

# **The Discovery Orchestra, Inc.**

Financial Statements

June 30, 2021

(With Comparative Totals for the Year Ended 2020)



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ASSURANCE · TAX · ADVISORY

**The Discovery Orchestra, Inc.**

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**June 30, 2021 and 2020**

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## Independent Auditors' Report

To the Board of Trustees of  
The Discovery Orchestra, Inc.  
Summit, NJ 07901

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Discovery Orchestra, Inc. ("TDO") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

To the Board of Trustees of  
The Discovery Orchestra, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Discovery Orchestra, Inc. as of June 30, 2021, 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.

**Other Matters**

***Report on Summarized Comparative Information***

We have previously audited The Discovery Orchestra, Inc.'s 2020 financial statements, and our report dated October 30, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Nisivoccia LLP*

Mt. Arlington, New Jersey  
October 20, 2021

**The Discovery Orchestra, Inc.**  
**Statement of Financial Position**  
**June 30, 2021 and 2020**

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 202,973	\$ 178,050
Restricted cash	498,780	
Grant receivable	6,250	
Prepaid expenses	13,380	21,003
Inventory	1,987	2,399
Total current assets	<u>723,370</u>	<u>201,452</u>
 Property and equipment, net	 <u>1,327</u>	 <u>2,651</u>
 Total assets	 <u>\$ 724,697</u>	 <u>\$ 204,103</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,914	\$ 14,261
Deferred revenue		7,750
Refundable advance - Paycheck Protection Program		29,360
Total current liabilities	<u>15,914</u>	<u>51,371</u>
 Net assets:		
Without donor restrictions:		
Operating	<u>210,003</u>	<u>152,732</u>
	210,003	152,732
 With donor restrictions	 <u>498,780</u>	 <u>                    </u>
Total net assets	<u>708,783</u>	<u>152,732</u>
 Total liabilities and net assets	 <u>\$ 724,697</u>	 <u>\$ 204,103</u>

See accompanying notes to financial statements

**The Discovery Orchestra, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**  
**(With Comparative Totals for the Year Ended 2020)**

	Without Donor Restrictions	With Donor Restrictions	2021	2020
<b>Revenue and Support:</b>				
Government grants	\$ 35,036		\$ 35,036	\$ 30,000
Contributions	213,183	\$ 498,780	711,963	302,968
Program admissions				2,280
Special events, net	21,754		21,754	
Realized gains on investments	10,125		10,125	7
In-kind contributions	3,000		3,000	9,204
Governmental grant - PPP	29,360		29,360	
Total revenue and support	312,458	498,780	811,238	344,459
<b>Other revenue and gains:</b>				
Interest income	592		592	3,559
Royalties	7,263		7,263	11,493
Miscellaneous other income	519		519	596
Total other revenue and gains	8,374		8,374	15,648
<b>Net assets released from restrictions</b>				
Total revenue, gains and support	320,832	498,780	819,612	360,107
<b>Expenses:</b>				
<b>Program services:</b>				
Music education	172,787		172,787	423,905
<b>Supporting services:</b>				
General and administrative	53,643		53,643	64,948
Fundraising	37,131		37,131	31,764
Total expenses	263,561		263,561	520,617
Change in net assets	57,271	498,780	556,051	(160,510)
Net assets, beginning of year	152,732		152,732	313,242
Net assets, end of year	\$ 210,003	\$ 498,780	\$ 708,783	\$ 152,732

See accompanying notes to financial statements

**The Discovery Orchestra, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**  
**(With Comparative Totals for the Year Ended 2020)**

