

**Audited Financial Statements,
Supplementary Information,
and Compliance Reports**

**THE NORTH CAROLINA MUSEUM
OF LIFE AND SCIENCE, INC.**

Year Ended June 30, 2022

Audited Financial Statements, Supplementary Information, and Compliance Reports

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

Year Ended June 30, 2022

Audited Financial Statements

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of The North Carolina Museum of Life and Science, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 North Carolina Museum of Life and Science, Inc. as of June 30, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The North Carolina Museum of Life and Science, Inc. 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.

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 North Carolina Museum of Life and Science, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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.

Independent Auditor's Report--Continued

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 North Carolina Museum of Life and Science, Inc.'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 North Carolina Museum of Life and Science, Inc.'s ability to continue as a going concern for a reasonable period of time.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022 on our consideration of The North Carolina Museum of Life and Science, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The North Carolina Museum of Life and Science, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The North Carolina Museum of Life and Science, Inc.'s internal control over financial reporting and compliance.

Independent Auditor's Report--Continued

Adoption of New Accounting Standard

As discussed in Note A to the financial statements, The North Carolina Museum of Life and Science, Inc. has adopted FASB Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited The North Carolina Museum of Life and Science, Inc.'s financial statements as of and for the year ended June 30, 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it was derived.

Romeo, Wiggins & Company, L.L.P.

Raleigh, North Carolina
November 30, 2022

Statement of Financial Position

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

June 30, 2022

(with comparative totals as of June 30, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents:		
Board-designated	\$ 1,644,138	\$ 1,066,254
Other	4,219,986	3,205,886
	<u>5,864,124</u>	<u>4,272,140</u>
Grants receivable:		
Bond expenses receivable	1,313,607	6,693
Other grants receivable	141,432	72,320
	<u>1,455,039</u>	<u>79,013</u>
Other receivables:		
Capital campaign pledges	14,500	34,500
Other receivables	97,855	69,326
	<u>112,355</u>	<u>103,826</u>
Museum store inventory	169,299	110,600
Prepaid expenses	118,771	128,305
Investments:		
Board-designated certificate of deposit	160,110	160,047
With donor restrictions, other than endowments	30,890	35,164
With donor restrictions, held under endowments	128,613	144,181
	<u>319,613</u>	<u>339,392</u>
Property and equipment, net	<u>14,500,485</u>	<u>12,209,078</u>
TOTAL ASSETS	\$ 22,539,686	\$ 17,242,354
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 1,450,298	\$ 463,607
Accrued employer contributions to retirement plans	23,509	242,741
Accrued wages and other payroll-related liabilities	539,439	608,982
Accrued vacation	168,618	195,943
Deferred membership revenue	1,185,357	919,669
Other deferred revenue	817,171	671,577
	<u>4,184,392</u>	<u>3,102,519</u>
TOTAL LIABILITIES	4,184,392	3,102,519
NET ASSETS		
Without donor restrictions:		
Operating reserves:		
Board-designated net assets:		
Contingency Reserve Fund	1,021,582	648,110
Capital Reserve Fund	782,666	578,191
Undesignated operating reserves	1,634,089	231,818
Total operating reserves	<u>3,438,337</u>	<u>1,458,119</u>
Net property and equipment	14,500,485	12,209,078
Total net assets without donor restrictions	<u>17,938,822</u>	<u>13,667,197</u>
With donor restrictions:		
Other than endowments	287,859	328,457
Held under endowments	128,613	144,181
Total net assets with donor restrictions	<u>416,472</u>	<u>472,638</u>
TOTAL NET ASSETS	18,355,294	14,139,835
TOTAL LIABILITIES AND NET ASSETS	\$ 22,539,686	\$ 17,242,354

See independent auditor's report and notes to financial statements.

Statement of Activities

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

Year Ended June 30, 2022

(With comparative totals for the year ended June 30, 2021)

