museum allocates its expenses on a functional basis between program and support services. Expenses that can be identified with a program or support service are allocated directly thereto. Certain indirect expenses are allocated based on estimated usage and/or benefit.

Program Services – The Museum has served the community by providing engaging STEM learning experiences and extracurricular programming since 1946. The Museum’s 84-acre nature park and over 300 indoor and outdoor exhibitions enable children and their families to engage meaningfully with science, technology, engineering, and math, preparing them to use STEM learning as a way of understanding the issues they will face throughout their lives. The Museum’s mission is to create a place of lifelong learning, where individuals of all ages embrace science as a way of knowing about themselves, their community, and their world. The Museum welcomed almost 582,000 visitors from the greater Triangle region and beyond in the year ended June 30, 2023.

Support Services – Support services include expenses not directly or indirectly allocated to program services. Management and general expenses include costs associated with the maintenance of facilities and exhibits and other administrative services, as well as development and marketing efforts that attract visitors to the Museum. Fundraising expenses include costs associated with efforts and events designed to generate support for the Museum.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation, with no effect on previously reported net assets.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events and transactions for potential recognition or disclosure through June 3, 2024, the date on which the financial statements were available to be issued.

NOTE 2 LIQUIDITY

The Museum's financial assets available within one year of the statement of financial position date for general expenditures are summarized as follows as of June 30, 2023:

Cash and Cash Equivalents	\$ 5,920,972
Grants Receivable Other Receivables	470,063
Investments	170,429
Total Financial Assets	6,561,464
Less: Those Unavailable for General Expenditures Within One Year:	
Board-Designated Contingency Reserve	(1,056,658)
Board-Designated Capital Reserve	(643,039)
Donor-Restricted, Non-Endowed Net Assets	(1,319,586)
Donor-Restricted Endowment Net Assets	(1,099,657)
Total Deductions	(4,118,940)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 2,442,524

The Museum has access to a \$500,000 bank line of credit (see Note 5). No amounts had been drawn against the line as of June 30, 2023, or subsequent thereto.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable are due as follows subsequent to June 30, 2023:

Due in One Year	\$ 133,750
Due in Two to Five Years	<u>1,736,250</u>
	1,870,000
Less:	
Discount (3.83% to 4.35%)	(64,147)
Allowance for Uncollectible Pledges	<u>(4,105)</u>
	<u>\$ 1,801,748</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 21,600	\$ 21,600
Building and Improvements	22,863,993	21,864,718
Exhibits	30,722,366	27,678,501
Furniture, Fixtures, and Equipment	1,345,180	1,183,748
Computers and Software	349,570	220,977
Vehicles	269,762	263,222
Trademarks and Patents	34,397	34,397
Construction in Progress (Not Depreciable)	<u>957,027</u>	<u>2,584,527</u>
Total	56,563,895	53,851,690
Less: Accumulated Depreciation and Amortization	<u>(40,688,558)</u>	<u>(39,351,205)</u>
Property and Equipment, Net	<u>\$ 15,875,337</u>	<u>\$ 14,500,485</u>

Depreciation expense for the years ended June 30, 2023 and 2022 totaled approximately \$1,337,000 and \$1,161,000, respectively.

Bond Projects

On April 11, 2017, the Durham County Board of Commissioners appropriated \$14,214,903 in 2016 Voter Approved General Obligation Bond funds for various capital improvement projects of the Museum. Bond proceeds of \$14,067,705 (net of bond issuance costs of \$147,198) are being used to expand the Museum's parking capacity and to support exhibit maintenance and upgrades across the campus.

Drawdowns of \$1,901,688 and \$2,553,163 were requested for the years ended June 30, 2023 and 2022, respectively, based on expenditures incurred. Related expenditures were incurred in connection with exhibit upgrades, classroom expansion, plaza and lobby renovations, and a parking deck. Bond expenses receivable totaled \$290,161 and \$1,313,607 at June 30, 2023 and 2022, respectively. There are no remaining bond proceeds from the 2016 Voter Approved General Obligation Bond available for expenditure as of June 30, 2023.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 PROPERTY AND EQUIPMENT (CONTINUED)

On November 8, 2022, Durham County voters approved \$13,995,000 in general obligation bonds specifically earmarked for the Museum. Bond funds will be used to create all-new learning environments focused on health sciences, climate change, and technological innovation, along with accessibility enhancements across campus, visitor infrastructure improvements, and renovation of dining and meeting areas to serve guests better. No drawdowns were requested for the year ended June 30, 2023.