	Program Services		Supporting Services		Total	
	Music Education	General and Administrative	Fundraising	Total	2021	2020
Salaries - staff and musicians	\$ 87,215	\$ 25,249	\$ 20,859	\$ 46,108	\$ 133,323	\$ 204,313
Payroll taxes	7,077	2,037	1,609	3,646	10,723	16,508
Fringe benefits	17,255	5,607	4,566	10,173	27,428	38,047
Total salaries and related benefits	<u>111,547</u>	<u>32,893</u>	<u>27,034</u>	<u>59,927</u>	<u>171,474</u>	<u>258,868</u>
Rent - office	1,980	570	450	1,020	3,000	3,276
Rent - program venues	1,200		250	250	1,450	14,708
Advertising	3,615				3,615	3,911
Merchant fees	449		149	149	598	252
Insurance	3,790	4,810		4,810	8,600	11,198
Professional services	250	8,400	250	8,650	8,900	8,900
Equipment	1,226	353	279	632	1,858	2,642
Dues and fees	4,439	1,778	1,019	2,797	7,236	3,994
Printing	1,571	198	1,216	1,414	2,985	5,087
Office expenses	2,887	1,539	515	2,054	4,941	8,224
Postage and mailing house	1,489	330	1,166	1,496	2,985	4,195
Utilities						400
Graphic design	460	385	100	485	945	2,080
Consulting	4,941	1,438	1,005	2,443	7,384	23,979
Telephone	481	139	109	248	729	1,158
Gifts and food	26	220		220	246	3,839
Instrumental/equipment rental	150				150	1,764
Payroll service	1,173	338	266	604	1,777	2,437
Sales tax	15				15	27
Cost of goods sold	412				412	1,627
Distribution fees - Discover the Firebird public television program	8,907				8,907	4,946
Production fees -Discover the Firebird public television program						151,781
Production fees - other media programs	20,905		3,125	3,125	24,030	
Total expenses before depreciation	<u>171,913</u>	<u>53,391</u>	<u>36,933</u>	<u>90,324</u>	<u>262,237</u>	<u>519,293</u>
Depreciation expense	874	252	198	450	1,324	1,324
Total expenses	<u>\$ 172,787</u>	<u>\$ 53,643</u>	<u>\$ 37,131</u>	<u>\$ 90,774</u>	<u>\$ 263,561</u>	<u>\$ 520,617</u>

See accompanying notes to financial statements

**The Discovery Orchestra, Inc.**  
**Statement of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 556,051	\$ (160,510)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,324	1,324
Realized gain on investments	(10,125)	(7)
Donation of investments	(510,093)	(27,057)
Government grant - PPP	(29,360)	
Changes in operating assets and liabilities:		
Grant receivable	(6,250)	7,002
Prepaid expenses	7,623	(15,344)
Inventory	412	276
Accounts payable and accrued expenses	1,653	1,385
Deferred revenue	(7,750)	7,750
Refundable advance		29,360
Net cash provided by (used in) operating activities	<u>3,485</u>	<u>(155,821)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	520,218	27,064
Proceeds from the redemption of certificate of deposit		50,523
Net cash provided by investing activities	<u>520,218</u>	<u>77,587</u>
Net increase (decrease) in cash and restricted cash	523,703	(78,234)
Cash and restricted cash, beginning of year	<u>178,050</u>	<u>256,284</u>
Cash and restricted cash, end of year	<u>\$ 701,753</u>	<u>\$ 178,050</u>
Supplemental disclosure of noncash activities:		
In-kind Contributions	<u>\$ 3,000</u>	<u>\$ 9,204</u>
Supplemental disclosure of noncash investing activities:		
Donation of investments	<u>\$ 510,093</u>	<u>\$ 27,057</u>

See accompanying notes to financial statements



1. Nature of Organization

The Discovery Orchestra, Inc. (“TDO”) is a not-for-profit corporation whose mission is teaching the listening skills that help people emotionally connect with classical music. For over 20 years, Artistic Director George Marriner Maull and The Discovery Orchestra have offered ‘Break Through’ classical music experiences to students, teachers and the public, from classical fans to the *classical-curious*, to help them ‘Listen Better.’ Live programs in concert halls, schools, community centers and private homes supplement media programs on public television, radio, DVDs and the Internet. All programs employ the methodology of noticing musical detail to heighten enjoyment and understanding of the pieces being explored. The Orchestra has transformed the listening experience for millions in the U.S. and abroad and has received three Emmy nominations and ten Telly Awards for its five public television programs to date, distributed by American Public Television. Its regular public radio program, *Inside Music*, produced in partnership with WWFM The Classical Network, is broadcast twice monthly.

Recent performance venues have included the Concert Hall at Drew University in Madison, NJ, the Visual Arts Center of New Jersey in Summit, NJ, and Delbarton School in Morristown, NJ. Funding is provided by the New Jersey State Council on the Arts, businesses, foundations and individuals. The Orchestra’s media programs are also distributed to the educational marketplace by Films Media Group and the home video market via Amazon Prime Video with hundreds of thousands of streaming minutes of our public television programs and other educational videos.

