



**Discovery Museum, Inc.**  
**Financial Statements  
and Independent Auditor's Report**  
**December 31, 2018 and 2017**

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**Discovery Museum, Inc.**

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## Independent Auditor's Report

To the Board of Directors  
Discovery Museum, Inc.

We have audited the accompanying financial statements of Discovery Museum, Inc. (the "Museum"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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 audits 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 Museum, Inc. as of December 31, 2018, and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Emphasis-of-Matter*

As discussed in Note 1, Discovery Museum, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

*CohnReznick LLP*

Boston, Massachusetts  
June 14, 2019

**Discovery Museum, Inc.**

**Statements of Financial Position  
December 31, 2018 and 2017**

	<u>Assets</u>					
	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Current assets						
Cash	\$ 632,520	\$ 153,578	\$ 786,098	\$ 1,582,896	\$ 101,901	\$ 1,684,797
Accounts receivable	89,900	-	89,900	61,399	-	61,399
Pledges receivable, current portion	59,773	60,024	119,797	134,317	28,968	163,285
Inventory	21,570	-	21,570	23,047	-	23,047
<b>Total current assets</b>	<b>803,763</b>	<b>213,602</b>	<b>1,017,365</b>	<b>1,801,659</b>	<b>130,869</b>	<b>1,932,528</b>
Property and equipment						
Land	25,000	-	25,000	25,000	-	25,000
Building and improvements	8,134,291	-	8,134,291	3,252,540	-	3,252,540
Exhibits	1,155,050	-	1,155,050	164,246	-	164,246
Furniture and fixtures	39,823	-	39,823	39,823	-	39,823
Computer software	116,890	-	116,890	116,890	-	116,890
Construction in progress	-	-	-	4,595,101	-	4,595,101
<b>Total property and equipment</b>	<b>9,471,054</b>	<b>-</b>	<b>9,471,054</b>	<b>8,193,600</b>	<b>-</b>	<b>8,193,600</b>
Less - accumulated depreciation	(1,456,626)	-	(1,456,626)	(1,110,421)	-	(1,110,421)
<b>Net property and equipment</b>	<b>8,014,428</b>	<b>-</b>	<b>8,014,428</b>	<b>7,083,179</b>	<b>-</b>	<b>7,083,179</b>
Other assets						
Assets restricted for acquisition of property						
Restricted cash	-	-	-	-	654,556	654,556
Pledges receivable, net of current portion and discount	-	52,240	52,240	108,451	57,674	166,125
Investments	-	239,460	239,460	-	263,778	263,778
<b>Total other assets</b>	<b>-</b>	<b>291,700</b>	<b>291,700</b>	<b>108,451</b>	<b>976,008</b>	<b>1,084,459</b>
<b>Total assets</b>	<b>\$ 8,818,191</b>	<b>\$ 505,302</b>	<b>\$ 9,323,493</b>	<b>\$ 8,993,289</b>	<b>\$ 1,106,877</b>	<b>\$ 10,100,166</b>

**Discovery Museum, Inc.**

**Statements of Financial Position  
December 31, 2018 and 2017**

Liabilities and Net Assets

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Current liabilities</b>						
Accounts payable and accrued expenses	\$ 88,782	\$ -	\$ 88,782	\$ 1,069,659	\$ -	\$ 1,069,659
Mortgage payable, current maturity	11,725	-	11,725	11,280	-	11,280
Sewer betterment obligation, current maturity	3,252	-	3,252	3,252	-	3,252
Deferred revenue	138,033	-	138,033	43,737	-	43,737
<b>Total current liabilities</b>	<b>241,792</b>	<b>-</b>	<b>241,792</b>	<b>1,127,928</b>	<b>-</b>	<b>1,127,928</b>
<b>Long-term liabilities</b>						
Mortgage payable, current portion, net	269,074	-	269,074	280,478	-	280,478
Sewer betterment obligation, current portion, net	34,038	-	34,038	36,610	-	36,610
<b>Total long-term liabilities</b>	<b>303,112</b>	<b>-</b>	<b>303,112</b>	<b>317,088</b>	<b>-</b>	<b>317,088</b>
<b>Total liabilities</b>	<b>544,904</b>	<b>-</b>	<b>544,904</b>	<b>1,445,016</b>	<b>-</b>	<b>1,445,016</b>
<b>Net assets</b>						
Without donor restrictions						
Operating	6,097,772	-	6,097,772	5,044,207	-	5,044,207
Property and equipment	2,175,515	-	2,175,515	2,504,066	-	2,504,066
<b>Total without donor restrictions</b>	<b>8,273,287</b>	<b>-</b>	<b>8,273,287</b>	<b>7,548,273</b>	<b>-</b>	<b>7,548,273</b>
With donor restrictions	-	505,302	505,302	-	1,106,877	1,106,877
<b>Total net assets</b>	<b>8,273,287</b>	<b>505,302</b>	<b>8,778,589</b>	<b>7,548,273</b>	<b>1,106,877</b>	<b>8,655,150</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,818,191</b>	<b>\$ 505,302</b>	<b>\$ 9,323,493</b>	<b>\$ 8,993,289</b>	<b>\$ 1,106,877</b>	<b>\$ 10,100,166</b>

See Notes to Financial Statements.