NOTE 5 BANK LINE OF CREDIT

The Museum has a \$500,000 revolving line of credit with a bank. The Museum is required to maintain a zero balance on the line for at least 30 consecutive days during each consecutive 12-month period, beginning with April 27, 2020 (the date of the most recent renewal of the line), during which the bank has not made demand for payment. The line bears interest at the bank's one-month SOFR plus 2.50% per annum, with the rate subject to adjustment monthly. The line requires monthly interest payments, with payment of the outstanding balance and accrued interest thereon due on demand. The line is secured by the Museum's deposits with the lending bank, as well as other assets of the Museum. No advances were taken against the bank line of credit through June 30, 2023.

NOTE 6 NET ASSETS

Net assets with donor restrictions at June 30, are available for the following purposes:

	2023	2022
County of Durham - Facility Improvements	\$ 41,406	\$ 19,137
Dinosaur Trail	17,582	17,582
Weather Exhibit	9,500	9,500
Investigate Health Lab	42,381	19,604
Climate Health	-	49,321
Sparks Afterschool	8,141	50,000
Raising Digital Natives	-	25,000
Nora Nicholson Camp Scholarships	33,885	30,890
Welcome Hall	973,502	-
Restricted for use in future periods	120,000	-
Various Programs and Exhibits	73,189	66,825
Total	\$ 1,319,586	\$ 287,859

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 NET ASSETS (CONTINUED)

Endowment net assets by fund type at June 30, 2023, and changes in endowment net assets for the year then ended are as follows:

	Subject to Appropriation	Subject to Investment in Perpetuity	Total
Donor-Restricted Endowment Funds:			
General Endowment (M&F)	\$ 5,303	\$ 30,000	\$ 35,303
General Endowment (TCF)	57,820	43,421	101,241
General Endowment (Barnes Family Foundation Fund)	-	963,113	963,113
Endowment Funds, June 30, 2023	<u>\$ 63,123</u>	<u>\$ 1,036,534</u>	<u>\$ 1,099,657</u>
Endowment Net Assets, June 30, 2022	\$ 55,192	\$ 73,421	\$ 128,613
Investment Income, Net	8,882	-	8,882
Contributions	-	963,113	963,113
Appropriated for Expenditure	(951)	-	(951)
Endowment Net Assets, June 30, 2023	<u>\$ 63,123</u>	<u>\$ 1,036,534</u>	<u>\$ 1,099,657</u>

Endowment Funds

The Museum has several endowment funds, the income of which may be expended for specific purposes. At June 30, 2023, donor-restricted General Endowment funds of \$101,241 and \$35,303 are held by Triangle Community Foundation (TCF) and Mechanics & Farmers Bank (M&F), respectively, for the benefit of the Museum. The funds held by TCF are invested in the TCF Endowment Investment Pool, which has a diversification target of 60% equity, 20% fixed income, and 20% alternative investments. The primary investment objective is to increase charitable assets while preserving capital.

Corpus

Endowment funds include: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (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 endowment. The Museum consults with legal counsel on the interpretation of UPMIFA with regard to preserving the fair value of original gifts as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 NET ASSETS (CONTINUED)

Endowment Funds (Continued)

Income

Income earned on endowment funds that is not required by the donor to be added to the corpus of the endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed in UPMIFA. The Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Museum and the donor-restricted endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the Museum
- The investment policy of the Museum

Investment Objectives and Strategies

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. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standards to minimize the risk of large losses.

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). Management targets a diversified asset allocation that meets the Museum's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Appropriation Policy

The Museum's appropriation or spending policy is consistent with its objective to preserve the fair value of the original gift of the endowment assets held in perpetuity as well, as to provide additional real growth through new gifts and investment return.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 NET ASSETS (CONTINUED)

Endowment Funds (Continued)

Deficiencies

From time to time, the fair value of assets in endowment funds may fall below the required level stipulated by the donor. In accordance with the UPMIFA Standard, deficiencies of this nature are reported in unrestricted net assets. If future investment returns do not alleviate the deficiency, the Museum may be required to contribute additional amounts to the fund. There were no deficiencies at June 30, 2023 or 2022.

Net assets were released from restrictions as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
County of Durham Grant:		
General Support	\$ 1,931,072	\$ 1,692,841
Facility Improvements	-	282,871
State of North Carolina - Field Biologist Exhibit	-	50,000
NASA: Space and Earth STEM Education with Arizona State University	83,913	95,502
NASA: Voyage Through Solar System	18,797	-
National Science Foundation (NSF):		
Coastal Geomorphology	25,166	-
Co-Created Public Engagement with Science with Twin Cities Public TV	-	20,636
Diego with UNC Chapel Hill	16,538	5,744
Wireless Radio Communications	-	21,332
GSK Foundation - Earth Moves Exhibit	-	45,032
Afterschool Program	41,859	-
Animal Care	75,752	-
Biogen Foundation - Investigate Health Lab	47,223	43,766
Biogen Foundation - Youth Summit	-	20,000
East Durham Learning Loop	54,001	-
Grant Program	50,000	-
Institute of Museum and Library Services -		
Outfield Trips	7,884	15,928
Climate Health	75,122	13,997
Radio	32,352	-
Raising Digital Natives	25,000	-
Wetland Walkway	-	250,000
Wetland Pollinator Garden	15,000	-
Nora Nicholson Camp Scholarships	817	347
Welcome Hall	2,290	-
Restricted for Use in Future Periods	50,000	-
Various Programs and Exhibits	37,945	63,337
Total	<u>\$ 2,590,731</u>	<u>\$ 2,621,333</u>