During fiscal year 2021, national distribution continued for *Discover The Firebird*, our most recent educational program for public television. Since its premiere on NJPBS in April 2020, there have been 279 broadcasts on 157 channels in 78 markets in 32 states to a potential audience of over 62 million households. One viewer recently watched the program on Amazon Prime and gave it this 5-star review: “George Marriner Maull and The Discovery Orchestra highlight various aspects of this famous piece which might be lost to the casual listener. Fun and rewarding for listeners of all ages, particularly aspiring musicians.”

The season also featured the debut of a new video/podcast series, *Notes from Under the Piano*. Ten episodes were released on our YouTube channel and on major podcast platforms (Spotify, Apple Podcasts, TuneIn, etc.). Maestro Maull shares stories about his life as a performer, conductor and educator as well as his thoughts about music and listening in this enjoyable series. To date, there have been over 41,000 views of those initial 10 episodes on YouTube and 1,290 podcast downloads. Additionally, our outreach to local music student and senior groups continued virtually with 12 sessions for community partners including the Paterson Music Project, the Keys 2 Success piano program in Newark and Warrenbrook Seniors in Warren Township.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Significant accounting policies are described below:

Basis of Presentation

TDO prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), 605-205-15, *Accounting for Contributions Received and Made*, and FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. FASB ASC 605-205-15, *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Net assets without donor restrictions are resources representing the portion of expendable funds available for support of the TDO's programs and general operations. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions are comprised of revenue and expenses related to the operations of TDO, which have no restrictions on the uses of the funds. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Trustees. Board designated net assets amounted to \$0 at June 30, 2021 and 2020.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TDO or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions.

When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. As of June 30, 2021, and 2020, net assets with donor restrictions amounted to \$496,570 and \$0, respectively.

**The Discovery Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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Cash and Restricted Cash

Cash and restricted cash consist of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 202,973	\$ 178,050
Restricted cash	498,780	-
Total	<u>\$ 701,753</u>	<u>\$ 178,050</u>

Grants Receivable and Provision for Uncollectible Accounts

Grants receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivable. Uncollectible amounts are determined on a case by case basis. TDO believes its receivables are collectible; accordingly, there was no provision for uncollectible accounts at June 30, 2021 and 2020.

Revenue and Support Recognition

TDO recognizes revenue from program income when the services are provided. The performance obligation consists of spreading appreciation for classical music via live events and special programming in the form of program income. TDO records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place.

TDO recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been substantially met.

A portion of the TDO's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when TDO has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended June 30:

**The Discovery Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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	<u>2021</u>	<u>2020</u>
Performance obligations satisfied at a point in time	<u>\$ 24,087</u>	<u>\$ 2,280</u>

Revenue from performance obligations satisfied at a point in time consists of program income – Intimate Afternoons and Evenings and special event revenue.

Deferred Revenue

Deferred revenue is comprised of amounts for special event tickets received in advance of the event which will be recognized as income in future periods when the event is held. Deferred revenue amounted to \$- and \$7,750 as of June 30, 2021 and 2020, respectively.

The following table provides information about significant changes in the deferred revenue for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Deferred revenue, beginning of year	\$ 7,750	
Increase in deferred revenue due to cash received during the year		\$ 7,750
Revenue recognized that was included in deferred revenue at the beginning of the year	<u>(7,750)</u>	
Deferred revenue, end of year	<u>\$ -</u>	<u>\$ 7,750</u>

Income Taxes

TDO is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is thereby exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. TDO is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not for Profit Act*. Accordingly, no provision for federal or state income taxes has been presented in the accompanying financial statements. Management has stated that all required informational tax returns have been filed and registration fees have been paid.

TDO follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those positions.

TDO does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended June 30, 2021. However, TDO is subject to regular audit by tax authorities including a review of its nonprofit status, which Management believes would be upheld upon examination.

TDO believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued each year.

As required by law, TDO files informational returns with both federal and New Jersey State governments on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State. TDO is subject to examinations at any time within certain statutorily defined periods from the latest filing date for federal and for New Jersey.

#### Reclassification

Certain amounts in the prior year financial statements have been reclassified in order to be consistent with the current year presentation.

#### Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated equally to each program. Support costs are allocated to a program based on total program costs. Program expenses are those related to the provision of musical educational programs. Management and general relate to administrative expenses related to those programs. Fundraising includes the allocation of employees' salaries and other costs involved in fundraising based on methods considered by management to be reasonable.

#### Advertising

It is TDO's policy to expense advertising costs as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was \$3,615 and \$3,911, respectively.

