

 **Museum of Science**

Financial Statements
June 30, 2022 and 2021



Museum of Science

Financial Statements – June 30, 2022 and 2021

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Independent Auditors' Report

Board of Trustees
Museum of Science
Boston, Massachusetts

Opinion

We have audited the financial statements of the Museum of Science (the "Museum"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum of Science as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

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

Maye Hoffman McCann P.C.

October 24, 2022
Boston, Massachusetts

Museum of Science

Statements of Financial Position — June 30

(in thousands)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 14,344	\$ 8,688	\$ 23,032	\$ 12,449	\$ 15,414	\$ 27,863
Accounts receivable	5,199		5,199	5,137		5,137
Grants receivable		879	879		2,308	2,308
Pledges receivable, net		4,369	4,369		5,286	5,286
Prepaid expenses and other current assets	1,127		1,127	875		875
Total current assets	20,670	13,936	34,606	18,461	23,008	41,469
Noncurrent assets						
Pledges receivable, net		3,635	3,635		37	37
Investments	17,379	199,542	216,921	16,470	208,701	225,171
Assets of split interest agreements		17,903	17,903		21,879	21,879
Other assets, net of amortization	5,646		5,646	2,516		2,516
Property, plant and equipment, net	66,128		66,128	70,015		70,015
Total noncurrent assets	89,153	221,080	310,233	89,001	230,617	319,618
Total assets	\$ 109,823	\$ 235,016	\$ 344,839	\$ 107,462	\$ 253,625	\$ 361,087
LIABILITIES AND NET ASSETS						
Current liabilities						
Line of credit and other current debt	\$ 1,266		\$ 1,266	\$ 10,913		\$ 10,913
Payroll Protection Plan loan				83		83
Accounts payable and accrued liabilities	8,803		8,803	6,055		6,055
Deferred revenue	3,350	\$ 336	3,686	2,569	\$ 330	2,899
Total current liabilities	13,419	336	13,755	19,620	330	19,950
Noncurrent liabilities						
Payroll Protection Plan loan				4,608		4,608
Annuity payable and deferred compensation	697		697	1,035		1,035
Liability under split interest agreements		972	972		1,275	1,275
Liability under management agreement	645		645	564		564
Asset retirement obligation	1,720		1,720	1,735		1,735
Leases and other long-term debt	3,941		3,941	2,721		2,721
Total noncurrent liabilities	7,003	972	7,975	10,663	1,275	11,938
Total liabilities	20,422	1,308	21,730	30,283	1,605	31,888
Net assets						
Without donor restrictions						
Operating, designated, and quasi-endowment	21,356		21,356	11,601		11,601
Net investment in plant	68,045		68,045	65,578		65,578
Total net assets without donor restrictions	89,401		89,401	77,179		77,179
With donor restrictions						
Gifts, grants, and endowment income		28,728	28,728		29,065	29,065
Endowment principal, split interests, and other		204,980	204,980		222,955	222,955
Total net assets with donor restrictions		233,708	233,708		252,020	252,020
Total net assets	89,401	233,708	323,109	77,179	252,020	329,199
Total liabilities and net assets	\$ 109,823	\$ 235,016	\$ 344,839	\$ 107,462	\$ 253,625	\$ 361,087

The accompanying notes are an integral part of these financial statements.