**Discovery Museum, Inc.**

**Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2018**

	Without donor restrictions			With donor restrictions	Total
	Operating	Property and equipment	Total without donor		
Operating support and revenue					
Admissions	\$ 1,023,285	\$ -	\$ 1,023,285	\$ -	\$ 1,023,285
Grants and contributions	595,024	-	595,024	95,240	690,264
Educational programs	366,697	-	366,697	-	366,697
Memberships	497,369	-	497,369	-	497,369
Rental income	81,882	-	81,882	-	81,882
Gift shop income	76,507	-	76,507	-	76,507
Investment return, net	10,843	-	10,843	-	10,843
<b>Total operating support and revenue</b>	<b>2,651,607</b>	<b>-</b>	<b>2,651,607</b>	<b>95,240</b>	<b>2,746,847</b>
Operating expenses					
Program services	1,662,953	312,033	1,974,986	-	1,974,986
Management and general	134,993	20,149	155,142	-	155,142
Fundraising and public relations	394,607	14,023	408,630	-	408,630
<b>Total expenses</b>	<b>2,192,553</b>	<b>346,205</b>	<b>2,538,758</b>	<b>-</b>	<b>2,538,758</b>
<b>Changes in net assets from operations</b>	<b>459,054</b>	<b>(346,205)</b>	<b>112,849</b>	<b>95,240</b>	<b>208,089</b>
Non-operating revenue (expense)					
Investment return, net				(24,318)	(24,318)
Capital campaign expenses	(60,332)	-	(60,332)	-	(60,332)
Satisfaction of capital restrictions	654,843	17,654	672,497	(672,497)	-
<b>Total non-operating revenue (expense)</b>	<b>594,511</b>	<b>17,654</b>	<b>612,165</b>	<b>(696,815)</b>	<b>(84,650)</b>
<b>Change in net assets</b>	<b>1,053,565</b>	<b>(328,551)</b>	<b>725,014</b>	<b>(601,575)</b>	<b>123,439</b>
Net assets, beginning	5,044,207	2,504,066	7,548,273	1,106,877	8,655,150
<b>Net assets, ending</b>	<b>\$ 6,097,772</b>	<b>\$ 2,175,515</b>	<b>\$ 8,273,287</b>	<b>\$ 505,302</b>	<b>\$ 8,778,589</b>

See Notes to Financial Statements.

**Discovery Museum, Inc.**

**Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2018**

	Without donor restrictions			With donor restrictions	Total
	Operating	Property and equipment	Total without donor		
Operating support and revenue					
Admissions	\$ 606,778	\$ -	\$ 606,778	\$ -	\$ 606,778
Grants and contributions	362,758	-	362,758	-	362,758
Educational programs	321,764	-	321,764	-	321,764
Memberships	235,971	-	235,971	-	235,971
Rental income	40,911	-	40,911	-	40,911
Gift shop income	30,610	-	30,610	-	30,610
Investment return, net	10,583	-	10,583	-	10,583
Total operating support and revenue	<u>1,609,375</u>	<u>-</u>	<u>1,609,375</u>	<u>-</u>	<u>1,609,375</u>
Operating expenses					
Program services	1,235,870	139,134	1,375,004	-	1,375,004
Management and general	123,954	13,674	137,628	-	137,628
Fundraising and public relations	335,682	14,252	349,934	-	349,934
Total operating expenses	<u>1,695,506</u>	<u>167,060</u>	<u>1,862,566</u>	<u>-</u>	<u>1,862,566</u>
Changes in net assets from operations	<u>(86,131)</u>	<u>(167,060)</u>	<u>(253,191)</u>	<u>-</u>	<u>(253,191)</u>
Non-operating revenue (expense)					
Capital grants	1,072,671	-	1,072,671	199,769	1,272,440
Investment return, net	-	-	-	34,405	34,405
Capital campaign expenses	(101,817)	-	(101,817)	-	(101,817)
Loss on disposal of property and equipment	(153,960)	-	(153,960)	-	(153,960)
Satisfaction of capital restrictions	2,505,873	590,411	3,096,284	(3,096,284)	-
Total non-operating revenue (expense)	<u>3,322,767</u>	<u>590,411</u>	<u>3,913,178</u>	<u>(2,862,110)</u>	<u>1,051,068</u>
Change in net assets	3,236,636	423,351	3,659,987	(2,862,110)	797,877
Net assets, beginning	<u>1,807,571</u>	<u>2,080,715</u>	<u>3,888,286</u>	<u>3,968,987</u>	<u>7,857,273</u>
Net assets, ending	<u>\$ 5,044,207</u>	<u>\$ 2,504,066</u>	<u>\$ 7,548,273</u>	<u>\$ 1,106,877</u>	<u>\$ 8,655,150</u>

See Notes to Financial Statements.



