

Discovery Place, Inc.

Financial Report
June 30, 2020



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RSM US LLP

Independent Auditor's Report

Board of Trustees
Discovery Place, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Discovery Place, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, 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 Discovery Place, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Charlotte, North Carolina
December 21, 2020

Discovery Place, Inc.

Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,513,429	\$ 1,076,747
Contributions receivable, net (Note 3)	3,105,694	3,294,944
Spendable income receivable (Notes 4 and 5)	2,970,305	2,135,000
Government grant and other receivables, net	195,423	163,926
Prepaid expenses and other assets (Note 14)	961,665	1,005,567
Beneficial interest in perpetual trust (Notes 4, 7 and 11)	16,572,259	16,887,653
Beneficial interest in assets held by others (Notes 5, 7 and 12)	3,848,550	4,033,869
Investments (Notes 6, 7, 8 and 12)	7,802,699	8,724,184
Property, equipment, exhibits and leasehold improvements, net (Notes 9, 17 and 19)	11,825,373	12,602,193
Deferred commitments (Notes 10 and 11)	62,405,425	63,292,880
Collections of works of art or similar assets (Note 1)		
Total assets	\$ 111,200,822	\$ 113,216,963
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (Note 14)	\$ 1,369,694	\$ 1,510,763
Deferred revenue and refundable advances (Note 20)	1,944,679	642,591
Total liabilities	3,314,373	2,153,354
Commitments (Notes 14 and 17)		
Net assets:		
Net assets without donor restrictions (Note 11)	15,613,760	18,758,453
Net assets with donor restrictions (Notes 11 and 12)	92,272,689	92,305,156
Total net assets	107,886,449	111,063,609
Total liabilities and net assets	\$ 111,200,822	\$ 113,216,963

See notes to financial statements.

Discovery Place, Inc.

Statements of Activities
Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Admissions and programs	\$ 3,889,283	\$ -	\$ 3,889,283
Memberships	1,237,344	-	1,237,344
Gift shop and café sales	161,296	-	161,296
Ancillary revenue	746,770	-	746,770
Paycheck Protection Program loan proceeds utilized (Note 20)	720,606	-	720,606
Government appropriations (Note 13)	182,952	-	182,952
Contributions (Notes 3, 7, 15 and 16)	1,892,953	1,596,184	3,489,137
City of Charlotte renovation support (Note 19)	-	-	-
Deferred commitments (Note 10)	2,809,030	-	2,809,030
Loss on sale of fixed assets	(1,999)	-	(1,999)
Interest and dividend income (Notes 6, 7 and 12)	1,416	-	1,416
Net unrealized and realized gains on investments (Notes 6 and 12)	62,181	32,279	94,460
Change in value of beneficial interests (Notes 4, 5, 7 and 12)	-	(500,713)	(500,713)
Change in spendable income from beneficial interests (Notes 4, 5 and 12)	-	1,020,195	1,020,195
Net assets released from restrictions (Note 11)	1,292,957	(1,292,957)	-
Net assets released from restrictions, deferred commitments (Notes 10 and 11)	887,455	(887,455)	-
Total support and revenue	13,882,244	(32,467)	13,849,777
Expenses:			
Program services:			
Museum programs	3,364,542	-	3,364,542
Exhibits	2,099,697	-	2,099,697
Collections	55,451	-	55,451
Gift shop and café	3,604	-	3,604
Omnimax Dome Theater	376,934	-	376,934
Marketing and communications	1,505,490	-	1,505,490
Guest services	2,711,529	-	2,711,529
Total program services	10,117,247	-	10,117,247
Supporting services:			
Management and general	2,273,681	-	2,273,681
Advancement	939,524	-	939,524
Total supporting services	3,213,205	-	3,213,205
Rental and service expense from deferred commitments (Note 10)	3,696,485	-	3,696,485
Total expenses	17,026,937	-	17,026,937
Change in net assets	(3,144,693)	(32,467)	(3,177,160)
Net assets, beginning	18,758,453	92,305,156	111,063,609
Net assets, ending	\$ 15,613,760	\$ 92,272,689	\$ 107,886,449

See notes to financial statements.

2019

	Without Donor Restrictions	With Donor Restrictions	Total
\$	5,851,593	\$ -	\$ 5,851,593
	1,689,505	-	1,689,505
	254,818	-	254,818
	953,051	-	953,051
	-	-	-
	237,008	-	237,008
	1,805,273	2,121,924	3,927,197
	38,604	-	38,604
	2,844,691	-	2,844,691
	-	-	-
	3,021	-	3,021
	13,501	-	13,501
	-	(414,569)	(414,569)
	-	1,096,749	1,096,749
	2,183,250	(2,183,250)	-
	851,654	(851,654)	-
	16,725,969	(230,800)	16,495,169
	3,987,596	-	3,987,596
	2,515,543	-	2,515,543
	78,504	-	78,504
	4,657	-	4,657
	476,605	-	476,605
	1,688,785	-	1,688,785
	2,938,082	-	2,938,082
	11,689,772	-	11,689,772
	2,319,979	-	2,319,979
	899,275	-	899,275
	3,219,254	-	3,219,254
	3,696,345	-	3,696,345
	18,605,371	-	18,605,371
	(1,879,402)	(230,800)	(2,110,202)
	20,637,855	92,535,956	113,173,811
\$	18,758,453	\$ 92,305,156	\$ 111,063,609