Museum of Science

Statements of Activities for the Years Ended June 30

(in thousands)	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
INCOME						
Support						
Contributions, grants, and pledges	\$ 5,774	\$ 14,232	\$ 20,006	\$ 8,184	\$ 6,131	\$ 14,315
Contributed services and gifts-in-kind	1,283		1,283	1,059		1,059
Government grants	60	7,389	7,449	60	4,334	4,394
Total support	7,117	21,621	28,738	9,303	10,465	19,768
Revenue						
Admissions	9,987		9,987	4,088		4,088
Memberships	5,266		5,266	5,439		5,439
Educational programs	8,253		8,253	6,222		6,222
Ancillary services	7,726		7,726	3,461		3,461
Investment return appropriated for spending per endowment policy	3,453	3,898	7,351	3,097	3,785	6,882
Other income	2,269	23	2,292	3,639	119	3,758
Net assets released from restrictions	25,958	(25,958)		16,973	(16,973)	
Total revenue	62,912	(22,037)	40,875	42,919	(13,069)	29,850
Total income	70,029	(416)	69,613	52,222	(2,604)	49,618
EXPENSES						
Program services						
Exhibits	8,247		8,247	5,701		5,701
Education and outreach programs	7,520		7,520	5,917		5,917
Teacher and curriculum programs	10,195		10,195	7,784		7,784
Visitor and member services	3,934		3,934	3,375		3,375
Other program activities	3,007		3,007	1,608		1,608
Total program services	32,903		32,903	24,385		24,385
Supporting services						
Administration and general	11,358		11,358	9,799		9,799
Facility operations	8,322		8,322	7,731		7,731
Marketing	3,876		3,876	3,473		3,473
Fundraising	4,897		4,897	3,829		3,829
Total supporting services	28,453		28,453	24,832		24,832
Total expenses	61,356		61,356	49,217		49,217
Change in net assets from income and expenses	8,673	(416)	8,257	3,005	(2,604)	401
Investment return, net	(421)	(8,125)	(8,546)	3,169	49,569	52,738
Portion of investment return appropriated for spending per endowment policy	(721)	(6,630)	(7,351)	(404)	(6,478)	(6,882)
Change in value of split-interest agreements		(3,141)	(3,141)		4,083	4,083
Forgiveness of PPP loan	4,691		4,691			
Change in net assets	12,222	(18,312)	(6,090)	5,770	44,570	50,340
Net assets, beginning of year	77,179	252,020	329,199	71,409	207,450	278,859
Net assets, end of year	\$ 89,401	\$ 233,708	\$ 323,109	\$ 77,179	\$ 252,020	\$ 329,199

The accompanying notes are an integral part of these financial statements.

Museum of Science

Statements of Functional Expenses for the Years Ended June 30

(in thousands)

	2022											
	Program services						Supporting services					
	Exhibits	Education and outreach	Teacher and curriculum	Visitor and member services	Other program activities	Total program services	Admin. and general	Facility operations	Marketing	Fundraising	Total supporting services	Total
Personnel costs	\$ 3,027	\$ 3,918	\$ 3,335	\$ 2,195	\$ 1,795	\$ 14,270	\$ 5,594	\$ 2,588	\$ 1,543	\$ 3,080	\$ 12,805	\$ 27,075
Cost of goods sold			3,340			3,340						3,340
Equipment and fixtures	66	52	104	15	92	329	107	227	29	59	422	751
Conferences and travel	119	40	240	1	5	405	24		1	23	48	453
Participant support	58	104	1,102		32	1,296						1,296
Supplies and materials	214	78	234	11	166	703	327	254	28	166	775	1,478
Outside services	564	1,244	1,299	295	701	4,103	3,656	427	2,260	1,305	7,648	11,751
Occupancy		7	4	4	73	88	5	2,566		8	2,579	2,667
Subawards	14	82	20		59	175						175
Scholarships and funded fees		138	61	89		288				21	21	309
Interest		79				79	245	48			293	372
Depreciation and amortization	4,291	1,186	7	378	9	5,871	374	2,198	13	41	2,626	8,497
Losses on disposal	24	141	391			556	37				37	593
Miscellaneous and other	(130)	451	58	946	75	1,400	989	14	2	194	1,199	2,599
Total expenses	\$ 8,247	\$ 7,520	\$ 10,195	\$ 3,934	\$ 3,007	\$ 32,903	\$ 11,358	\$ 8,322	\$ 3,876	\$ 4,897	\$ 28,453	\$ 61,356