	2022				2021
	Without Donor Restrictions		With Donor Restrictions	Total	Total
	Operating Reserves	Net Property and Equipment			
SUPPORT, REVENUES AND OTHER INCOME:					
Government support:					
Durham County bond income	\$ -	\$ 2,553,163	\$ -	\$ 2,553,163	\$ 215,170
Government contracts/grants	1,936,786	-	2,072,262	4,009,048	2,131,124
Other financial assistance (PPP loans)	-	-	-	-	1,341,805
Capital campaign support	-	-	-	-	5,292
Contributions and other grants	234,019	-	93,400	327,419	279,424
Corporate and foundation donations	311,989	-	420,000	731,989	392,043
Contributed goods and services	24,938	-	-	24,938	12,179
Fundraising and special events	412,301	-	-	412,301	206,787
Education	1,049,949	-	-	1,049,949	866,193
Admissions	2,363,080	-	-	2,363,080	1,311,787
Museum store sales	927,223	-	-	927,223	410,853
Train revenue	469,170	-	-	469,170	240,574
Concession revenue	73,060	-	-	73,060	31,253
Membership dues	2,417,308	-	-	2,417,308	1,979,259
Rental income	467,872	-	-	467,872	111,320
Investment (loss) income, net	348	-	(19,421)	(19,073)	43,994
Gain from asset disposal	4,000	-	-	4,000	-
Other income	24,800	-	-	24,800	75,163
Net assets released from restrictions due to:					
Released from non-endowed funds	2,184,778	436,555	(2,621,333)	-	-
Appropriated from endowment funds	1,074	-	(1,074)	-	-
TOTAL SUPPORT, REVENUES AND OTHER INCOME	12,902,695	2,989,718	(56,166)	15,836,247	9,654,220
EXPENSES:					
Program services	7,778,977	1,045,182	-	8,824,159	8,028,271
Support services:					
Management and general	2,150,482	116,131	-	2,266,613	1,776,276
Fundraising	530,016	-	-	530,016	559,098
Total support services	2,680,498	116,131	-	2,796,629	2,335,374
TOTAL EXPENSES	10,459,475	1,161,313	-	11,620,788	10,363,645
CHANGE IN NET ASSETS	\$ 2,443,220	\$ 1,828,405	\$ (56,166)	\$ 4,215,459	\$ (709,425)
NET ASSETS, BEGINNING OF YEAR	\$ 1,458,119	\$ 12,209,078	\$ 472,638	\$ 14,139,835	\$ 14,849,260
Change in net assets	2,443,220	1,828,405	(56,166)	4,215,459	(709,425)
Transfers within net assets without donor restrictions	(463,002)	463,002	-	-	-
NET ASSETS, END OF YEAR	\$ 3,438,337	\$ 14,500,485	\$ 416,472	\$ 18,355,294	\$ 14,139,835

See independent auditor's report and notes to financial statements.

Statement of Functional Expenses

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

Year Ended June 30, 2022

(With comparative totals for the year ended June 30, 2021)

	2022				2021
	Program Services	Support Services		Total	Total
		Management and General	Fundraising		
PERSONNEL COSTS:					
Salaries and wages	\$ 4,208,699	\$ 903,306	\$ 271,097	\$ 5,383,102	\$ 4,963,080
Fringe benefits	713,917	90,767	40,594	845,278	1,014,511
Payroll taxes	327,428	68,383	22,344	418,155	385,065
Total personnel costs	5,250,044	1,062,456	334,035	6,646,535	6,362,656
OTHER EXPENSES:					
Occupancy	221,070	24,563	-	245,633	226,368
Facilities maintenance	482,335	46,349	360	529,044	439,396
Property insurance	106,852	11,873	-	118,725	114,057
Museum store expenses	427,558	-	-	427,558	190,238
Exhibits-supplies and maintenance	206,015	321	-	206,336	160,907
School program expenses	28,191	-	-	28,191	29,272
Informal program expenses	123,649	-	10,815	134,464	114,133
Animal care	142,343	-	-	142,343	121,976
Professional fees	15,979	209,571	13,275	238,825	173,349
Contract labor/subcontracts	50,270	406,564	12,019	468,853	40,848
Telephone	12,173	2,197	987	15,357	15,490
Postage	6,262	5,845	816	12,923	10,914
Leasing and service contracts	21,458	8,848	-	30,306	31,084
Materials and supplies	18,244	4,476	65	22,785	9,549
Other operating costs	310,305	213,652	24,732	548,689	312,006
Staff development	30,413	59,451	1,397	91,261	47,073
Development/marketing (non-personnel)	13,800	104,296	115,896	233,992	125,371
Bank and merchant fees	242,511	5,103	2,642	250,256	134,251
Contributed goods and services	11,131	830	12,977	24,938	12,179
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	10,485
Miscellaneous	32,049	6,288	-	38,337	68,289
Total other expenses	2,528,933	1,088,026	195,981	3,812,940	2,387,235
Total operating expenses before depreciation	7,778,977	2,150,482	530,016	10,459,475	8,749,891
Depreciation and amortization	1,045,182	116,131	-	1,161,313	1,613,754
TOTAL EXPENSES	\$ 8,824,159	\$ 2,266,613	\$ 530,016	\$ 11,620,788	\$ 10,363,645

See independent auditor's report and notes to financial statements.