**Discovery Museum, Inc.**

**Statements of Functional Expenses  
Years Ended December 31, 2018 and 2017**

	2018				2017			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Personnel and related								
Salaries and wages	\$ 934,941	\$ 101,041	\$ 267,450	\$ 1,303,432	\$ 786,839	\$ 99,718	\$ 278,058	\$ 1,164,615
Payroll taxes and fringe benefits	91,133	9,849	26,069	127,051	78,791	9,985	27,843	116,619
<b>Total personnel and related</b>	<b>1,026,074</b>	<b>110,890</b>	<b>293,519</b>	<b>1,430,483</b>	<b>865,630</b>	<b>109,703</b>	<b>305,901</b>	<b>1,281,234</b>
Occupancy								
Depreciation	312,033	20,149	14,023	346,205	139,134	13,674	14,252	167,060
Maintenance	102,574	5,275	3,671	111,520	55,809	4,385	4,572	64,766
Utilities	62,896	4,062	2,827	69,785	34,653	3,406	3,550	41,609
Interest	11,160	721	502	12,383	10,893	1,043	1,088	13,024
Insurance	16,905	1,092	760	18,757	11,169	1,098	1,144	13,411
<b>Total occupancy</b>	<b>505,568</b>	<b>31,299</b>	<b>21,783</b>	<b>558,650</b>	<b>251,658</b>	<b>23,606</b>	<b>24,606</b>	<b>299,870</b>
Other								
Professional and bank fees	184,517	5,756	10,659	200,932	104,256	2,724	6,351	113,331
Education and outreach	82,862	-	-	82,862	79,664	-	-	79,664
Gift shop	46,492	-	-	46,492	21,129	-	-	21,129
Printing	12,107	-	-	12,107	12,233	-	184	12,417
Advertising	30,231	-	-	30,231	5,812	-	-	5,812
Exhibits and workshops	39,051	-	-	39,051	5,155	-	-	5,155
Office supplies and postage	26,543	1,714	1,193	29,450	15,828	1,555	1,621	19,004
Travel	9,228	5,483	214	14,925	4,192	40	599	4,831
Dues and publications	12,084	-	-	12,084	9,328	-	-	9,328
Miscellaneous	229	-	-	229	119	-	-	119
Fundraising events	-	-	81,262	81,262	-	-	10,672	10,672
<b>Total other</b>	<b>443,344</b>	<b>12,953</b>	<b>93,328</b>	<b>549,625</b>	<b>257,716</b>	<b>4,319</b>	<b>19,427</b>	<b>281,462</b>
<b>Total expenses</b>	<b>\$ 1,974,986</b>	<b>\$ 155,142</b>	<b>\$ 408,630</b>	<b>\$ 2,538,758</b>	<b>\$ 1,375,004</b>	<b>\$ 137,628</b>	<b>\$ 349,934</b>	<b>\$ 1,862,566</b>

See Notes to Financial Statements.

**Discovery Museum, Inc.**

**Statements of Cash Flows  
Years Ended December 31, 2018 and 2017**

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 123,439	\$ 797,877
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	346,205	167,060
Amortization of debt issuance costs	266	266
Loss on disposal of property and equipment	-	153,960
In-kind contribution	-	(63,681)
Bad debt expense	-	23,003
Investment return, net	24,318	(34,405)
Contributions restricted for long-term purposes	(262,555)	(210,453)
Amortization of discount on pledges	(2,191)	5,035
Changes in assets and liabilities		
Increase (decrease) in assets		
Accounts receivables	(28,501)	101
Pledges receivable	83,986	(17,320)
Inventory	1,477	7,845
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(3,397)	49,667
Deferred revenue	94,296	7,524
	<u>377,343</u>	<u>886,479</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(2,261,729)	(2,338,028)
Restricted cash for acquisition of property	654,556	(512,045)
Bank certificates of deposit	-	1,269,916
	<u>(1,607,173)</u>	<u>(1,580,157)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Proceeds from contributions restricted for long-term purposes	344,928	1,367,832
Principal payments on mortgage note payable	(11,225)	(10,793)
Payments on sewer betterment obligation	(2,572)	(3,176)
	<u>331,131</u>	<u>1,353,863</u>
Net cash provided by financing activities		
Net increase (decrease) in cash	(898,699)	660,185
Cash, beginning of year	<u>1,684,797</u>	<u>1,024,612</u>
Cash, end of year	<u>\$ 786,098</u>	<u>\$ 1,684,797</u>

**Discovery Museum, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	2018	2017
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 11,443	\$ 11,797
Schedule of noncash investing and financing activities		
Costs incurred for purchase of property and equipment during the year	\$ 2,261,729	\$ 4,570,101
Disposals of property and equipment during the year	-	(1,156,091)
In-kind donation	-	(63,681)
Amounts included in accounts payable at beginning of year	1,012,301	-
Amounts included in accounts payable at end of year	984,275	(1,012,301)
Payments for property and equipment	\$ 4,258,305	\$ 2,338,028

See Notes to Financial Statements.

## Discovery Museum, Inc.

### Notes to Financial Statements December 31, 2018 and 2017

#### Note 1 - Organization

Discovery Museum, Inc. (the "Museum") was incorporated in October, 1981 as a nonprofit organization. Discovery Museum is a hands-on museum that blends science, nature, and play, inspiring families to explore and learn together. The Museum and its Discovery Woods accessible outdoor nature playscape and treehouse blend the best of STEAM (Science, Technology, Engineering, Art and Math) learning on a 4.5-acre campus abutting 180 acres of conservation land in Acton, Massachusetts. Originally opened in 1982 and expanded to two museums in 1987, the Museum reopened in a single accessible building after a complete renovation and expansion in early 2018. Hands-on, open-ended exhibits developed by professional educators inspire curiosity and exploration, providing a fun and engaging experience for children and adults to discover their world together. Serving families and schools from towns throughout the region, the Museum is devoted to informal education that enhances classroom learning. Discovery Museum is committed to accessibility, and is a proud recipient of the 2017 Massachusetts Commonwealth Award, the only winner in the Access category.