	2021											
	Program services						Supporting services					
	Exhibits	Education and outreach	Teacher and curriculum	Visitor and member services	Other program activities	Total program services	Admin. and general	Facility operations	Marketing	Fundraising	Total supporting services	Total
Personnel costs	\$ 2,267	\$ 3,395	\$ 2,827	\$ 1,966	\$ 1,266	\$ 11,721	\$ 5,133	\$ 2,405	\$ 1,366	\$ 2,779	\$ 11,683	\$ 23,404
Cost of goods sold			2,713			2,713						2,713
Equipment and fixtures	85	42		33	30	190	91	63	39	8	201	391
Conferences and travel	15	7	37		2	61	9			9	18	79
Participant support		175	1,044		16	1,235						1,235
Supplies and materials	98	69	166	28	54	415	164	180	35	171	550	965
Outside services	252	566	850	194	124	1,986	2,961	350	2,020	708	6,039	8,025
Occupancy		1		1	2	4	15	2,318			2,333	2,337
Subawards	13	500	20		91	624						624
Scholarships and funded fees		(15)	96	42		123						123
Interest		51				51	263	52			315	366
Depreciation and amortization	3,585	1,001	7	385	5	4,983	439	2,242	13	37	2,731	7,714
Losses on disposal								5			5	5
Miscellaneous and other	(614)	125	24	726	18	279	724	116		117	957	1,236
Total expenses	\$ 5,701	\$ 5,917	\$ 7,784	\$ 3,375	\$ 1,608	\$ 24,385	\$ 9,799	\$ 7,731	\$ 3,473	\$ 3,829	\$ 24,832	\$ 49,217

The accompanying notes are an integral part of these financial statements

Museum of Science

Statements of Cash Flows for the Years Ended June 30

(in thousands)

	2022	2021
Cash flows from operating activities		
Cash received from customers	\$ 31,932	\$ 14,505
Cash received from donors	11,969	11,674
Cash received from government agencies	8,884	3,248
Cash received from others	1,362	387
Cash paid to or on behalf of employees	(27,045)	(22,868)
Cash paid to vendors	(19,382)	(15,228)
Cash paid to subawardees	(210)	(650)
Cash paid to others	(1,225)	(1,200)
Net cash provided by/(used in) operating activities	6,285	(10,132)
Cash flows from investing activities		
Purchases of endowment investments	(2,328)	(1,166)
Sales of endowment investments		5,000
Purchases of other investment assets		(150)
Sales of other investment assets		11
Investment income available for operations	2,030	567
Cash paid to acquire property, plant, and equipment	(5,136)	(6,492)
Cash paid to acquire other capital assets	(3,508)	(202)
Net cash used in investing activities	(8,942)	(2,432)
Cash flows from financing activities		
Contributions and grants restricted or designated to endowment	1,641	1,026
Other cash receipts restricted or designated to endowment		18
Contributions and grants restricted for capital projects	4,131	1,359
Contributions to split interest agreements		150
Distributions from split interest agreements	558	177
Receipt of government loan		4,691
Line of credit, notes, and other borrowing	5,000	19
Payments against line of credit and notes payable	(10,500)	
Payments on capital leases	(3,004)	(629)
Net cash provided by/(used in) financing activities	(2,174)	6,811
Net change in cash and cash equivalents	(4,831)	(5,753)
Cash and cash equivalents at beginning of year	27,863	33,616
Cash and cash equivalents at end of year	\$ 23,032	\$ 27,863
Supplemental disclosure of cash flow information		
Interest paid	\$ 373	\$ 365

The accompanying notes are an integral part of these financial statements.

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Notes to Financial Statements – June 30, 2022 and 2021

NOTE 1 – ORGANIZATION

The Museum of Science (the “Museum”) is a private, non-profit corporation chartered in 1831 as the Boston Society of Natural History by a special act of the Legislature of the Commonwealth of Massachusetts. In 1968, the legal name of the corporation was changed to Museum of Science by another special act of the Massachusetts Legislature. The Museum is accredited by the American Alliance of Museums, the Association of Science-Technology Centers, and the Association of Zoos and Aquariums.

The Museum has historically served between 1.4 and 1.5 million on-site visitors annually through informal science- and technology-related programs and exhibits, as well as large national and international audiences through curriculum programs and networks with other formal and informal educational institutions.

NOTE 2 – ACCOUNTING POLICIES

The Museum prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“US GAAP”), which requires that the Museum report information regarding its financial position and activities based on the existence or absence of donor restriction. Accordingly, net assets and changes thereto are reported as follows:

Net assets without donor restrictions

Net assets without donor restrictions are not subject to donor-imposed stipulations. Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net assets without donor restrictions are divided into four categories:

Operating funds are funds with neither donor-imposed restrictions nor board- or management-imposed limitations on use.

Designated funds are funds on which the Museum’s Board of Trustees or management has placed purpose- or time-related spending limitations. These funds include reserves and income generated by quasi-endowment funds (see Note 13).

Quasi-endowment funds are funds designated to function as endowments by the Museum’s Board or management (see Note 8).