Statement of Cash Flows

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

Year Ended June 30, 2022

(With comparative totals for the year ended June 30, 2021)

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ 4,215,459	\$ (709,425)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,161,313	1,613,754
Gain on disposal of fixed assets	(4,000)	-
Bond income for capital improvements	(2,553,163)	(215,170)
Support restricted for capital campaign	20,000	(5,292)
Change in fair value of investments, net loss (gain)	21,726	(35,968)
Changes in operating assets and liabilities:		
Receivables (excluding bonds/capital campaign)	(97,641)	(22,020)
Museum store inventory	(58,699)	54,403
Prepaid expenses and other	9,534	22,248
Accounts payable	986,691	249,443
Accrued employer contributions to retirement plans	(219,232)	254,112
Accrued wages and other payroll-related liabilities	(69,543)	259,717
Accrued vacation	(27,325)	42,638
Deferred membership revenue	265,688	(208,301)
Other deferred revenue	145,594	242,809
Deferred support (PPP loans)	-	(252,205)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,796,402</u>	<u>1,290,743</u>
INVESTING ACTIVITIES		
Purchases of investments	(3,368)	(13,194)
Distributions from investments	1,421	2,765
Proceeds from disposal of fixed assets	4,000	-
Purchases of fixed assets	(3,452,720)	(432,363)
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,450,667)</u>	<u>(442,792)</u>
FINANCING ACTIVITIES		
Proceeds from bonds for capital improvements	1,246,249	327,641
Proceeds from support restricted for capital campaign	-	50,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,246,249</u>	<u>377,641</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,591,984	1,225,592
Cash and cash equivalents, beginning of the year	<u>4,272,140</u>	<u>3,046,548</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 5,864,124</u></u>	<u><u>\$ 4,272,140</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ -	\$ -
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Decrease in deferred compensation investment	\$ -	\$ 111,861
Decrease in deferred compensation liability	-	(111,861)

See independent auditor's report and notes to financial statements.

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

Year Ended June 30, 2022

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization: The North Carolina Museum of Life and Science, Inc. (d/b/a Museum of Life and Science and referred to herein as "the Museum") 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.

Adoption of New Accounting Standard: During fiscal 2022, the Museum adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this Update improve financial reporting by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The adoption of ASU 2020-07 resulted in no changes in the recognition and measurement requirements in Subtopic 958-605 for contributed nonfinancial assets.

Display of Net Assets by Class: The Museum's net assets have been grouped into the following classes:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum. At June 30, 2022, the Museum's net assets without donor restrictions include Board-designated net assets of \$1,021,582 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, 2022, also include \$782,666 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 Organization, 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.

Net Assets With Donor Restrictions: Net assets subject to restrictions imposed by donors and grantors. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that require resources to be maintained in perpetuity. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions. Refer also to *Note F--Net Assets With Donor Restrictions, Other Than Endowments* and *Note H--Net Assets With Donor Restrictions, Held Under Endowments*.

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. Grants and contributions requiring a match are considered

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

conditional until the match is satisfied, wholly or in part, as defined by agreement. Cost-reimbursement grants are considered conditional until qualifying expenditures are incurred. Event sponsorships are considered conditional until the event is held. Amounts received in advance of conditions being met are included in deferred support in the statement of financial position.

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 \$24,938 for contributed goods and services for the year ended June 30, 2022.

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.

Recognition of Revenue: In accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Museum recognizes revenue when control of the promised goods or services is transferred to the Museum's outside parties in an amount that reflects the consideration the Museum expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The Museum has several revenue sources that are accounted for as exchange transactions, including general membership dues, admissions, educational programs, museum store sales, train revenue, special events income, rental income, and concession revenue.

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. 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 2022, free admission was provided to approximately 62,000 visitors.

Other Revenue: Revenue from educational programs, museum store sales, train rides, concessions, and facility rentals are recognized upon sale or date of service, as applicable. Revenue from special events is recognized when the event occurs. Amounts received prior to the date of service are held as deferred revenue until the service is provided. Other deferred revenue of \$817,171 at June 30, 2022, includes advance deposits of approximately \$667,000 for July/August 2022 summer camp, as well as \$150,000 for gift cards and admissions, advances for special events, and scholarships.