Effective January 1, 2018, The Discovery Museums, Inc. amended its Articles of Organization to change its name from The Discovery Museums, Inc. to Discovery Museum, Inc.

#### Accounting pronouncements adopted

During 2018, the Museum adopted the provisions of Accounting Standards Update 2016-14, Presentation of Financial Statement of Not-for-Profit Entities ("ASU 2016-14"). The amendments in this update are required to be applied retrospectively to the comparative period presented. The major changes include:

- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. Unrestricted net asset class has been renamed net assets without donor restrictions.
- Presentation of expense by function and nature in either that statement of activities, a separate statement of functional expenses, or in the notes along with a disclosure of the methods used to allocate costs (not required to be presented retrospectively).
- Investment return is required to be reported net of external and direct internal investment expenses.
- Disclosure of quantitative and qualitative information about liquidity and availability of resources.
- Modification to the presentation of underwater endowment funds and related disclosures.

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

The changes have the following effect on net assets at December 31, 2017:

	<u>As originally presented</u>	<u>After adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 7,548,273	\$ -
Temporarily restricted net assets	973,752	-
Permanently restricted net assets	133,125	-
Net assets without donor restrictions	-	7,548,273
Net assets with donor restrictions	<u>-</u>	<u>1,106,877</u>
Total net assets	<u>\$ 8,655,150</u>	<u>\$ 8,655,150</u>

**Note 2 - Summary of significant accounting policies**

**Basis of accounting**

The financial statements of the Museum have been prepared on the accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America.

**Financial statement presentation - Net assets**

The accompanying financial statements present information regarding the Museum's financial position and activities according to two classes of net assets based on the existence or absence of donor- or board-imposed restrictions. The two categories are differentiated as follows:

**Without donor restrictions**

Net assets without donor restrictions represent funds available for support of the Museum's functions and operations that are not externally restricted for identified purposes by donors. Net assets without donor restrictions include resources that the governing board may use for any designated purposes and resources whose use is limited by agreement between the Museum and outside party other than a donor.

**With donor restrictions**

Net assets with donor restrictions are those whose use by the Museum has been limited by donors to a specific period or purpose. Some donor imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions, or when the stipulated time has passed. Other donor-imposed restrictions on net assets are permanent in nature. These net assets have been restricted by donors 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, the expiration of the restrictions is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

## Discovery Museum, Inc.

### Notes to Financial Statements December 31, 2018 and 2017

#### **Operations**

The statements of activities report changes in net assets from operating and non-operating activity. Operating activity consists of those items attributed to programmatic, general and administrative and fundraising activities. Investment income and realized and unrealized gains and losses from investments not related to the Museum's operations and activity related to the Museum's capital campaign are reported as non-operating.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reported period. Actual results could differ from those estimates.

#### **Risks and uncertainties**

The Museum maintains an investment portfolio consisting of mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Museum's investment account balances.

#### **Accounts and pledges receivable**

Accounts and pledges receivable are stated at the amount the Museum's management expects to collect from outstanding balances. The Museum's management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience, its assessment of current economic conditions, review and assessment of estimated funding sources and the financial condition of the debtor. Balances which are still outstanding after the Museum's management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2018 and 2017, accounts and pledges receivable were deemed fully collectible by management of the Museum.

During the years ended December 31, 2018 and 2017, accounts and pledges receivables of \$1,000 and \$23,516 were written off.

#### **Inventory**

Inventory is accounted for at the lower of cost (as determined by the first-in, first-out method) or market value, and primarily consists of clothing and educational materials.

#### **Investments**

The Museum's investments consist of mutual funds and other investment securities which are carried at their fair values. Unrealized gains and losses are included in the changes in net assets. Gains and losses on the disposition of investments are determined based on various methods, including the average cost method, first-in first-out method, and last-in last-out method, depending on the type of underlying fund. Investment income and gains on assets restricted by a donor are reported as increases in temporarily restricted net assets. When the restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), the net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

## Discovery Museum, Inc.

### Notes to Financial Statements December 31, 2018 and 2017

#### Endowments

The Museum maintains an endowment that was donated in prior years to provide income for operating purposes. No funds have been designated by the Board of Directors to function as an endowment as of December 31, 2018 and 2017. In conformity with accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of relevant law

The Board of Directors has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary and the preservation of the fair value of the Board-designated endowment funds absent explicit stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by the Act.

The Museum may accumulate so much of the annual net income as is deemed prudent to meet (1) the long and short-term needs of the Museum in carrying out its mission; (2) problems specific to the Museum; (3) present and anticipated financial requirements; (4) expected total return on its investments; (5) price level trends; and (6) general economic conditions. In addition, the Museum may hold any or all of such accumulated income for subsequent expenditure for the uses and purposes for which the endowment was established or may add any or all of the accumulated income to the principal endowment fund that is deemed prudent.