Discovery Place, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services							Supporting Services				Total
	Museum Programs	Exhibits	Collections	Gift Shop and Café	Omnimax Dome Theater	Marketing and Communications	Guest Services	Total Program Services	Management and General	Advancement	Total Supporting Services	
Cost of gift sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,671	\$ 103,671	\$ -	\$ -	\$ -	\$ 103,671
Salaries and related payroll costs	2,834,676	527,772	49,794	-	171,636	912,894	672,803	5,169,575	1,746,237	735,238	2,481,475	7,651,050
Repairs, maintenance and security	25,055	30,960	1,575	3,604	-	19,971	30,828	111,993	25,564	-	25,564	137,557
Utilities and rent	1,105	35,838	-	-	-	-	511,707	548,650	2,128	-	2,128	550,778
Supplies	220,673	12,416	422	-	10,468	1,246	32,888	278,113	20,240	56,199	76,439	354,552
Telephone	8,204	1,841	-	-	694	5,313	6,842	22,894	48,616	3,230	51,846	74,740
Insurance	72,059	38,140	-	-	-	-	-	110,199	21,895	-	21,895	132,094
Exhibit and museum program expenses	29,967	715,636	2,210	-	-	-	7,975	755,788	-	30,298	30,298	786,086
Travel, meetings and staff training	23,979	6,706	22	-	1,805	1,063	(413)	33,162	35,140	2,955	38,095	71,257
Printing/publications	4,662	-	65	-	-	24,416	3,905	33,048	405	4,463	4,868	37,916
Professional fees and contract services	78,255	47,475	675	-	79,586	42,968	533,950	782,909	223,288	43,780	267,068	1,049,977
Public relations and promotions	20,898	415	489	-	400	458,306	1,314	481,822	32,977	6,315	39,292	521,114
Postage, dues and subscriptions	2,803	1,473	199	-	1,357	3,033	10,602	19,467	21,800	10,874	32,674	52,141
Film prints and royalties	-	17,941	-	-	102,752	-	-	120,693	-	-	-	120,693
Other	32,750	41,998	-	-	8,236	36,280	120,140	239,404	42,151	46,172	88,323	327,727
	<u>3,355,086</u>	<u>1,478,611</u>	<u>55,451</u>	<u>3,604</u>	<u>376,934</u>	<u>1,505,490</u>	<u>2,036,212</u>	<u>8,811,388</u>	<u>2,220,441</u>	<u>939,524</u>	<u>3,159,965</u>	<u>11,971,353</u>
Depreciation	9,456	621,086	-	-	-	-	675,317	1,305,859	53,240	-	53,240	1,359,099
	<u>\$ 3,364,542</u>	<u>\$ 2,099,697</u>	<u>\$ 55,451</u>	<u>\$ 3,604</u>	<u>\$ 376,934</u>	<u>\$ 1,505,490</u>	<u>\$ 2,711,529</u>	<u>\$ 10,117,247</u>	<u>\$ 2,273,681</u>	<u>\$ 939,524</u>	<u>\$ 3,213,205</u>	<u>13,330,452</u>
Rental and service expense from deferred commitments (Note 10)								<u>\$ 3,539,296</u>	<u>\$ 157,189</u>	<u>\$ -</u>	<u>\$ 157,189</u>	<u>3,696,485</u>
Total expenses												<u><u>\$ 17,026,937</u></u>

See notes to financial statements.

Discovery Place, Inc.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services							Supporting Services			Total	
	Museum	Exhibits	Collections	Gift Shop and Café	Omnimax Dome Theater	Marketing and Communications	Guest Services	Total Program Services	Management			Total Supporting Services
	Programs								General	Advancement		
Cost of gift sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,486	\$ 33,486	\$ -	\$ -	\$ -	\$ 33,486
Salaries and related payroll costs	3,208,763	758,543	68,810	-	220,638	913,257	742,317	5,912,328	1,534,583	600,423	2,135,006	8,047,334
Repairs, maintenance and security	27,378	37,217	154	4,657	-	24,862	52,492	146,760	35,252	-	35,252	182,012
Utilities and rent	-	31,345	-	-	-	-	470,441	501,786	2,163	-	2,163	503,949
Supplies	354,612	15,247	2,099	-	15,586	5,568	66,277	459,389	14,625	79,643	94,268	553,657
Telephone	8,382	2,601	-	-	459	4,692	8,903	25,037	51,557	2,839	54,396	79,433
Insurance	66,239	35,059	-	-	-	-	-	101,298	20,127	-	20,127	121,425
Exhibit and museum program expenses	38,726	678,391	3,415	-	-	-	8,512	729,044	12,588	14,834	27,422	756,466
Travel, meetings and staff training	49,253	10,966	1,196	-	4,019	2,304	(8,291)	59,447	79,678	2,795	82,473	141,920
Printing/publications	2,401	488	-	-	-	34,108	29,861	66,858	234	14,500	14,734	81,592
Professional fees and contract services	150,880	66,529	2,760	-	94,977	61,252	663,502	1,039,900	313,606	99,884	413,490	1,453,390
Public relations and promotions	19,269	452	-	-	-	589,615	276	609,612	24,081	22,406	46,487	656,099
Postage, dues and subscriptions	2,896	1,835	70	-	1,230	4,439	12,377	22,847	35,438	10,704	46,142	68,989
Film prints and royalties	-	-	-	-	132,005	-	-	132,005	-	-	-	132,005
Other	49,254	47,004	-	-	7,691	48,688	194,612	347,249	89,447	51,247	140,694	487,943
	<u>3,978,053</u>	<u>1,685,677</u>	<u>78,504</u>	<u>4,657</u>	<u>476,605</u>	<u>1,688,785</u>	<u>2,274,765</u>	<u>10,187,046</u>	<u>2,213,379</u>	<u>899,275</u>	<u>3,112,654</u>	<u>13,299,700</u>
Depreciation	9,543	829,866	-	-	-	-	663,317	1,502,726	106,600	-	106,600	1,609,326
	<u>\$ 3,987,596</u>	<u>\$ 2,515,543</u>	<u>\$ 78,504</u>	<u>\$ 4,657</u>	<u>\$ 476,605</u>	<u>\$ 1,688,785</u>	<u>\$ 2,938,082</u>	<u>\$ 11,689,772</u>	<u>\$ 2,319,979</u>	<u>\$ 899,275</u>	<u>\$ 3,219,254</u>	<u>14,909,026</u>
Rental and service expense from deferred commitments (Note 10)								<u>\$ 3,539,156</u>	<u>\$ 157,189</u>	<u>\$ -</u>	<u>\$ 157,189</u>	<u>3,696,345</u>
Total expenses												<u><u>\$ 18,605,371</u></u>

See notes to financial statements.

Discovery Place, Inc.

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (3,177,160)	\$ (2,110,202)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,359,099	1,609,326
Contributed assets	-	-
Amortization of deferred commitments	887,455	851,654
Loss on sale of assets	1,999	-
Net unrealized and realized gains on investments	(94,460)	(13,501)
Change in value of beneficial interests in perpetual trust	315,394	366,704
Change in value of beneficial interests in assets held by others	185,319	47,865
Change in value of spendable income receivable	(835,305)	-
Contributions restricted for construction of fixed assets, facilities or permanent investment	(830,500)	(1,392,338)
(Increase) decrease in:		
Contributions receivable	313,222	150,239
Government grant and other receivables	(31,497)	257,021
Prepaid expenses and other assets	43,902	157,744
Increase (decrease) in:		
Accounts payable and accrued expenses	(141,069)	(61,024)
Deferred revenue and refundable advances	1,302,088	138,449
Net cash (used in) provided by operating activities	(701,513)	1,937
Cash flows from investing activities:		
Purchases of equipment, exhibits and leasehold improvements	(584,278)	(263,760)
Purchases of investments	-	(2,996,012)
Proceeds from sale of investments	1,015,945	2,904,532
Net cash provided by (used in) investing activities	431,667	(355,240)
Cash flows provided by financing activities:		
Contributions restricted for construction of fixed assets, facilities or permanent investment	706,528	461,028
Net increase in cash and cash equivalents	436,682	107,725
Cash and cash equivalents:		
Beginning	1,076,747	969,022
Ending	\$ 1,513,429	\$ 1,076,747

See notes to financial statements.