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 REVENUES

Performance obligations are determined based on the nature of the services provided by the Museum. Revenue for performance obligations satisfied over time is recognized based on amounts expected to be received under its agreements. The Museum believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time is generally recognized when criteria for commissions have been achieved, or when specific events have occurred, and the Museum does not believe it is required to provide additional services related to that obligation.

The Museum recognizes revenue from educational programs, admissions, museum store sales, train revenue, special events income, rental income, and concession revenue at a point in time, as the services are provided. The Museum recognizes revenue from general membership dues over the time as the benefits are earned.

The following table shows the Museum's revenue disaggregated according to the timing of the transfer of goods or services:

	2023	2022
Revenue Recognized at a Point in Time:		
Educational Programs	\$ 1,330,631	\$ 1,049,949
Admissions	2,532,177	2,363,080
Museum Store Sales	1,018,948	927,223
Train Revenue	403,543	469,170
Concessions	121,968	73,060
Rental Income	541,474	467,872
Total Revenue Recognized at a Point in Time	\$ 5,948,741	\$ 5,350,354
Revenue Recognized Over Time:		
Membership Dues	\$ 2,771,907	\$ 2,417,308
Total Revenue Recognized Over Time	\$ 2,771,907	\$ 2,417,308

The opening and closing contract balances were as follows:

	Accounts Receivable	Deferred Revenue
Balance as of July 1, 2021	\$ 69,326	\$ 1,591,246
Balance as of June 30, 2022	97,855	2,002,528
Balance as of June 30, 2023	277,529	2,196,082

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 CONDITIONAL SUPPORT

A portion of the Museum's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Museum has incurred expenditures in compliance with specific contract or grant provisions. Conditional support from reimbursement grants (awarded to the Museum) for which qualifying expenses had not yet been incurred at June 30, 2023 , is summarized as follows:

NASA Sparking Interest, Scheduled for Funding Through March 16, 2026	\$ 721,000
NASA Space and Earth STEM Education, Scheduled for Funding Through December 31, 2023	20,000
Other Reimbursement grants, Scheduled for Funding Under Grant terms Expiring at Various Dates from October 2022 to August 2026.	476,700

Support from these conditional awards will be recognized in future periods as qualifying expenses are incurred.

NOTE 9 LEASES

The Museum determines if an arrangement is a lease at inception. Operating and finance leases are included as right-of-use (ROU) assets and lease liability in the accompanying statements of financial position.

ROU assets represent the Museum's right to use an underlying asset for the lease term and lease liabilities represent the Museum's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As the lease agreements do not provide an implicit rate, the Museum uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Museum will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 LEASES (CONTINUED)

The Museum classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual discounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Financing Leases</u>	<u>Operating Leases</u>
2024	\$ 18,000	\$ 19,000
2025	18,000	-
2026	18,000	-
2027	18,000	-
2028	7,500	-
Total Undiscounted Cash Flows	79,500	19,000
Less: Present Value Discount	(6,019)	(566)
Total	\$ 73,481	\$ 18,434

The lease liability will continue to be impacted by new leases, lease modifications, lease terminations, and reevaluations of any new facts and circumstances.

The following table provides quantitative information concerning the Museum's leases, as of June 30, 2023:

Lease Cost:	
Finance Lease Cost:	
Amortization of Right-of-Use Assets	\$ 13,659
Interest on Lease Liabilities	2,427
Operating Lease Cost	18,750
Other Information:	
Weighted-Average Remaining Lease Term - Operating Leases	1.1 Years
Weighted-Average Remaining Lease Term - Finance Leases	4.4 Years
Weighted-Average Discount Rate - Operating Leases	3.07%
Weighted-Average Discount Rate - Finance Leases	3.69%

The total cash paid for leases during the year ended June 30, 2023 was \$18,500 and \$15,000 for operating leases and finance leases, respectively.

The Museum elected to apply the provision of FASB ASC 842 to the beginning of the period of adoption. The cumulative impact was not material to the financial statements.