#### New Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the impact of the adoption of this guidance on TDO's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. The FASB ASU requires nonprofits to present contributed nonfinancial assets as a separate line items in the statement of activities apart from contributions of cash or other financial assets along with expanded disclosure requirements. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. Management is evaluating the impact this ASU will have on its financial statements.

#### Production Fees

FASB ASC Topic 835 generally requires that the costs of producing a television program should be capitalized, and then amortized in a manner that yields a constant rate of profit over the ultimate period for each production before various period expenses. TDO expects minimal revenue from the *Discover the Firebird* public television program, and therefore, believes that this accounting standard is not applicable.

#### Fundraising Expense

It is TDO's policy to net direct fundraising expense with special event revenue. Direct fundraising expense for the years ended June 30, 2021 and 2020 was \$2,333 and \$-, respectively.

#### Fair Value Measurements

In accordance with FASB ASC *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As TDO is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that TDO has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
  
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

*Cash, restricted cash, grant receivable, other assets, accounts payable and accrued expenses:* the carrying amounts approximate fair value because of the short-term maturity of these instruments.

*Refundable advance:* The Paycheck Protection Program advance, a government grant which may be forgiven or converted to a loan at a future point in time and which imputed interest does not apply, is carried at cost. TDO has received full forgiveness of the Paycheck Protection Program advance.

#### Investments

TDO records investments in accordance with FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under this standard, securities purchased for investment are carried at market value; those received as gifts are recorded at market value at date of gift and all investments in debt securities are reported at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investment income or loss (including interest and dividends) and gains/losses on sale of investments are included in the statement of activities unless the income or loss is restricted by the donor or law. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the years ended June 30, 2021 and 2020, TDO did not record any impairment charge in the statement of activities.

#### Inventory

Merchandise inventory is valued at the lower of cost or net realizable value. Inventory amounted to \$1,987 and \$2,399 at June 30, 2021 and 2020, respectively.

#### Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at date of gift, when donated. Proceeds from the sale of fixed assets, if without restrictions, are transferred to net assets without donor restrictions, or, if restricted, to net assets with donor restrictions for fixed asset acquisitions. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the term of the lease.



Maintenance, repairs and renewals which neither materially add to the value of property nor appreciably prolong its life are charged to expenses as incurred. TDO continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of *Accounting for the Impairment or Disposal of Long-Lived Assets*.

#### 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 estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein and disclosures of contingent assets and contingent liabilities and accompanying notes at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### Total Columns

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with TDO's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

#### Subsequent Events

Management has reviewed subsequent events and transactions that occurred after June 30, 2021 through the date of the independent auditor's report and the date the financial statements were available to be issued, October 20, 2021. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

### 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within one year of the statement of financial position date, are comprised of the following:

**The Discovery Orchestra, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash	\$ 202,973	\$ 178,050
Restricted cash	498,780	
Grants receivable	6,250	
Total financial assets	<u>708,003</u>	<u>178,050</u>
Less amounts not available to be used within one year:		
Net assets with purpose restrictions:		
Public Television Program Production	<u>498,780</u>	
Total funds not available to be used within one year	<u>498,780</u>	
Financial assets available to meet		
general expenditures within one year	<u>\$ 209,223</u>	<u>\$ 178,050</u>

TDO has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including a cash reserve (money market account) and from time to time, certificates of deposit. TDO has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event the need arises to utilize the board designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

In addition to these available financial assets, a significant portion of TDO's annual expenditures will be funded by current year operating revenues including government grants, contributions, and special event revenues. To help manage unrestricted liquidity needs, TDO has a committed line of credit in the amount of \$25,000 which it could draw from.

4. Investments

Investments are stated at fair value, based on quoted market prices. It is TDO's policy to liquidate donated securities in a reasonable time after receipt. There were no investments as of June 30, 2021 and 2020.

Investment activity for the years ended June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Beginning balance		\$ 50,523
Donated securities	\$ 510,093	27,057
Sales	(520,218)	(27,064)
Redemption of certificate of deposit		(51,378)
Purchases		855
Realized gains (loss)	<u>10,125</u>	<u>7</u>
	<u>\$ -</u>	<u>\$ -</u>

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Investment return at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest income on certificate of deposit		\$ 855
Realized gain (loss)	\$ 10,125	7
	<u>\$ 10,125</u>	<u>\$ 862</u>

Property and Equipment

Property and equipment and their related estimated useful lives at June 30, 2021 and 2020 are as follows:

<u>Assets</u>	<u>Estimated Useful Life (Years)</u>	<u>2021</u>	<u>2020</u>
Furniture and equipment	3-7	\$ 21,989	\$ 21,989
Less: accumulated depreciation		<u>(20,662)</u>	<u>(19,338)</u>
		<u>\$ 1,327</u>	<u>\$ 2,651</u>

Depreciation expense charged to operations for the years ended June 30, 2021 and 2020 totaled \$1,324 and \$1,324, respectively.