Discovery Place, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Discovery Place, Inc. (Discovery Place), a nonprofit corporation, was incorporated in 1947 under the laws of the State of North Carolina for the purposes of housing natural science collections and exhibits and promoting science, health and environmental education.

Discovery Place operates a museum of science and technology in uptown Charlotte, North Carolina, Discovery Place Nature located at Freedom Park in Charlotte, Discovery Place Kids Museum located in Huntersville, North Carolina, Discovery Place Kids Museum located in Rockingham, North Carolina, and Discovery Place Education Studio located in Charlotte, North Carolina.

A summary of Discovery Place's significant accounting policies follows:

Accrual basis: The financial statements of Discovery Place have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of presentation: Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Discovery Place and changes therein are classified and reported as follows:

Net assets with donor restrictions: Net assets that carry donor stipulated restrictions regarding use or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term (i.e., endowed funds), with such endowment fund balances being made available for expenditure through spending rate policies adopted by Discovery Place. See Note 12 for further information on Discovery Place's endowments.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties, such as governmental grant agreements.

Expenses are reported as decreases in net assets without donor restrictions. Gifts of cash and other assets are recognized as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. Donor restricted contributions whose restrictions are met in the same reporting period in which they are received are reported as net assets without donor restrictions.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Discovery Place, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents include short-term investments with an original maturity of three months or less. Discovery Place maintains its cash in bank deposit accounts and in brokerage accounts which, at times, exceed federally insured and Securities Investor Protection Corporation (SIPC) limits. Discovery Place has not experienced any losses in such accounts and is monitoring its credit risk on cash and cash equivalents.

Contributions receivable: Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on contributions receivable are computed using a rate commensurate with the risk of the contributions receivable in accordance with fair value accounting standards. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of the accounts. Other receivables are written off when deemed uncollectible. Recoveries of other receivables previously written off are recorded when recovered. The allowance for doubtful accounts was approximately \$47,000 and \$194,000 as of June 30, 2020 and 2019, respectively.

Spendable income receivable: Spendable income receivable represents amounts earned from beneficial interests which are available for expenditure in accordance with donor intentions.

Government grant and other receivables: Government grant receivables are carried at the amount of the award earned less cash received. Other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis.

Collections of works of art or similar assets: Donated collections received since Discovery Place's inception are not recognized as assets on the statements of financial position, as they are held for public exhibition and education rather than for financial gain.

Long-lived assets: Gifts of long-lived assets are generally reported as contributions without donor restrictions at fair market value unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Discovery Place reports expirations of donor restrictions as net assets without donor restrictions when the donated or acquired long-lived assets are placed in service.

Equipment, exhibits and leasehold improvements: Equipment, exhibits and leasehold improvements are recorded at cost. Depreciation is computed on all equipment, exhibits and leasehold improvements using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of equipment, exhibits and leasehold improvements are: films and software – 3 years; exhibits – 7 years; leasehold improvements – 20 years; office furniture and equipment – 5 years; computer equipment – 3 years; machinery and equipment – 10 years; and motor vehicles – 5 years. Leasehold improvements are amortized over the shorter of the economic useful life or the lease term. The cost of maintenance and repairs, which do not improve or extend the life of the respective asset, are expensed when incurred.

Discovery Place, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Investments: Investments in equity securities with readily determinable market values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value of investments is based on quoted market prices. Certain investments, primarily the investments held by the Foundation for the Carolinas (the Foundation), are recorded at estimated fair values, adjusted for cash receipts, cash disbursements and securities distributions through June 30 as reviewed and evaluated by Discovery Place.

Discovery Place's Internal Affairs Committee determines Discovery Place's valuation policies utilizing information provided by the investment custodians. The Internal Affairs Committee evaluates a variety of factors including review of methods and assumptions used by external sources, recently executed transactions, existing contracts, economic conditions, industry and market developments, and overall credit ratings.

Discovery Place's investments include various types of investment securities which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change in net assets without donor restrictions in the accompanying statements of activities unless the income or loss is restricted by the donor or law.

Beneficial interest in perpetual trust: Annual distributions, if any, from the trust are reported as investment income that increase net assets without donor restrictions. Changes in available but not taken distributions increase net assets with donor restrictions and the balance not received is classified as spendable income receivable. In conjunction with preparing the year-end financial statements, Discovery Place remeasures its beneficial interest in perpetual trust at fair value, using the same valuation technique that was used to measure the asset initially. Any adjustments are recognized as gains and losses of net assets with donor restrictions.

Beneficial interest in assets held by others: The assets held by others represent endowments with donor restrictions invested at the Foundation. The assets held by others are measured at fair value with the change recorded in the statement of activities as gains and losses of net assets with donor restrictions. Additional contributions to the funds are reported as increases in net assets with donor restrictions in the period received.

A portion of the earnings on the assets held by others are available for distribution for donor restricted purposes. Amounts available for distribution are determined by the Foundation using a maximum of 4.5% of the average market value of the invested assets. Distributions to Discovery Place totaled approximately \$185,000 for both years ended June 30, 2020 and 2019. Changes in available but not taken distributions increase net assets with donor restrictions and the balance not received is classified as spendable income receivable.

Discovery Place, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Functional allocation of expenses: Discovery Place allocates certain of its expenses to program and supporting services based on management's estimates of the respective service's personnel requirements, supplies and materials usage, and space and equipment utilization. The statement of functional expenses reports certain natural expense classifications that are attributable to one or more functional expense categories. Depreciation is allocated based on specific identification of assets. Costs of other expenses are allocated based on estimates of time and effort.

Contributions of services and in-kind contributions: Contributions of services are recognized at their estimated fair value when they are received if the services: (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not donated. In-kind contributions, excluding the deferred commitment described in Note 10, consist of water and supplies and are recognized at their estimated fair value in the statements of activities as contribution revenues and expenses. The estimated fair value of these in-kind contributions was approximately \$41,000 and \$59,000 for 2020 and 2019, respectively.

Volunteers donate significant amounts of time to Discovery Place's programs and services and in its fundraising campaigns. The fair market value of approximately \$113,000 and \$192,000 (based on minimum wage rates) has not been recognized in the accompanying financial statements as support and expenses for 2020 and 2019, respectively. The value of this contributed time is not reflected in these financial statements because it does not meet the above recognition criteria.

Revenue recognition: Membership dues are recognized as revenue when received. Discovery Place's policy for revenue recognition of memberships does not result in a material difference from the recognition of such revenues ratably over the membership period. Merchandise and service revenue, which arises principally from gift shop sales, admission to exhibits and program fees, is generally recognized upon delivery of the merchandise or services to the customer.