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

Cash Equivalents: The Museum considers all highly liquid investments with an initial or remaining maturity of three months or less to be cash equivalents. The Museum held no cash equivalents at June 30, 2022.

Grants Receivable: Grants receivable at June 30, 2022, consists 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 at June 30, 2022, include capital campaign pledges of \$14,500 due from a corporation. Other receivables of \$97,855 also include amounts due from various entities in the normal course of operations, including sales tax receivable of \$62,855 at June 30, 2022. Management believes all receivables are fully collectible; therefore, no allowance has been provided. Outstanding receivables are unsecured and are due within a year.

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

Investments: Board-designated investments of \$160,110 at June 30, 2022, are held in a twelve-month, 0.01% bank certificate of deposit. The certificate matured on November 14, 2022.

Investments held by Triangle Community Foundation (TCF) are reported at fair value, as reported by TCF, and consist of the following at June 30, 2022: (a) \$30,890 - 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) \$93,408 - 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.

Donor-restricted endowment funds of \$35,205 are invested in a bank money market account at June 30, 2022, with earnings therefrom available for the general operations of the Museum.

Refer also to *Note K--Fair Value Measurements*.

Property and Equipment: All 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).

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.

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.

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

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 approximated \$99,126 for the year ended June 30, 2022.

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 and from state income taxes under similar provisions of North Carolina tax laws. The Museum had no income subject to taxation as unrelated business income for the year ended June 30, 2022, and management is aware of no uncertain tax positions.

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. Our 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 500,000 visitors from the greater Triangle region and beyond in the year ended June 30, 2022.

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.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Fair Value of Financial Instruments: The carrying value of cash equivalents, receivables, accounts payable and accrued liabilities approximate the fair value of such based on the short maturities of those financial instruments. Investments are carried at fair value as described in *Note K--Fair Value Measurements*.

Summarized Comparative Information: The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum's financial statements as of and for the year ended June 30, 2021, from which the summarized information was derived.

Reclassifications: Certain amounts in the prior year summarized comparative information have been reclassified to conform to the current year presentation.

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

NOTE A--THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

Upcoming Adoption of New Accounting Standard: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, as most recently deferred by ASU 2020-05. The standard provides for a modified retrospective transition approach for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statement. Entities are also allowed to initially apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets, with certain practical expedients available. Management is currently evaluating the impact of the adoption of the new standard, including amendments thereto, on future financial statements.

NOTE B--AVAILABILITY AND LIQUIDITY OF ASSETS

The following reflects the Museum's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year from June 30, 2022:

Financial assets at June 30, 2022:	
Cash and cash equivalents	\$ 5,864,124
Grants receivable	1,455,039
Other receivables	112,355
Investments	<u>319,613</u>
	7,751,131
Less those unavailable for general expenditures within one year:	
Board-designated Contingency Reserve	(1,021,582)
Board-designated Capital Reserve	(782,666)
Donor-restricted, non-endowed net assets	(287,859)
Donor-restricted endowment net assets	<u>(128,613)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>5,530,411</u>

The Museum has access to a \$1,000,000 bank line of credit. No amounts had been drawn against the line through June 30, 2022, or subsequent thereto. Refer also to *Note E--Bank Line of Credit*.

NOTE C--CAPITAL CAMPAIGN PLEDGES RECEIVABLE

The Museum conducted a \$3.6 million capital campaign to create two major outdoor experiences, *Hideaway Woods* (completed in September 2015) and *Earth Moves* (completed in September 2019).

Capital campaign pledges of \$14,500 at June 30, 2022, were collected in full subsequently.

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

NOTE D--PROPERTY AND EQUIPMENT (including subsequent events)

2016 Durham County 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.

Draw-downs of \$2,553,163 and \$215,170 were requested for the years ended June 30, 2022 and 2021, 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 of \$1,313,607 at June 30, 2022, were collected in full subsequently.

Bond proceeds of \$1,901,688 remain available for expenditure as of June 30, 2022. The Museum estimates that all remaining funds will be spent in fiscal 2023 to support exhibit infusion, including exhibit enhancements, expansion of the Operations Center and renovations to the lobby. Refer also to *Note M--Commitments and Contingencies* as pertains to construction commitments for bond funds.