In accordance with the Act, the Museum considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the Museum and the restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Museum, and (vii) the investment policies of the Museum.

#### Investment and spending policies

The Museum has adopted investment and spending policies for endowment assets that aim to safeguard the purchasing power of the endowment principal, generate an ongoing revenue source and provide for growth of the investment principal in accordance with the Act. Investments are to be allocated between equity, fixed income, and commodity investments to accomplish these goals. The endowment assets are invested to provide a competitive total rate of return commensurate with prudent diversification and moderate risk. Risk and diversification parameters have been established and the endowment is maintained and rebalanced, if necessary, according to the Museum's investment policy. The Museum relies on a total rate of return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). While it is understood that the endowment assets are to be managed with a long-term focus, the Museum monitors investment performance against applicable benchmarks periodically.

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

Once the endowment funds reach 3.5 times the Museum's annual operating budget, the Museum's finance committee may appropriate for operations a maximum of 4% of the current value of the endowment assets. Effective in January 2015, the Museum changed its spending policy commencing with fiscal year 2015. The new policy provides for a maximum appropriation of no more than 5% of the three-year average of the market value of the endowment. There were no amounts appropriated for operations in 2018 or 2017. In establishing this policy, the Museum considered the expected returns plus an adjustment for inflation. This is consistent with the stated goal of enhancing the purchasing power of the endowment over time, while providing necessary funds for operations. In the event of a significant market decline, the Museum will consider all factors relevant to the stated goal in determining any change to the appropriation as allowed by the Act.

**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 the Museum to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies of this nature as of December 31, 2018 or 2017.

**Property and equipment and depreciation**

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. All acquisitions of property and equipment and expenditures for repairs, maintenance, renewals, and betterments in excess of \$1,000 that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 35 years
Exhibits	5 years
Furniture and fixtures	5 - 10 years
Computer software	3 - 5 years

During 2017, \$1,310,051 of property and equipment were disposed of in connection with the construction of the new science center. Approximately \$153,960 of the remaining net book value of these disposals were written off and expensed and are recorded as a loss on disposal of property and equipment on the accompanying statement of activities and changes in net assets.

**Debt issuance costs**

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

**Impairment of long-lived assets**

The Museum's long-lived assets are reviewed for impairment when events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset's carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value.



## Discovery Museum, Inc.

### Notes to Financial Statements December 31, 2018 and 2017

In 2018 and 2017, no events or circumstances occurred or existed which indicated that the Museum's long-lived assets might be impaired; accordingly, no such loss provision has been included in the accompanying financial statements.

#### **Revenue recognition**

Revenue from membership dues, admissions and various program services are recognized as services are performed. Revenue from gift shop sales is recognized as merchandise is sold. Revenue received for future dues, admissions, and other program services and activities is deferred and reflected as deferred revenue until the applicable year in which they are earned.

#### **Contributions and donor restrictions**

Contributions, including grants, are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. All contributions are considered to be available for without donor restriction use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restriction support that increase this net asset class. When a restriction expires, the net assets are reclassified to without donor restriction net assets and reported in the statements of activities as net assets released from restriction.

Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Museum. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received. Contributed services that require specialized skill are recognized as revenue at the estimated fair value when the service is received. In addition, individuals volunteer their time and perform a variety of tasks that assist the Museum, but these services do not meet the criteria for recognition as contributed services.

#### **Functional allocation of expenses**

The costs of providing the Museum's programs and supporting services have been summarized on a functional basis in the statements of activities. Costs that can be identified with a specific program or support service are charged directly to that program or support service. Staff costs are allocated based on time and effort. Costs associated with occupancy are allocated based upon square footage. Management and general expenses include costs not identifiable with any specific program, but which provide for the overall support and direction of the Museum.

#### **Advertising and marketing**

Advertising and marketing costs are expensed when incurred. Amounts incurred for the years ended December 31, 2018 and 2017 were not material to the financial statements.

#### **Income taxes**

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Museum's tax-exempt purpose is subject to taxation as unrelated business income. The Museum had no unrelated business income for the years ended December 31, 2018 and 2017. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

Accrued interest and penalties associated with uncertain tax positions are recognized as part of interest expense and miscellaneous other expenses, respectively, in the accompanying statements of activities. The Museum has no accrued interest and penalties associated with uncertain tax positions at December 31, 2018 and 2017 and none were incurred during the years then ended.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of December 31, 2018. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Museum's income tax returns are subject to examination by taxing authorities generally for the years ended December 31, 2015, 2016 and 2017.

**Note 3 - Liquidity and availability**

Financial assets available for general expenditure within one year consist of the following:

Financial assets at year end	
Cash	\$ 786,098
Accounts receivable	89,900
Pledges receivable	119,797
Investments	<u>239,460</u>
Total financial assets	<u>1,235,255</u>
Less amounts not available to be used within one year	
Amounts restricted by donor with time or purpose restrictions	<u>(453,062)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 782,193</u></u>

The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

In addition to financial assets available to meet general expenditures over the next 12 months, the Museum operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources.