Deferred revenue and refundable advances: Discovery Place recognizes customer prepayments for admissions, classes, program fees and special events as deferred revenue. As of June 30, 2020, deferred revenue also includes unutilized proceeds of approximately \$680,000 received from a Paycheck Protection Program loan as described further in Note 20. Refundable advances include amounts received from conditional grants, for which the grant barriers or performance provisions have not yet been satisfied.

Income taxes: Discovery Place is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). The Financial Accounting Standards Board (FASB) issued guidance on accounting for uncertainty in income taxes. Management evaluated Discovery Place's tax positions and concluded that Discovery Place had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Ancillary revenue: Ancillary revenue includes parking, special events and sponsorships, which are recognized at the time of service.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Recent accounting pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Receivable and Contributions Made*, which provides guidance on whether transactions should be accounted for as contributions within the scope of Accounting Standards Codification (ASC) 958, or as exchange transactions subject to other guidance (generally ASC 606). Discovery Place adopted this standard in fiscal 2020 without any significant impact from adoption on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which provided a limited deferral of the effective dates to provide immediate, near-term relief as a result of the Coronavirus Disease 2019 (COVID-19) pandemic which is adversely affecting the global economy and causing significant and widespread business and capital market disruptions. The amendments in this update defer the effective date for one year for each standard, resulting in an effective date for Topic 606 to be in fiscal year 2021 for Discovery Place. Management is currently evaluating the impact of this standard on the financial statements.

Subsequent events: Discovery Place has evaluated its subsequent events (events occurring after June 30, 2020) through December 21, 2020, which represents the date the financial statements were available to be issued. See Note 20 for discussion of subsequent events.

Reclassifications: Certain amounts presented in the fiscal 2019 financial statements have been reclassified to conform to classifications in fiscal 2020 without affecting the previously reported net assets or change in net assets.

Discovery Place, Inc.

Notes to Financial Statements

Note 2. Liquidity and Availability of Financial Assets

The following table reflects Discovery Place's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The approved appropriated amount from endowment funds for the following year is considered to be available for expenditure. Board designated amounts could be drawn upon board action and reserve amounts could be drawn upon based on management actions. Net assets subject to purpose restrictions are discussed further at Note 11.

Financial assets:		
Cash and cash equivalents	\$ 1,513,429	\$ 1,076,747
Contributions receivable, net	3,105,694	3,294,944
Spendable income receivable	2,970,305	2,135,000
Government grant and other receivables, net	195,423	163,926
Beneficial interest in perpetual trust	16,572,259	16,887,653
Beneficial interest in assets held by others	3,848,550	4,033,869
Investments	7,802,699	8,724,184
Financial assets, at year-end	<u>36,008,359</u>	<u>36,316,323</u>
Less those unavailable for general expenditure within one year, due to:		
Contributions receivable, net, collectible beyond one year	(1,524,088)	(1,712,027)
Beneficial interest in perpetual trust	(16,572,259)	(16,887,653)
Perpetual endowments and accumulated earnings*	(4,858,960)	(5,053,933)
Board designated endowments	(79,670)	(77,463)
Net assets subject to purpose restrictions	(3,942,461)	(3,108,784)
Strategic reserves	<u>(3,338,986)</u>	<u>(2,460,986)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,691,935</u>	<u>\$ 7,015,477</u>

* Excludes amounts that have been appropriated for the upcoming fiscal year.

Discovery Place has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To achieve this, Discovery Place monitors its liquidity on a monthly basis. In addition, Discovery Place also has a \$1,000,000 line of credit as disclosed in Note 18 that can be drawn upon in the event of immediate liquidity needs. All of the line of credit was available at June 30, 2020.

Discovery Place maintains certain reserve funds in the form of investments. The reserves are determined by the Board of Trustees and management to address the long- and short-term needs of Discovery Place. As of June 30, 2020, Discovery Place maintained reserves for strategic ventures, films and traveling exhibit commitments, as well as a general operating reserve to cover unanticipated interruptions in cash flow and seasonality issues.

Discovery Place, Inc.

Notes to Financial Statements

Note 3. Contributions Receivable

Unconditional promises to give at June 30, 2020 and 2019, are expected to be realized in the following periods:

	2020	2019
Less than one year	\$ 1,581,606	\$ 1,582,917
One to five years	1,694,971	2,024,813
	<u>3,276,577</u>	<u>3,607,730</u>
Less allowance for uncollectible contributions receivable	(46,787)	(194,300)
Less discount for contributions receivable (discount rates range from 1.94% to 3.15%)	(124,096)	(118,486)
	<u>\$ 3,105,694</u>	<u>\$ 3,294,944</u>

Contributions receivable from Discovery Place's Board of Directors totaled approximately \$248,000 and \$126,000 as of June 30, 2020 and 2019, respectively. Contribution revenue recognized from gifts made by Discovery Place's Board of Directors totaled approximately \$224,200 and \$129,500 for the years ended June 30, 2020 and 2019, respectively.

Note 4. Beneficial Interest in Perpetual Trust

Discovery Place has been named as a beneficiary in one perpetual trust, in which Discovery Place will receive interest income payments in perpetuity. When Discovery Place is notified of the existence of a trust, a receivable and contribution revenue are recorded at the fair market value of the underlying investments of the trust agreement. Annual adjustments are made to the underlying assets recorded on the statements of financial position to account for changes in the fair value of the trust investments and beneficial interests. These adjustments are recognized in the statements of activities as a change in value of beneficial interests.

During fiscal year 2007, Discovery Place entered into a Cultural Organization Endowment Agreement (the Endowment Agreement) with several not-for-profit organizations (the Participating Organizations) throughout the Charlotte, North Carolina region in order to raise funds for facilities endowment and other endowment and capital needs of the Participating Organizations. The income from the endowment will be used to assist Discovery Place in covering the costs of services to be assumed by Discovery Place from the City of Charlotte (see Note 10). Under the Endowment Agreement, Discovery Place has been designated to receive a percentage of the campaign proceeds, which are to be held in perpetuity for the benefit of Discovery Place. Discovery Place's portions of the campaign contributions are recorded as beneficial interests in the statements of financial position. Additionally, Discovery Place has \$2,744,512 and \$1,915,417 in spendable income from the endowment as of June 30, 2020 and 2019, which is included in spendable income receivable in the statements of financial position.

Discovery Place, Inc.

Notes to Financial Statements

Note 4. Beneficial Interest in Perpetual Trust (Continued)

Discovery Place's beneficial interest in perpetual trust consists of the following at June 30, 2020 and 2019:

	2020	2019
Cultural Organization Endowment:		
Greater Charlotte Cultural Trust Pool	\$ 15,642,911	\$ 15,704,729
Contributions receivable	929,348	1,182,924
	<u>\$ 16,572,259</u>	<u>\$ 16,887,653</u>

Of the total amount in the Greater Charlotte Cultural Trust Pool, approximately 20% is held in U.S. equities, 20% is held in private investments partners, 15% is held in hedge funds, 12% is held in international equity, 10% is held in fixed income, 10% is held in liquid real assets, 8% is held in emerging markets equity and 5% is held in global equity as of June 30, 2020.