Construction in Progress: Construction in progress at June 30, 2022, includes costs associated with *Entry Experience*, *Play to Learn*, *Wetland Floating Docks*, and upgrades to various other exhibits and facilities. Construction in progress at June 30, 2021, includes costs associated with *Operations Center*, *Quarantine Facility* and upgrades to various other exhibits and facilities.

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021*</u>
Land	\$ 21,600	\$ 21,600
Building and improvements	21,864,718	21,558,666
Exhibits	27,678,501	27,612,986
Furniture, fixtures and equipment	1,183,748	1,090,640
Computers and software	220,977	220,977
Vehicles	263,222	219,916
Trademarks and patents	34,397	34,397
Construction in progress (not depreciable)	<u>2,584,527</u>	<u>286,840</u>
	53,851,690	51,046,022
Less: Accumulated depreciation and amortization	<u>(39,351,205)</u>	<u>(38,836,944)</u>
	<u>\$ 14,500,485</u>	<u>\$ 12,209,078</u>

*for comparative purposes

Depreciation and amortization totaled \$1,161,313 and \$1,613,754 for the years ended June 30, 2022 and 2021, respectively.

Subsequent Event--2022 Durham County Museum Bonds: On November 8, 2022, Durham County voters overwhelmingly 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.

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

NOTE E--BANK LINE OF CREDIT

The Museum (the Borrower) has a \$1,000,000 open end revolving line of credit with a bank. The Borrower is required to maintain a zero balance on the line for at least 30 consecutive days during each consecutive twelve-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 LIBOR 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, 2022, or subsequent thereto.

NOTE F--NET ASSETS WITH DONOR RESTRICTIONS, OTHER THAN ENDOWMENTS

Net assets with donor restrictions, other than endowments, were released from donor restrictions in fiscal 2022 by incurring expenses satisfying donor-imposed purpose and/or time restrictions as follows:

County of Durham Grant:	
General Support (for fiscal 2022)	\$ 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	95,502
National Science Foundation (NSF):	
Co-Created Public Engagement with Science with Twin Cities Public TV	20,636
Diego with UNC Chapel Hill	5,744
Wireless Radio Communications	21,332
GSK Foundation – Earth Moves Exhibit	45,032
Biogen Foundation – Investigate Health Lab	43,766
Biogen Foundation – Youth Summit	20,000
Institute of Museum and Library Services – Outfield Trips	15,928
Climate Health	13,997
Wetland Walkway	250,000
Nora Nicholson camp scholarships	347
Various programs and exhibits	63,337
	<u>\$ 2,621,333</u>

Net assets with donor restrictions at June 30, 2022, are available for the following purposes:

County of Durham – Facility improvements	\$ 19,137
Dinosaur Trail	17,582
Weather Exhibit	9,500
Investigate Health Lab	19,604
Climate Health	49,321
Sparks afterschool	50,000
Raising digital natives	25,000
Nora Nicholson Camp scholarships	30,890
Various programs and exhibits	66,825
	<u>\$ 287,859</u>

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

NOTE G--CONDITIONAL SUPPORT

Conditional support from reimbursement grants (awarded to the Museum) for which qualifying expenses had not yet been incurred at June 30, 2022, is summarized as follows:

County of Durham General Obligation Bonds, for capital improvement project, conditional to incurrence of qualifying expenditures. Refer also to <i>Note D--Property and Equipment</i> .	\$ 1,901,688
NASA Sparking Interest, scheduled for funding through March 16, 2026.	799,981
NASA Space and Earth STEM Education, scheduled for funding through December 31, 2022.	111,916
Other reimbursement grants, scheduled for funding under grant terms expiring at various dates from October 2022 to August 2026.	154,214

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

NOTE H--NET ASSETS WITH DONOR RESTRICTIONS, HELD UNDER ENDOWMENTS

FASB ASC 958-205 provides guidance on the net asset classification of board-designated and donor-restricted endowment funds held by nonprofit organizations, subject to an enacted version of UPMIFA (the *Uniform Prudent Management Institutional Funds Act*). The Museum holds only donor-restricted endowment funds. Therefore, unless stated otherwise in the gift instrument, assets held under endowments are considered donor-restricted assets until appropriated for expenditure by the Museum. Endowment net assets are disaggregated further by the Museum as to which amounts are subject to appropriation by the Museum or to investment in perpetuity. The Museum considers the following to be subject to investment in perpetuity: (1) the original value of gifts donated to endowments, (2) the original value of subsequent gifts to endowments, and (3) accumulations to endowments made in accordance with the direction of the applicable donor gift instruments. Net investment income is considered available for appropriation unless otherwise directed by the gift instrument.