The Museum has various sources of liquidity at its disposal including cash, investments and a steady revenue stream from admissions and membership revenues.

**Note 4 - Concentration of credit risk**

The Museum maintains its cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Museum has not experienced any losses with respect to its bank balances in excess of government provided insurance.

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

In addition, some of the Museum's financial institutions participate in the Depositors Insurance Fund ("DIF"), which insures all deposits at chartered savings banks in Massachusetts above FDIC limits.

The Museum believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2018 and 2017.

**Note 5 - Pledges receivable**

The Museum had pledges and contributions receivable representing the following at December 31, 2018:

	2018		
	Current	Long-term	Total
Capital campaign	\$ 112,362	\$ 60,000	\$ 172,362
Annual fund	7,435	-	7,435
	119,797	60,000	179,797
Discount on pledges (a)	-	(7,760)	(7,760)
<b>Total</b>	<b>\$ 119,797</b>	<b>\$ 52,240</b>	<b>\$ 172,037</b>
	Without donor restriction	With donor restriction	Total
Capital campaign	\$ 52,338	\$ 120,024	\$ 172,362
Annual fund	7,435	-	7,435
	59,773	120,024	179,797
Discount on pledges (a)	-	(7,760)	(7,760)
<b>Total</b>	<b>\$ 59,773</b>	<b>\$ 112,264</b>	<b>\$ 172,037</b>
	Without donor restriction	With donor restriction	Total
Receivables in less than one year	\$ 59,773	\$ 60,024	\$ 119,797
Receivables in one to five years	-	60,000	60,000
	59,773	120,024	179,797
Discount on pledges (a)	-	(7,760)	(7,760)
<b>Total</b>	<b>\$ 59,773</b>	<b>\$ 112,264</b>	<b>\$ 172,037</b>

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

The Museum had pledges and contributions receivable representing the following at December 31, 2017:

	2017		
	Current	Long-term	Total
Capital campaign	\$ 126,266	\$ 39,093	\$ 165,359
Annual fund	6,475	-	6,475
Other	30,544	143,778	174,322
	163,285	182,871	346,156
Discount on pledges (a)	-	(16,746)	(16,746)
<b>Total</b>	<b>\$ 163,285</b>	<b>\$ 166,125</b>	<b>\$ 329,410</b>
	Without donor restriction	With donor restriction	Total
Capital campaign	\$ 136,390	\$ 28,968	\$ 165,358
Annual fund	6,475	-	6,475
Other	111,040	63,283	174,323
	253,905	92,251	346,156
Discount on pledges (a)	(11,137)	(5,609)	(16,746)
<b>Total</b>	<b>\$ 242,768</b>	<b>\$ 86,642</b>	<b>\$ 329,410</b>
	Without donor restriction	With donor restriction	Total
Receivables in less than one year	\$ 134,317	\$ 28,968	\$ 163,285
Receivables in one to five years	119,588	63,283	182,871
	253,905	92,251	346,156
Discount on pledges (a)	(11,137)	(5,609)	(16,746)
<b>Total</b>	<b>\$ 242,768</b>	<b>\$ 86,642</b>	<b>\$ 329,410</b>

(a) Management has measured pledges receivable using present value techniques that use a discount rate equal to the prime rate in effect at the date of each pledge plus 1.5%.

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

**Note 6 - Investments**

The Museum maintains a portfolio of investments. The cost and fair market value of these investments at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>	
	Fair value	Cost	Fair value
Mutual Funds			
Bond funds	\$ 80,379	\$ 35,364	\$ 33,309
Equity funds	159,081	192,184	216,976
Other securities			
Other assets	-	13,526	13,493
	<u>\$ 239,460</u>	<u>\$ 241,074</u>	<u>\$ 263,778</u>

For the years ended December 31, 2018 and 2017, investment activity for the portfolio was as follows:

	<u>2018</u>	<u>2017</u>
Investments, beginning of year	\$ 263,778	\$ 229,373
Investment return, net	<u>(24,318)</u>	<u>34,405</u>
Investments, end of year	<u>\$ 239,460</u>	<u>\$ 263,778</u>

The investments are invested in several funds and industry segments. At December 31, 2018 and 2017, funds comprising greater than 10% of the fair value of investments were as follows:

	<u>2018</u>	<u>2017</u>
Aston Fairpointe Mid Cap	0.00%	20.28%
Nuveen Tradewinds Value Oppty A	0.00%	17.16%
Parnassus Small Cap Fund	0.00%	18.13%
Ishares US Aggregate BD	28.61%	0.00%
Schwab INTL Index Fund	12.73%	0.00%
Schwab Total Sock Mkt	28.94%	0.00%

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

**Note 7 - Endowment**

The endowment net asset composition by type of fund as of December 31, 2018 was as follows:

	Without donor restrictions	With donor restrictions	Total
Original donor restricted gift amount required to be maintained in perpetuity	\$ -	\$ 133,125	\$ 133,125
Accumulated investment gains	-	106,335	106,335
	<u>\$ -</u>	<u>\$ 239,460</u>	<u>\$ 239,460</u>
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 263,778	\$ 263,778
Investment return, net	-	(24,318)	(24,318)
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Investment management fees	-	-	-
Endowment net asset, end of year	<u>\$ -</u>	<u>\$ 239,460</u>	<u>\$ 239,460</u>

The endowment net asset composition by type of fund as of December 31, 2017 was as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 229,373	\$ 229,373
Investment return, net	-	34,405	34,405
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Investment management fees	-	-	-
Endowment net asset, end of year	<u>\$ -</u>	<u>\$ 263,778</u>	<u>\$ 263,778</u>

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

**Note 8 - Fair value measurements**

The Museum follows FASB's guidance on fair value measurements. The guidance framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance establishes a three-level hierarchy based upon observable and non-observable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The fair value hierarchy under the guidance is as follows:

- Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset 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. The guidance requires the use of observable data if such data is available without undue cost and effort.