Note 5. Beneficial Interest in Assets Held by Others

Discovery Place holds five beneficial interests in assets transferred to the Foundation. The transfers were irrevocable and the distributions are subject to the spending policy of the Foundation. The assets are recorded at fair value and are invested in a commingled pool, which includes investments in small and large cap equity funds, international equities, hedge funds, real asset mutual funds and fixed income funds. Discovery Place's beneficial interest in assets held by others at June 30, 2020 and 2019, respectively, was \$3,848,550 and \$4,033,869. The amount recorded as spendable income receivable was \$225,793 and \$219,583 as of June 30, 2020 and 2019.

Note 6. Investments

Discovery Place has an agreement with the Foundation in which the Foundation acts as agent and investment manager for some of Discovery Place's investments. These investments are pooled by the Foundation. Investments at June 30, 2020 and 2019, are summarized as follows:

	2020	2019
Assets invested by the Foundation:		
Alternative investments	\$ 7,407,365	\$ 8,329,293
Assets invested by Discovery Place:		
Mutual funds	395,334	394,891
	<u>\$ 7,802,699</u>	<u>\$ 8,724,184</u>

Investment return is comprised of the following for 2020 and 2019:

	2020	2019
Interest income on cash and cash equivalents	\$ 1,416	\$ 3,021
Net realized and unrealized gains on investments	94,460	13,501
	<u>\$ 95,876</u>	<u>\$ 16,522</u>

Discovery Place, Inc.

Notes to Financial Statements

Note 7. Fair Value of Financial Instruments

The carrying value of Discovery Place's receivables and accounts payable approximates the fair value of these financial instruments at June 30, 2020 and 2019, due to the short maturities of these instruments.

Fair value measurements apply to all financial assets and liabilities that are being measured and reported on a fair value basis. GAAP establish a framework for measuring the fair value of assets and liabilities and require fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Financial instruments determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In determining the appropriate levels, Discovery Place performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation techniques applied to Discovery Place's major categories of assets measured at fair value on a recurring basis follows:

Mutual funds: Such funds are valued at the closing price reported on the active market on which the security is traded.

Beneficial interests in perpetual trust and assets held by others: Such interests are recorded by Discovery Place based on the estimated value of Discovery Place's interests in the assets held in the perpetual trust and assets held by others.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Discovery Place believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Discovery Place, Inc.

Notes to Financial Statements

Note 7. Fair Value of Financial Instruments (Continued)

Level 1 instruments carried at fair value, and Level 2 and Level 3 instruments carried at estimated fair value, are comprised of the following at June 30, 2020 and 2019:

	Fair Value Measurements at June 30, 2020 Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets:				
Investments:				
Mutual funds	\$ 395,334	\$ -	\$ -	\$ 395,334
Alternative investments (a)				7,407,365
Total investments	\$ 395,334	\$ -	\$ -	\$ 7,802,699
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 16,572,259	\$ 16,572,259
Beneficial interest in assets held by others	\$ -	\$ -	\$ 3,848,550	\$ 3,848,550

	Fair Value Measurements at June 30, 2019 Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets:				
Investments:				
Mutual funds	\$ 394,891	\$ -	\$ -	\$ 394,891
Alternative investments (a)				8,329,293
Total investments	\$ 394,891	\$ -	\$ -	\$ 8,724,184
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 16,887,653	\$ 16,887,653
Beneficial interest in assets held by others	\$ -	\$ -	\$ 4,033,869	\$ 4,033,869

(a) In accordance with FASB ASU 2015-07, certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Discovery Place, Inc.

Notes to Financial Statements

Note 7. Fair Value of Financial Instruments (Continued)

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Beneficial Interest in Perpetual Trust	Beneficial Interest in Assets Held by Others
Balance, June 30, 2018	\$ 17,254,357	\$ 4,081,734
Change in value of beneficial interest agreements	(366,704)	(47,865)
Balance, June 30, 2019	16,887,653	4,033,869
Change in value of beneficial interest agreements	(315,394)	(185,319)
Balance, June 30, 2020	<u>\$ 16,572,259</u>	<u>\$ 3,848,550</u>

Note 8. Net Asset Value

The following tables for June 30, 2020 and 2019, set forth a summary of Discovery Place's investments with a reported NAV or equivalent:

Fair Value Estimated Using NAV per Share June 30, 2020					
Investment	Fair Value*	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Commingled pool of assets (a) Investments	<u>\$ 7,407,365</u>	<u>\$ -</u>	Daily	None	Daily

Fair Value Estimated Using NAV per Share June 30, 2019					
Investment	Fair Value*	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Commingled pool of assets (a) Investments	<u>\$ 8,329,293</u>	<u>\$ -</u>	Daily	None	Daily

* The fair values of the investments have been estimated using the NAV per share or equivalent of the investment.

- (a) The primary investment objective of the portfolio is to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses thus, at a minimum, maintaining the purchasing power of the portfolio.

Discovery Place, Inc.

Notes to Financial Statements

Note 9. Property, Equipment, Exhibits and Leasehold Improvements

At June 30, 2020 and 2019, equipment, exhibits and leasehold improvements consisted of the following:

	2020					
	Discovery Place	Discovery Place Nature	DP Kids Huntersville	DP Kids Rockingham	Discovery Place Education Studio	Total
Films and software	\$ 18,785	\$ -	\$ -	\$ -	\$ -	\$ 18,785
Exhibits	18,116,592	330,575	2,294,556	3,571,981	-	24,313,704
Property and leasehold improvements	4,417,497	58,861	134,014	3,213,929	8,410,847	16,235,148
Office furniture and equipment	1,321,973	42,410	122,333	109,196	200,245	1,796,157
Computer equipment	913,988	6,000	10,259	43,927	137,522	1,111,696
Machinery and equipment	1,214,496	54,835	7,200	-	15,142	1,291,673
Motor vehicles	217,719	11,810	-	30,940	-	260,469
Exhibits and construction in progress	351,390	768,174	4,551	3,353	-	1,127,468
	26,572,440	1,272,665	2,572,913	6,973,326	8,763,756	46,155,100
Less accumulated depreciation	(24,211,522)	(456,539)	(2,404,280)	(4,943,118)	(2,314,268)	(34,329,727)
	<u>\$ 2,360,918</u>	<u>\$ 816,126</u>	<u>\$ 168,633</u>	<u>\$ 2,030,208</u>	<u>\$ 6,449,488</u>	<u>\$ 11,825,373</u>