At June 30, 2022, donor-restricted General Endowment funds of \$93,408 and \$35,205 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. In May 2016, the Museum advised TCF to invest all funds in its General Endowment, rather than holding out a 5% *spendable balance* for distributions. The 5% *spendable balance* is not invested and does not earn income for the fund. General Endowment funds held by Mechanics & Farmers Bank are invested in a bank money market account. Investment income (including interest and dividends, net of fees, and realized and unrealized gains and losses) from the General Endowment is available for the Museum's general use upon appropriation.

Notes to Financial Statements--Continued

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

NOTE H--NET ASSETS WITH DONOR RESTRICTIONS, HELD UNDER ENDOWMENTS -- Continued

Endowment net assets by fund type at June 30, 2022, and changes in endowment net assets for the year then ended are as follows:

	Subject to Approp'n	Subject to Investment in Perpetuity	Total
Donor-restricted endowment funds:			
General Endowment (M&F)	\$ 5,205	\$ 30,000	\$ 35,205
General Endowment (TCF)	49,987	43,421	93,408
Board-designated endowment funds	-	-	-
Total endowment funds, June 30, 2022	<u>\$ 55,192</u>	<u>\$ 73,421</u>	<u>\$ 128,613</u>
Endowment net assets, June 30, 2021	\$ 70,760	\$ 73,421	\$ 144,181
Investment income, net	(14,494)	-	(14,494)
Contributions	-	-	-
Appropriated for expenditure	<u>(1,074)</u>	<u>-</u>	<u>(1,074)</u>
Endowment net assets, June 30, 2022	<u>\$ 55,192</u>	<u>\$ 73,421</u>	<u>\$ 128,613</u>

NOTE I--LEASES (including a subsequent event)

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 fair rental value is not determinable.

Subsequent Event: In September 2022, the Museum entered into a 63-month lease for certain office equipment. The lease requires minimum rentals of \$1,500 per month (\$18,000 annually and \$94,500 in total) over the lease term. The lease also provides the Museum the option to purchase the equipment at its fair market value at the end of the lease term.

NOTE J--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 twenty-one. 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.

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.**NOTE J--RETIREMENT PLANS--Continued**

On June 23, 2021, the Museum's Board approved a discretionary nonelective contribution equal to 5% of participants' Eligible Compensation for the period from April 2, 2020 to December 31, 2020 and for the plan year ending December 31, 2021. The Museum accrued an employer contribution to the 403(b) plan of \$240,586 at June 30, 2021, based on eligible compensation from April 2, 2020 to June 30, 2021. The employer's contribution to the plan based on eligible compensation since June 30, 2021, has been funded with each payroll.

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 \$183,605 for the year ended June 30, 2022.

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 \$8,554 for the year ended June 30, 2022.

NOTE K--FAIR VALUE MEASUREMENTS

The Museum applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority.

The following represents assets measured (and carried) at fair value on a recurring basis by the Museum:

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>June 30, 2022</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<i>Investments:</i>				
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	-	-
	<u>\$ 284,408</u>	<u>\$ 124,298</u>	<u>\$ 160,110</u>	<u>\$ -</u>

Level 1: Endowment funds and non-endowed funds held by the Triangle Community Foundation (TCF) are invested as described in Note A, and are carried at fair value as reported by TCF. (Refer also to *Note H--Net Assets With Donor Restrictions, Held Under Endowments*).

Level 2: Investments include amounts held in a twelve-month bank certificate of deposit. The certificate is carried at face value plus accrued earnings thereon, which approximates the fair value of such.

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

NOTE L--SIGNIFICANT CONCENTRATIONS (including a subsequent event)

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, 2022, approximately \$4,400,000 of the Museum's bank (credit union) holdings exceeded federally insured limits.

Support Risk (including a subsequent event): 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 \$1,692,841 (or approximately 16% of the Museum's operating expenses before depreciation) for the year ended June 30, 2022. Management was notified subsequently of an appropriation, whereby the County of Durham will provide general operating support of \$1,792,844 and facilities maintenance and capital improvement funds of \$160,500 to the Museum for the year ending June 30, 2023.

Economic Risk: Approximately 46% and 38% of the Museum's operating expenses before depreciation for the years ended June 30, 2022 and 2021, 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 M--COMMITMENTS AND CONTINGENCIES (including subsequent events)

Commitments: At June 30, 2022, the Museum had open commitments of approximately \$1,337,000 under various construction contracts, substantially all of which are for capital improvement projects to be funded by the Durham County bonds. Refer also to *Note D--Property and Equipment* as pertains to the Durham County Bond Project.