The fair value of assets measured on a recurring basis at December 31, 2018 are as follows:

	<u>Fair value</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Mutual funds				
Equity funds	\$ 159,081	\$ 159,081	\$ -	\$ -
Bond funds	80,379	80,379	-	-
	<u>\$ 239,460</u>	<u>\$ 239,460</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of assets measured on a recurring basis at December 31, 2017 are as follows:

	<u>Fair value</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Mutual funds				
Equity funds	\$ 216,976	\$ 216,976	\$ -	\$ -
Bond funds	33,309	33,309	-	-
Other securities				
Other assets	13,493	13,493	-	-
	<u>\$ 263,778</u>	<u>\$ 263,778</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices for Level I inputs.

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

There were no assets measured at fair value on a recurring basis using other relevant information generated by market transactions (Level II inputs) or significant unobservable inputs (Level III inputs) at December 31, 2018 and 2017.

**Note 9 - Mortgage note payable**

The Museum has a note payable which is due in April 2036 and bears interest at a fixed rate of 4.75% for the first five years. The interest rate will be reviewed every five years and adjusted to 2% over the daily high Federal Home Loan Bank Boston Classic Advance Five Year Regular Rate. In March 2016, the interest rate decreased from 4.75% to 3.88%. The interest rate is next scheduled to be reviewed in 2021. The note payable is secured by a first mortgage and an assignment of rents and leases on the Museum's property. The mortgages notes, and lines of credit are cross collateralized. Estimated annual principal payments on the mortgage note payable for the next five years and in the aggregate, as of December 31, 2018 are as follows:

2019	\$	11,725
2020		12,188
2021		12,670
2022		13,170
2023		13,690
Thereafter		<u>220,588</u>
	\$	<u><u>284,031</u></u>

The mortgage note payable contains various covenants as described in the agreement.

As of December 31, 2018, the outstanding principal balance of the mortgage note payable amounted to \$284,031, less net debt issuance costs of \$3,232, amounted to \$280,799.

As of December 31, 2017, the outstanding principal balance of the mortgage note payable amounted to \$295,256, less net debt issuance costs of \$3,498, amounted to \$291,758.

Debt issuance costs, net of accumulated amortization, totaled \$3,232 and \$3,498 as of December 31, 2018 and 2017, respectively. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest of 4.28% as of December 31, 2018 and December 31, 2017.

**Note 10 - Lines of credit**

The Museum has a \$100,000 line of credit with a bank that bears interest at the prime rate as published in the *Wall Street Journal* (5.50% and 4.50% at December 31, 2018 and 2017, respectively). There was no balance outstanding as of December 31, 2018 and 2017. The line of credit is due on demand and is secured by the Museum's property. The mortgage notes and lines of credit are cross collateralized.

The Museum entered into a note dated October 17, 2017 in the maximum amount of \$500,000. The note bears interest at the prime rate as published in the *Wall Street Journal* plus 0.25% (5.75% and 4.75% at December 31, 2018 and 2017, respectively). Payments of interest only are due monthly until maturity at which time all principal and accrued interest is due and payable. The note matures on November 15, 2020. There was no balance outstanding as of December 31, 2018 and 2017. The mortgage notes and lines of credit are cross collateralized.



**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

**Note 11 - Sewer betterment obligation**

The Museum has entered into a financing arrangement with the Town of Acton for payment of a sewer betterment charge, payable over 25 years. Interest on the outstanding betterment charge accrues at 1.55% annually. Payments of \$813, including principal and interest, are required every three months through November 1, 2030. Payments remaining are as follows:

2019	\$	3,252
2020		3,252
2021		3,252
2022		3,252
2023		3,252
Thereafter		<u>21,030</u>
	<u>\$</u>	<u>37,290</u>

**Note 12 - Net assets**

**Without donor restrictions**

The Museum has grouped its net assets without donor restrictions into the following categories:

- Operating net assets consist of amounts relating to programs and other operating activities.
- Property and equipment net assets reflect activities relating to the Museum's fixed assets, net of related debt.