	2019					
	Discovery Place	Discovery Place Nature	DP Kids Huntersville	DP Kids Rockingham	Discovery Place Education Studio	Total
Films and software	\$ 18,785	\$ -	\$ -	\$ -	\$ -	\$ 18,785
Exhibits	18,116,592	330,575	2,294,556	3,571,981	-	24,313,704
Leasehold improvements	4,417,497	58,861	134,014	3,213,929	8,410,847	16,235,148
Office furniture and equipment	1,321,973	42,410	117,593	109,196	200,245	1,791,417
Computer equipment	913,988	6,000	10,259	43,927	137,522	1,111,696
Machinery and equipment	1,214,496	54,835	7,200	-	15,142	1,291,673
Motor vehicles	270,109	11,810	-	30,940	-	312,859
Exhibits and construction in progress	329,068	213,255	4,283	3,353	-	549,959
	26,602,508	717,746	2,567,905	6,973,326	8,763,756	45,625,241
Less accumulated depreciation	(23,773,450)	(445,403)	(2,371,352)	(4,479,721)	(1,953,122)	(33,023,048)
	<u>\$ 2,829,058</u>	<u>\$ 272,343</u>	<u>\$ 196,553</u>	<u>\$ 2,493,605</u>	<u>\$ 6,810,634</u>	<u>\$ 12,602,193</u>

Discovery Place, Inc.

Notes to Financial Statements

Note 10. Deferred Commitments

City of Charlotte

Discovery Place has a non-cancelable operating lease agreement with the City of Charlotte (the City) for the Discovery Place buildings, including the main building, the Omnimax Dome Theater, the parking deck and the annex building. Discovery Place pays the City \$1 annually for the lease, which includes utilities, custodial services and security. The lease was renewed effective August 31, 2011, for a 10-year duration and has four 10-year renewal options. Discovery Place has recognized the fair value of the building rental and services provided by the City as a net asset with donor restrictions. The fair value of the commitment is being amortized over the lease term, including the four 10-year renewal periods, which management reasonably expects to exercise.

During April 2009, Discovery Place entered into a Third Amendment to Lease Agreement (the Agreement) to the original Lease and Operating Agreement with the City. The Agreement was part of the City's Economic Development and Planning Committee's Cultural Facilities Master Plan, which included, among other things, a renovation plan for Discovery Place's facilities as a platform for delivering the latest in science and technology.

The Agreement called for, among other things, the City to provide public funds to cover a substantial portion of the capital costs to be incurred for the proposed building renovation and development of the new exhibition platform in the amount of approximately \$31.6 million. Of the \$31.6 million, the City incurred \$16.1 million directly to renovate the building and agreed to provide \$15.5 million to Discovery Place for new exhibit platforms. In addition, the Agreement amended the allocation of responsibility for providing and paying certain services to Discovery Place for the premises, which includes utilities, custodial services and security.

Town of Huntersville

Discovery Place has a non-cancelable operating lease agreement with the Town of Huntersville (Huntersville) for the Discovery Place Kids Museum. Discovery Place pays Huntersville \$1 annually for the lease, which includes utilities and structural repairs. The lease expires in July 2025 and has three five-year renewal options. In order to renew the lease, among other things, the Museum must have an average annual rate of 30,000 visitors during the initial term of the lease.

Discovery Place has recognized the fair value of the building rental and services provided by Huntersville as a net asset with donor restrictions. The fair value of the commitment is being amortized over the 30-year lease term due to the fact it is probable that the lease will be renewed.

City of Rockingham

Discovery Place has a non-cancelable operating lease agreement with the City of Rockingham (Rockingham) for the Discovery Place Kids Museum. Discovery Place pays Rockingham \$1 annually for the lease, which includes utilities and structural repairs. The lease expires in December 2021 and has three five-year renewal options. In order to renew the lease, among other things, the Museum must have an average annual rate of 30,000 visitors during the initial term of the lease.

Discovery Place has recognized the fair value of the building rental and services provided by Rockingham as a net asset with donor restrictions. The fair value of the contribution is being amortized over the 10-year lease term. The renewal options are not included due to the uncertainty associated with the required number of visitors.

Discovery Place, Inc.

Notes to Financial Statements

Note 10. Deferred Commitments (Continued)

The change in the deferred commitments for the years ended June 30, 2020 and 2019 is as follows:

	Charlotte	Huntersville	Rockingham	Total
Deferred commitments, June 30, 2018	\$ 55,989,980	\$ 7,395,720	\$ 758,834	\$ 64,144,534
Amounts released from restriction	(436,052)	(201,487)	(214,115)	(851,654)
Deferred commitments, June 30, 2019	55,553,928	7,194,233	544,719	63,292,880
Amounts released from restriction	(456,085)	(210,743)	(220,627)	(887,455)
Deferred commitments, June 30, 2020	\$ 55,097,843	\$ 6,983,490	\$ 324,092	\$ 62,405,425

A summary of the amounts recognized as revenue and as rent expense for the years ended June 30, 2020 and 2019, is as follows:

	2020			
	Charlotte	Huntersville	Rockingham	Total
Amortization of discount on deferred commitments	\$ 2,489,601	\$ 319,429	\$ -	\$ 2,809,030
Total revenue	2,489,601	319,429	-	2,809,030
Amounts released from restriction:				
Rental expenses	395,723	194,801	130,095	720,619
Service expenses	60,362	15,942	90,532	166,836
Total expenses	456,085	210,743	220,627	887,455
Rental and service expenses recognized	\$ 2,945,686	\$ 530,172	\$ 220,627	\$ 3,696,485
	2019			
	Charlotte	Huntersville	Rockingham	Total
Amortization of discount on deferred commitments	\$ 2,510,743	\$ 328,685	\$ 5,263	\$ 2,844,691
Total revenue	2,510,743	328,685	5,263	2,844,691
Amounts released from restriction:				
Rental expenses	378,342	186,245	126,255	690,842
Service expenses	57,710	15,242	87,860	160,812
Total expenses	436,052	201,487	214,115	851,654
Rental and service expenses recognized	\$ 2,946,795	\$ 530,172	\$ 219,378	\$ 3,696,345

Discovery Place, Inc.**Notes to Financial Statements**

Note 11. Net Assets

Net assets without donor restrictions and with donor restrictions consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Undesignated	\$ 3,708,717	\$ 6,078,797
Board designated endowment (Note 12)	79,670	77,463
Net investment in property, plant and equipment	11,825,373	12,602,193
Total net assets without donor restrictions	<u>15,613,760</u>	<u>18,758,453</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Deferred commitments (Note 10)	62,405,425	63,292,880
Program costs	1,215,141	1,155,546
Capital projects	3,312,958	2,548,530
Accumulated gains	(585,638)	(595,292)
	<u>66,347,886</u>	<u>66,401,664</u>
Subject to the passage of time:		
Time restrictions	4,260,551	3,728,873
	<u>4,260,551</u>	<u>3,728,873</u>
Subject to spending policy and appropriation (Note 12):		
Accumulated gains	585,638	595,292
Endowment funds restricted in perpetuity	4,506,355	4,691,674
	<u>5,091,993</u>	<u>5,286,966</u>
Subject to restriction in perpetuity:		
Beneficial interest in perpetual trust (Note 4)	16,572,259	16,887,653
	<u>16,572,259</u>	<u>16,887,653</u>
Total net assets with donor restrictions	<u>92,272,689</u>	<u>92,305,156</u>
Total net assets	<u>\$ 107,886,449</u>	<u>\$ 111,063,609</u>

Discovery Place, Inc.