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.

COVID-19: In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a global health pandemic. The State of North Carolina operated under a "Stay at Home" order from March 27, 2020 to May 8, 2020 during which only *essential* service providers were permitted to have their employees continue to work on-site. The Museum was closed to the public from March 14, 2020 to July 7, 2020, due to the pandemic. The closure resulted in significant lost revenues to the Museum. Upon reopening, indoor and outdoor exhibits opened to visitors; however, the Museum operated at a reduced capacity and required visitors to schedule their visits for much of fiscal 2021.

The Museum received proceeds of two forgivable loans of \$1,089,600 under the Paycheck Protection Program (PPP), a program administered through the U.S. Small Business Administration (SBA) and created with the enactment of the CARES Act. The Museum elected to account for *forgivable* loans received as conditional financial assistance, in accordance with ASC Subtopic 958-605. Financial assistance of \$1,341,805 and \$837,395 was recognized for the years ended June 30, 2021 and 2020, respectively, upon incurrence of qualifying expenses. The loans were forgiven in full on March 8, 2021 and January 12, 2022.

In October and November 2021, the Museum was awarded grant funds totaling \$1,743,467 under a Shuttered Venue Operators Grant (SVOG) from the U.S. Small Business Administration (SBA). The SVOG award provided economic assistance for the Museum to recover from the negative impact by COVID-19 pandemic. The SVOG was awarded based on the Museum's application which identified general operating expenses including facilities maintenance, as well as lost revenues from camp refunds, for the period March 1, 2020 to June 30, 2021.

Notes to Financial Statements--Continued

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

NOTE N--SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2022, the date on which the financial statements were available to be issued. No further adjustments to or disclosures in the financial statements are considered necessary.

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal and State Awards

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

Year Ended June 30, 2022

Grantor/Pass-through Grantor/ Program Title	Assistance Listing #	Grant/ Subgrant Number	Passed Through to Subrecipients	Federal Expenditures
<u>FEDERAL AWARDS:</u>				
<u>U.S. Small Business Administration:</u> <i>Shuttered Venue Operators Grant Program (COVID-19)</i>	59.075		\$ -	\$ 1,743,467
<u>U.S. Department of Treasury:</u> <i>Coronavirus State and Local Fiscal Recovery Fund</i> <u>North Carolina Department of Revenue:</u> <i>North Carolina Business Recovery Grant Program (COVID-19)</i>	21.027	SLRFP0129	-	187,503
<u>The Institute of Museum and Library Services:</u> <i>National Leadership Grants</i>	45.312	ARPML-250745-OMLS-22	-	15,928
<u>National Science Foundation:</u> <i>STEM Education</i> <u>BSCS Science Learning:</u> <u>Children's Creativity Museum</u> <i>Empowering Informal Educators to Prepare Future Generations in Wireless Radio Communications with Mobile Resources</i>	47.076	2053160	-	21,332
<u>Museum of Science:</u> <i>Building Capacity for Co-Created Public Engagement with Science</i>	47.076	DRL-181118/ 4572-MLS-01	-	20,636
<u>Research and Development Cluster:</u>				
<u>U.S. Department of Commerce:</u> <u>National Oceanic and Atmospheric Administration:</u> <i>Climate and Atmospheric Research</i> <u>North Carolina State University:</u> <i>Innovating a Community-Based Resilience Model on Climate and Health Equity in the Carolinas</i>	11.431	NA21OAR4310312/ 2021-2933-05	-	13,318
<u>National Science Foundation:</u> <i>Biological Sciences</i> <u>Duke University:</u> <i>Collaborative Research: RoL: The intersection between cell fate decisions and phenotypic diversification in a rapidly radiating butterfly lineage</i>	47.074	2110533/ 333-2809	-	2,777
<i>Geosciences</i> <u>Duke University:</u> <i>Coupled Ecological-Geomorphological Response of Coastal Wetlands to Environmental Change</i>	47.050	2016068	-	4,184
<u>The University of North Carolina at Chapel Hill:</u> <i>CAREER: The role of small wetland connectivity in controlling greenhouse gas emissions and downstream carbon fluxes from headwater tropical streams</i>	47.050	1847331/ 5113080	-	5,744
<u>National Aeronautics and Space Administration:</u> <i>Science Mission Directorate</i> <u>Arizona Board of Regents for and on Behalf of Arizona State University:</u> <i>NASA Space and Earth Informal STEM Education (SEISE) Project</i>	43.001	80NSSC18M0061/ ASUB00000062	-	95,502
Total Research and Development Cluster			-	121,525
Total Expenditures of Federal Awards			\$ -	\$ 2,110,391

See independent auditor's report as pertains to supplementary information and notes to schedule of expenditures of federal and state awards.