The Museum leases two tracts of land from the City of Durham under leases which provide for annual lease payments of \$1 and \$100, and expire in 2033 and 2031, respectively. No in-kind support has been recorded for these reduced-rate leases because the amounts were not considered material as of June 30, 2023.

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 RETIREMENT PLANS

The Museum sponsors a 403(b) retirement plan on behalf of its employees. Per the plan, employees are immediately eligible to make deferrals with no age or service requirement. Employees are eligible to participate in employer nonelective contributions upon completing a year of service and attaining age 21. The plan requires no service requirements beyond the initial eligibility. Prior to April 2, 2020, the plan provided for nonelective employer contributions at 5% of an eligible employee's annual compensation. The plan was amended, effective April 2, 2020, to provide for discretionary nonelective employer contributions. The plan, as amended, no longer provides for nondiscretionary employer contributions. Participants are fully vested in all contributions to their accounts.

In November 2021, the board approved a discretionary nonelective contribution equal to 5% of participants' Eligible Compensation for the plan year ending December 31, 2022, and for each plan year thereafter, unless otherwise determined by the board. Employer contributions to the plan approximated \$211,000 and \$184,000 for the years ended June 30, 2023 and 2022, respectively.

The Museum also sponsors a 457(b) retirement plan on behalf of its president and chief executive officer and vice presidents. Employer contributions to the plan approximated \$6,000 and \$8,600 for the years ended June 30, 2023 and 2022.

NOTE 11 FAIR VALUE MEASUREMENTS

The Museum uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Museum measures fair value refer to Note 1 – Principal Activity and Summary of Significant Accounting Policies.

The following tables present the fair value hierarchy for the balance of the assets of the Museum measured at fair value on a recurring basis as of June 30, 2023:

	2023			Fair Value
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	
Investments:				
TCF Investment Pool	\$ 35,303	\$ -	\$ -	\$ 35,303
Held Under Endowments:				
TCF Investment Pool	135,126	-	-	135,126
Total	<u>\$ 170,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,429</u>

NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the fair value hierarchy for the balance of the assets of the Museum measured at fair value on a recurring basis as of June 30, 2022:

	2022			Fair Value
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	
	Level 1	Level 2	Level 3	
Investments:				
Bank Certificate of Deposit	\$ -	\$ 160,110	\$ -	\$ 160,110
TCF Investment Pool	30,890	-	-	30,890
Held Under Endowments:				
TCF Investment Pool	93,408	-	-	93,408
Total	\$ 124,298	\$ 160,110	\$ -	\$ 284,408

Level 1: Endowment funds and non-endowed funds held by the Triangle Community Foundation (TCF) are reported at fair value, as reported by TCF, and consist of the following at June 30, 2023: (a) \$35,303 - invested in the Non-Endowed Equity Oriented Investment Pool, donor-restricted for scholarships, expected to distribute approximately 4.0% of the invested funds annually; (b) \$135,126 - invested in the Endowment Investment Pool, with earnings available for the general operations of the Museum. Management has instructed TCF to reinvest the spendable balance in the fund.

Level 2: At June 30, 2022, investments include amounts held in a 12-month bank certificate of deposit. The certificate is carried at face value plus accrued earnings thereon, which approximates the fair value of such.

NOTE 12 CONCENTRATIONS

Credit Risk

The Museum has its primary operating account with a bank and its board-designated reserves and certain endowed investments with various other banks (and credit unions). Deposits are eligible for up to \$250,000 of insurance coverage per bank (credit union), as provided by the Federal Deposit Insurance Corporation (National Credit Union Administration). At June 30, 2023, approximately \$4,800,000 of the Museum's bank (credit union) holdings exceeded federally insured limits.

Support Risk

The Museum depends upon an annual award from the County of Durham to cover a significant portion of its operating expenses. The award provided for \$1,953,341 (or approximately 17% of the Museum's operating expenses) for the year ended June 30, 2023.

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NOTE 12 CONCENTRATIONS (CONTINUED)

Economic Risk

Approximately 46% and 41% of the Museum's operating expenses for the years ended June 30, 2023 and 2022, respectively, were funded by membership dues and general admission fees. While the Museum attracts members and visitors from across the State and beyond, a significant portion of its members and visitors live in and around the Raleigh-Durham-Research Triangle area.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Commitments

At June 30, 2023, the Museum had open commitments of approximately \$669,000 under various construction contracts, substantially all of which are for capital improvement projects to be funded by the Durham County bonds (See Note 4).

Contingencies

Financial assistance from various awarding agencies is subject to special audit. Such audits could result in claims against the Museum for disallowed costs or noncompliance with grantor restrictions. Management is aware of no disallowable costs or instances of noncompliance with grantor restrictions. Consequently, no provision has been made for liabilities, if any, that may arise from such audits.



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