Notes to Financial Statements

Note 11. Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donor as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Purpose restrictions accomplished:		
Amounts related to deferred commitments	\$ 887,455	\$ 851,654
Program costs	\$ 289,208	\$ 402,008
Time restrictions	1,003,749	1,781,242
	<u>\$ 1,292,957</u>	<u>\$ 2,183,250</u>

Note 12. Endowment

Discovery Place's endowment consists of eight individual funds established for different purposes. Its endowment includes both donor-restricted endowment funds and, at times, funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted endowments are classified as net assets with donor restrictions. Funds functioning as endowments are Discovery Place resources designated as endowments by the Board of Trustees and are invested in the endowment for long-term appreciation and current income. Such assets, however, remain available and may be spent at the Board of Trustee's discretion unless donor-imposed restrictions exist on their use. Funds functioning as endowments are recorded in net assets without donor restrictions, unless donor restrictions exist in which case they are recorded in net assets with donor restrictions.

Interpretation of Relevant Law

Discovery Place follows the provisions of FASB ASC 958-205-50 (formerly the FASB Staff Position 117-1, Net Asset Classification of Funds) subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (NCUPMIFA), and Enhanced Disclosures for all Endowment Funds. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Discovery Place considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor of the gift instrument. In accordance with NCUPMIFA, Discovery Place 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 Discovery Place and 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 Discovery Place.
7. The investment policies of Discovery Place.

Discovery Place, Inc.

Notes to Financial Statements

Note 12. Endowment (Continued)

Endowment net asset composition by type of fund as of June 30, 2020 and 2019, is as follows:

	2020				
	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 4,506,355	\$ 585,638	\$ 5,091,993	\$ 5,091,993
Board designated quasi endowment funds	79,670	-	-	-	79,670
	<u>\$ 79,670</u>	<u>\$ 4,506,355</u>	<u>\$ 585,638</u>	<u>\$ 5,091,993</u>	<u>\$ 5,171,663</u>
	2019				
	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 4,691,674	\$ 595,292	\$ 5,286,966	\$ 5,286,966
Board designated quasi endowment funds	77,463	-	-	-	77,463
	<u>\$ 77,463</u>	<u>\$ 4,691,674</u>	<u>\$ 595,292</u>	<u>\$ 5,286,966</u>	<u>\$ 5,364,429</u>

Changes in endowment net assets for the fiscal years ended June 30, 2020 and 2019, are as follows:

	2020				
	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 77,463	\$ 4,691,674	\$ 595,292	\$ 5,286,966	\$ 5,364,429
Investment return:					
Interest and dividend income net of fees	(206)	-	(2,707)	(2,707)	(2,913)
Net appreciation (realized and unrealized)	2,413	-	34,985	34,985	37,398
Total investment return	<u>2,207</u>	<u>-</u>	<u>32,278</u>	<u>32,278</u>	<u>34,485</u>
Change in value of spendable income receivable	-	-	191,101	191,101	191,101
Appropriation of endowment assets for expenditure	-	-	(233,033)	(233,033)	(233,033)
Change in value of beneficial interests	-	(185,319)	-	(185,319)	(185,319)
Total changes	<u>-</u>	<u>(185,319)</u>	<u>(41,932)</u>	<u>(227,251)</u>	<u>(227,251)</u>
Endowment net assets, end of year	<u>\$ 79,670</u>	<u>\$ 4,506,355</u>	<u>\$ 585,638</u>	<u>\$ 5,091,993</u>	<u>\$ 5,171,663</u>

Discovery Place, Inc.

Notes to Financial Statements

Note 12. Endowment (Continued)

	2019				
	Without Donor Restrictions	Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 77,079	\$ 4,739,539	\$ 638,028	\$ 5,377,567	\$ 5,454,646
Investment return net of fees	(198)	-	(2,738)	(2,738)	(2,936)
Net appreciation (realized and unrealized)	582	-	8,145	8,145	8,727
Total investment return	384	-	5,407	5,407	5,791
Change in value of spendable income receivable	-	-	184,890	184,890	184,890
Appropriation of endowment assets for expenditure	-	-	(233,033)	(233,033)	(233,033)
Change in value of beneficial interests	-	(47,865)	-	(47,865)	(47,865)
Total changes	-	(47,865)	(48,143)	(96,008)	(96,008)
Endowment net assets, end of year	\$ 77,463	\$ 4,691,674	\$ 595,292	\$ 5,286,966	\$ 5,364,429

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires Discovery Place to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2020 and 2019.

Return Objectives and Risk Parameters

Discovery Place 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 Discovery Place must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner outlined in the investment policy adopted by the Board of Trustees. The investment policy's purpose is to establish a clear understanding of the investments held by Discovery Place and to provide guidance regarding Discovery Place's objectives and goals with regard to investments. The investment performance objective is to maintain a long-term real rate of return on endowments that is sufficient to support the spending policy of Discovery Place and preserve the purchasing power of the investments. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

The endowment assets are expected to endure in perpetuity and inflation is a key component in Discovery Place's investment objective; therefore, Discovery Place believes that investing in assets with higher return expectations outweighs their short-term volatility risk. Discovery Place targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Discovery Place, Inc.

Notes to Financial Statements

Note 12. Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowment spending amount for Discovery Place is dictated by the policies of Foundation for the Carolinas. Discovery Place's policy allows for appropriation from an endowment with a balance below the amount required to be maintained in perpetuity. This amount is deemed appropriate to support Discovery Place's current operating goals while remaining consistent with the long-term goals of the endowment. In establishing this policy, Discovery Place considered the long-term expected return on its endowment. Accordingly, over the long term, Discovery Place expects the current spending policy to allow its endowment to grow at an average rate of 2% plus the Consumer Price Index annually. This is consistent with Discovery Place's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 13. Government Appropriations

For the years ended June 30, 2020 and 2019, Discovery Place received government appropriations as follows:

	2020	2019
Mecklenburg and Richmond Counties	\$ 28,000	\$ 28,000
Rockingham City	-	50,000
State of North Carolina	154,952	159,008
	<u>\$ 182,952</u>	<u>\$ 237,008</u>

Note 14. Retirement Plans

Discovery Place has a 403(b) plan in which all eligible employees may participate. The 403(b) plan is a program which permits certain nonprofit organizations to provide retirement benefits on a tax-favored basis to employees.