Schedule of Expenditures of Federal and State Awards--Continued

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

Year Ended June 30, 2022

<u>Grantor/Pass-through Grantor/ Program Title</u>	<u>Assistance Listing #</u>	<u>Grant/ Subgrant Number</u>	<u>Passed Through to Subrecipients</u>	<u>State Expenditures</u>
STATE AWARDS:				
<u>North Carolina Department of Natural and Cultural Resources:</u>				
<i>North Carolina General Fund Appropriation to support programmatic and general operating expenses</i>			\$ _____	\$ <u>50,000</u>
Total State Awards			\$ <u> - </u>	\$ <u>50,000</u>

See independent auditor's report as pertains to supplementary information and notes to schedule of expenditures of federal and state awards.

Notes to Schedule of Expenditures of Federal and State Awards

THE NORTH CAROLINA MUSEUM OF LIFE AND SCIENCE, INC.

Year Ended June 30, 2022

NOTE A--BASIS OF PRESENTATION

The accompanying schedule expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of North Carolina Museum of Life and Science, Inc. for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and U.S. Department of the Treasury's guidance and FAQs published in the *Federal Register*, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C--INDIRECT COSTS

The Museum was reimbursed for indirect costs at rates ranging from 10% (the de minimis indirect cost rate allowed under the Uniform Guidance) to 40%, based on approved grant budgets.

COMPLIANCE REPORTS



**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The North Carolina Museum of Life and Science, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The North Carolina Museum of Life and Science, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The North Carolina Museum of Life and Science, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The North Carolina Museum of Life and Science, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The North Carolina Museum of Life and Science, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Romeo, Wiggins & Company L.L.P.

Raleigh, North Carolina
November 30, 2022



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The North Carolina Museum of Life and Science, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of The North Carolina Museum of Life and Science, Inc.'s major federal programs for the year ended June 30, 2022. The North Carolina Museum of Life and Science, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The North Carolina Museum of Life and Science, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The North Carolina Museum of Life and Science, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of The North Carolina Museum of Life and Science, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The North Carolina Museum of Life and Science, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The North Carolina Museum of Life and Science, Inc.'s compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The North Carolina Museum of Life and Science, Inc.'s compliance with the requirements of each major federal program as a whole.

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance--Continued**

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 North Carolina Museum of Life and Science, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The North Carolina Museum of Life and Science, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The North Carolina Museum of Life and Science, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Romeo, Wiggins & Company, L.L.P.

Schedule of Findings and Questioned Costs

The North Carolina Museum of Life and Science, Inc.

Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Type of auditor's report issued on financial statements:

Unmodified

Internal control over financial reporting:

- | | | | | |
|---|-------|-----|--------------|---------------|
| ◆ Material weakness(es) identified? | _____ | yes | <u> X </u> | no |
| ◆ Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | yes | <u> X </u> | none reported |

Noncompliance material to financial statements, as required to be reported in accordance with *Government Auditing Standards*.

_____ yes X no

Federal Awards

Internal control over major federal programs:

- | | | | | |
|--|-------|-----|--------------|---------------|
| ◆ Material weakness(es) identified? | _____ | yes | <u> X </u> | no |
| ◆ Significant deficiency (ies) identified that are not considered to be material weaknesses? | _____ | yes | <u> X </u> | none reported |

Noncompliance material to major federal award programs?

_____ yes X no

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings related to major programs, as required to be reported in accordance with 2 CFR section 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA Number(s)

Program Name

59.075

Shuttered Venue Operators Grant Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Schedule of Findings and Questioned Costs--Continued

The North Carolina Museum of Life and Science, Inc.

Section II - Financial Statement Findings

There were no such findings to report.

Section III – Federal Award Findings and Questioned Costs

There were no such findings to report.

Summary Schedule of Prior Audit Findings

The North Carolina Museum of Life and Science, Inc.

Current Audit Period: Year Ended June 30, 2022

Not applicable

A Single Audit was not required for the year ended June 30, 2021.