**With donor restrictions**

Net assets with donor restrictions were available for the following purposes at December 31, 2018 and 2017:

	2018	2017
Purpose restriction	\$ 100,286	\$ 101,901
Capital campaign	135,556	622,225
Property improvements	30,000	118,973
Appreciation (depreciation) on endowment to be held in perpetuity	106,335	130,653
Endowment to be held in perpetuity	<u>133,125</u>	<u>133,125</u>
	<u>\$ 505,302</u>	<u>\$ 1,106,877</u>

## Discovery Museum, Inc.

### Notes to Financial Statements December 31, 2018 and 2017

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donor during the years ended December 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Purpose restriction	\$ 1,615	\$ 3,385
Capital campaign	621,933	2,502,780
Property improvements	<u>48,949</u>	<u>590,119</u>
	<u>\$ 672,497</u>	<u>\$ 3,096,284</u>

The Museum maintains an endowment that was donated in prior years to provide income for operating purposes. Endowment funds are those in which the donor has stipulated that the principal is to be maintained in perpetuity and only the income from the investments may be expended.

In addition, the Museum is the beneficiary of an endowment fund held by a local community foundation and receives up to 5% of the market value of the fund annually. Distributions were received in 2018 and 2017 from this fund in the amounts of \$630 and \$618, respectively. The community foundation retains variance power over the fund; therefore, these funds are not reflected in the accompanying financial statements.

#### Note 13 - Retirement plan

The Museum has a qualified tax deferred annuity plan through Teachers Insurance and Annuity Association College Retirement Equities Fund ("TIAA-CREF"). All eligible employees are immediately vested. The Museum's contributions are discretionary. The Museum did not make contributions to TIAA-CREF in 2018 or 2017.

#### Note 14 - Capital campaign

The Museum conducted an \$8,400,000 capital campaign, to fund the expansion and renovation of the Museum's campus. The capital campaign was completed in 2018. As of December 31, 2018 the Museum has raised approximately \$8,800,000 under the capital campaign of which \$164,602 represents pledges to be collected.

The Museum received two conditional grants from a private foundation in support of its capital campaign for campus expansion and renovation. The grants were contingent upon the Museum raising matching funds, while the release of the funds from the donor was contingent upon certain conditions including the receipt of signed construction contracts approved by the Museum's Board of Directors. Accordingly, the revenue recognized from this grant is recorded when matching funds are raised by the Museum and certified by the donor.

The first conditional grant in the amount of \$3,000,000 was received during 2013. As of December 31, 2015, the conditions of this grant were met in full. The second conditional grant in the amount of \$1,000,000 was received during 2016. As of December 31, 2017, the conditions of this grant were met in full.

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

During 2017, the Museum received an in-kind donation in the amount of \$63,681 from the Town of Acton for building permit fees that were waived and recorded in grants and contributions on the accompanying 2017 statement of activities and changes in net assets and construction in progress on the statement of financial position.

The Museum entered into a construction contract for Phase I of the expansion and renovation of the Museum's campus which was completed during 2015. The Museum entered into an amendment to the construction contract to complete Phase II of the expansion and renovation of the Museum's campus which was completed during 2016.

The Museum entered into an amendment to the construction contract to complete Phase III of the expansion and renovation of the Museum's campus. Phase III consisted of renovations and additions to the Museum's science building. Construction commenced in June 2017 and was completed in 2018. The original amendment to the construction contract was for \$4,243,512. Total change orders as of December 31, 2018 were \$179,443 increasing the total of the construction contract to \$4,422,955. The science building was placed in service during 2018. As of December 31, 2018, all costs incurred under the contract have been paid in full. As of December 31, 2017, total costs incurred for Phase III totaled \$3,402,794 of which \$948,760 (including \$169,371 of retainage payable) was accrued at year end and included in both construction in progress and accounts payable and accrued expenses on the accompanying statement of financial position.

In connection with the renovations and additions to the science building in Phase III, the Museum has entered into a contract with an unrelated third party to design and build exhibits for the science building. The agreement was executed in June 2016. The exhibits were completed in 2018. Costs incurred as of December 31, 2018 totaled \$713,298, all of which were placed in service during 2018. Total costs incurred as of December 31, 2017 totaled \$630,515. All costs for the contract were paid in full as of December 31, 2018. As of December 31, 2017, the Museum had a payable of \$35,515.

**Note 15 - Major donors**

For the years ended December 31, 2018 and 2017, the Museum received contributions totaling approximately \$172,500 and \$350,000 from two donors, respectively. These contributions represent approximately 6% and 12% of the Museum's total revenue for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018, approximately \$80,000 was receivable from these donors. No amounts were receivable from these donors at December 31, 2017.

**Note 16 - Conditional grant**

During 2018, the Museum received a conditional grant in the amount of \$150,000 from the Commonwealth of Massachusetts ("the Commonwealth"). The funds from the grant will be used for repairs and improvements projects of the Museum's campus. The grant is a cost-reimbursement grant and revenue is earned only to the extent that costs have been incurred. During the year ended December 31, 2018, the Commonwealth advanced the Museum \$75,000 of which, \$62,955 is recorded in deferred revenue in the accompanying 2018 statement of financial position. The remaining funds will be received after the completion of the project and required reports have been submitted to and approved by the Commonwealth which are due by June 30, 2019. During the year ended December 31, 2018, costs incurred in connection with the grant amounted to \$12,045. Revenue in the amount of \$12,045 was earned during the year ended December 31, 2018.

**Discovery Museum, Inc.**

**Notes to Financial Statements  
December 31, 2018 and 2017**

**Note 17 - Subsequent events**

Events that occur after the statement of financial position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Museum through June 14, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

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