The Plan provides for employer contributions, to be determined annually at the discretion of Discovery Place. In addition, the employees may contribute to the Plan according to IRS guidelines. Employees become 100% vested in their account immediately upon their effective date of participation. Discovery Place made contributions to the 403(b) plan of approximately \$208,000 and \$223,000 in fiscal 2020 and 2019, respectively. These contributions are classified as salary and related payroll costs in the statements of functional expenses.

During the year ended June 30, 2015, Discovery Place established a deferred compensation plan for members of senior management. The plan allows for employer contributions to be determined annually at the discretion of the Discovery Place Board. During the years ended June 30, 2020 and 2019, approximately \$65,000 and \$60,000, respectively, was disbursed to the plan. Assets totaling approximately \$306,000 and \$242,000 are recorded in prepaid expenses and other assets, and liabilities totaling approximately \$306,000 and \$242,000 are recorded in accounts payable and accrued expenses in the accompanying statements of financial position at June 30, 2020 and 2019, respectively.

Discovery Place, Inc.

Notes to Financial Statements

Note 15. The Arts and Science Council

During 2020 and 2019, Discovery Place received annual basic operating grants of approximately \$768,200 and \$795,000, respectively, from the Arts and Science Council, a charitable organization that acts as a central funding source for fundraising and allocation of resources among the various nonprofit arts and science organizations within Mecklenburg County.

Note 16. Concentrations

A substantial amount of Discovery Place's support is generated through contributions and pledges from other organizations or individuals, primarily in Charlotte, North Carolina and the surrounding area. Changes in economic conditions can directly affect a donor's ability and willingness to make future contributions to Discovery Place. Also, the limited geographic area in which Discovery Place's contributors reside increases Discovery Place's exposure to certain business concentrations.

Note 17. Commitments

In the ordinary course of business, Discovery Place enters into various contracts for certain exhibits. From time to time, these contracts require nonrefundable deposits, maintenance, insurance coverage and certain other related exhibit expenses. Commitments related to these contracts totaled \$160,000 as of June 30, 2019. There were no commitments related to these contracts as of June 30, 2020.

Note 18. Line of Credit

Effective January 23, 2014, and renewed on January 20, 2020, Discovery Place entered into a \$1,000,000 revolving line of credit with a financial institution that expires on February 1, 2021. The line bears interest at the greater of the prime rate plus 1% or the floor rate of 5.75% and is secured by equipment, exhibits and leasehold improvements. As of June 30, 2020, there were no borrowings against the revolving line of credit.

Note 19. County Support

Discovery Place Nature, one of the Museum's five locations, was built in 1951 alongside Freedom Park on land presently owned by Mecklenburg County. In partnership with Mecklenburg County, a new 29,000 square foot Discovery Place Nature Museum is planned to be built, which will better incorporate outdoor space and the greenway and meet the growing demands of education in the region. Mecklenburg County has committed \$16 million of the \$35 million total budgeted project cost. Discovery Place is conducting a capital campaign to raise the remaining \$19 million through private fundraising efforts. As of June 30, 2020, Discovery Place has raised approximately \$4,734,000 in contributions, which includes pledges, and has received approximately \$2,088,000 of cash relative to these contributions. Discovery Place has incurred capital costs and other expenses of approximately \$1,020,000 primarily relating to educational content development, conceptual and schematic design for the exhibits and living animal experiences for this project.

Note 20. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which Discovery Place operates.

Discovery Place, Inc.

Notes to Financial Statements

Note 20. COVID-19 (Continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The pandemic is disrupting operations across a range of industries. The extent of the impact on Discovery Place's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees, vendors and service providers, all of which are uncertain and cannot be predicted.

In response to the pandemic, Discovery Place strategically reviewed core and custom programming across its on-site, virtual, and delivered platforms and related expenses. Discovery Place has forecasted approximately 46% less operating income in fiscal 2021 as compared to fiscal 2020. As a result, Discovery Place has taken action, including discontinuing certain programming, reducing the workforce and renegotiating third party contracts in order to reduce approximately 43% of its expenses across program services and supporting services. Should revenue fall below its estimates, management believes it has sufficient access to liquidity through cash on hand, reserves, and available amounts on its line of credit to continue its operations uninterrupted and fulfill all commitments for the foreseeable future, including the period for one year from the date of the issuance of the financial statements.

On April 27, 2020, Discovery Place received loan proceeds in the amount of approximately \$1.4 million from a financial institution under the Paycheck Protection Program (PPP). The note matures in 2022 with an interest rate of 1% per annum. The PPP note may be forgiven, in whole or part, provided that the forgiveness documentation complies with the PPP rules and regulations, including, without limitation, that not more than 40% of the PPP amount be used for non-payroll costs. This documentation must be submitted within ten months of the completion of the Organization's covered period of 24 weeks from the date of receipt of the proceeds. Discovery Place remains responsible under the PPP for any amounts not forgiven by the Small Business Administration (SBA). If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid by the borrower on or before the maturity date of the loan. Interest accrues during the time between the disbursement of the loan and SBA determination and remittance of the forgiveness amount to the borrower. The Organization is not required to make any payments on the note until after the forgiveness amount is determined and remitted. Discovery Place intends to use the proceeds for the purposes consistent with the PPP. Discovery Place has elected to follow ASC 958 treatment in accounting for the PPP loan as a conditional grant. As of and for the year ended June 30, 2020, Discovery Place has incurred qualifying expenses of approximately \$720,000 and believes it has satisfied the other conditions for forgiveness of this portion of the loan. Accordingly, Discovery Place has recorded revenue of approximately \$720,000 for the year ended June 30, 2020 in the statement of activities, with the balance of the loan of approximately \$680,000 remaining in deferred revenue. Discovery Place plans to apply for full forgiveness of its loan in fiscal 2021, however, no assurance can be given regarding whether such application will be approved in part or full. The application and supporting documentation will be subject to review by the lender prior to any forgiveness.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to Discovery Place. To date, Discovery Place has experienced closure of facilities, exhibits and programs from March through September 2020, as well as both short-term and long-term furloughs and permanent layoffs. Discovery Place was able to reopen its facilities with limited capacity as of September 2020.

In the last quarter of 2020, Discovery Place was awarded pass-through grants from the county and state of approximately \$918,000, as part of the CARES Act.