5. Prepaid Expenses

Prepaid expenses at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Prepaid insurance	\$ 4,843	\$ 5,476
Prepaid gala expenses		1,333
Prepaid television distribution fees	8,537	14,194
	<u>\$ 13,380</u>	<u>\$ 21,003</u>

6. Leases

On September 16, 2018, TDO entered into a lease agreement for new office space which expired January 2020. Basic rent required under the lease was \$420 per month. On February 20, 2020, TDO entered into a lease agreement for new office space which renewed on a monthly basis. On January 1, 2021, TDO entered into a new lease agreement for the same office space which expires December 31, 2023. Basic rent required under the lease is \$250 per month. For the year ended June 30, 2021, rent was suspended due to the pandemic.

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The following is a schedule of future minimum lease payments at June 30, 2021:

Year Ending June 30,	Amount
2022	\$ 3,000
2023	1,500
	<u>\$ 4,500</u>

Total rent expense charged to operations for the year ended June 30, 2021 and 2020 was \$3,000 and \$3,276, respectively.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2021:

	2021
Future Media Programs	\$ 498,780
	<u>\$ 498,780</u>

There were no net assets with donor restrictions as of June 30, 2020.

Net assets were released from donor and program restrictions during the years ended June 30, 2021 and 2020 by satisfying the specified purpose restrictions placed by donors as follows:

	2021	2020
National Classical Music Listening Campaign		\$ 4,795
Intimate Afternoons and Evenings		1,000
Fund-a-Need - Buses for Student Groups		6,000
<i>Discover The Firebird</i> Public Television Program		166,281
	<u>\$ -</u>	<u>\$ 178,076</u>

8. In-kind Contributions

In-kind contributions include donated services that are recorded at fair value (or the excess of fair market value over amounts paid for these services) and recognized as revenues and expenses in the period received. Donated services recognized are only for services that would typically need to be purchased by TDO if not provided by contribution, require specialized skills, and are provided by individuals with those skills (such as accounting, finance, construction, educational, legal, medical, counseling, and other professionals). TDO received donated services valued at \$9,204 for the year ended June 30, 2020. TDO received donated rent valued at \$3,000 for the year ended June 30, 2021.

9. Related Parties

During the years ended June 30, 2021 and 2020, TDO's Executive Director and Artistic Director made contributions to TDO totaling \$8,850 and \$20,000, respectively.

10. Risks and Uncertainties and Funding Dependency

TDO charges for concert and other performances and receives support from a government grant, contributions from interested individuals (including board and committee members), corporations and foundation grants. TDO receives a substantial amount of its support from these sources.

Accordingly, there is no guarantee that such support would continue and thus a significant reduction in the level of support, if this were to occur, would have an adverse effect on TDO's programs and activities. From time to time TDO produces public television programs for music education purposes, which can result in significant fluctuations in net assets and expenses due to production and distribution costs.

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on TDO and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which TDO operates and the related impact on consumer confidence and spending, all of which are highly uncertain. In December 2020, TDO received additional COVID-19 emergency financial assistance of \$10,036 from New Jersey Coronavirus Relief Funds CARES funding.

11. Line of Credit

During the years ended June 30, 2021 and 2020, TDO has available an unsecured line of credit with a bank in the amount of \$25,000 which expires on December 1, 2021. Interest is charged on the outstanding balance at 1% above the bank's prime rate, which shall be no less than 5.50%. The effective interest rate at June 30, 2021 and 2020 was 6.00% and 6.50%, respectively. There was no outstanding balance at June 30, 2021 and 2020.

12. Refundable Advance

In May 2020, TDO received \$29,360 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, TDO should have spent the funding for eligible expenses, and also must have generally maintained its full-time equivalent level of staffing over a defined time period. TDO has accounted for the PPP funding as a conditional contribution in the financial statements by applying ASC Topic 958 - 605, *Revenue Recognition*. In April 2021, TDO received full forgiveness of the PPP funding of \$29,360 and recognized the government grant – PPP as revenue in the accompanying statement of activities.