Net investment in plant is the book value of the Museum’s capitalized assets, net of accumulated depreciation and amortization, less outstanding liabilities on management agreements (see Note 10), capital leases (see Note 12), asset retirement obligations (see below within this Note), and other liabilities management considers capital-related.

Net assets with donor restrictions

Net assets with donor restrictions are subject to donor-imposed stipulations restricting their use. These stipulations may limit use to a particular purpose or until after the passage of a specified period of time, or both. A time limitation may also be implied by the nature of the gift (e.g. gifts for capital projects, unconditional promises to give to be paid in the future, or life income funds), or by interpretations of law (e.g. endowment gains available for appropriation but not appropriated in the current period).

Net assets with donor restrictions include gifts, unconditional promises to give (pledges), trusts and remainder interests, income, and gains which can be expended but for which a restriction has not yet been met. Expirations of such restrictions, that is, the donor-imposed purpose having been accomplished and/or the stipulated time period having elapsed, are reported as net assets released from restrictions between the applicable classes of net assets.

Net assets with donor restrictions also include the historical dollar amount of gifts (including unconditional promises to give), trusts and remainder interests and investment earnings required by donors to be maintained in perpetuity.

Fair Value

The Museum reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy. Fair value is defined as the price that would be received or paid in an orderly transaction between market participants at the measurement date. Recurring fair value measures include the Museum’s investments and assets and liabilities of split interest agreements. Non-recurring measures

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Notes to Financial Statements – June 30, 2022 and 2021

include pledges receivable and asset retirement obligations. Fair value standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the Museum measures certain investments using the net asset value (“NAV”) per share (or its equivalent) as reported by its investment managers under the so-called “practical expedient” to reflect fair value. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the Museum to classify its assets and liabilities into a three-level hierarchy, based on the priority of inputs used to value them, as discussed below, except for investments measured using the NAV practical expedient, for which classification into the fair value hierarchy is not required.

Instruments measured and reported at fair value other than those using the NAV practical expedient are classified and disclosed in one of the following categories:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access. Assets in this category generally include mutual funds and listed equity and debt securities traded on an exchange.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term as the assets or liabilities.

Level 3 – Pricing inputs are unobservable for the instrument and/or include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgement or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument’s level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds, and certificates of deposit with a maturity of ninety days or less when acquired. Bank deposits are often in excess of federally insured limits. However, management monitors the credit standing of its banking partners and has not experienced any losses on such accounts. Cash and cash equivalents are reported at cost plus earned interest.

Cash and cash equivalents held by investment managers are considered part of investments.

Pledges Receivable

Unconditional promises to give are recognized as revenues in the period committed, with a corresponding entry to pledge receivable. Amounts are initially recorded at fair value based on present value using a bond-based discount rate applied over the collection period of the pledge. Annual amortization of the discount is recorded as additional contribution revenue in accordance with donor restrictions, if any, on the contributions.

A risk-based allowance for uncollectible pledges is maintained based on historical experience and known circumstances impacting major pledges. Uncollectible amounts are written off against this allowance, with any excess charged to bad debt expense. A pledge is considered uncollectible when the donor formally renounces the promise or when management deems all reasonable collection efforts have been exhausted.

The initially recorded fair value of a pledge and the allowance for uncollectible pledges are considered Level 2 measurements.

Investments

Investments are carried at fair value. Investments associated with the Museum’s endowment are pooled, with net investment returns and losses being allocated proportionally among the individual funds making up the endowment.

Net investments return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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Notes to Financial Statements – June 30, 2022 and 2021

Assets and Liabilities under Split Interest Agreements

Assets and liabilities under split-interest agreements are recorded at fair value and in the appropriate net asset category based on donor stipulation. Revenue related to these agreements is recognized as a contribution equal to the present value of expected future benefits. Agreements for which the Museum is not the trustee are recorded as assets net of the associated liability, while agreements for which the Museum holds the assets are recorded in two parts, with the asset at fair value and the associated liability reported as liability under split interest agreements. The initially recorded fair value of the donated investments is determined based on the nature of the investment received, and generally represent Level 1 measurements, while the initial measurement of the related obligations Level 3, given life expectancy and other factors used in determining the effect of these obligations on measurement.

During the term of these agreements, changes in the value of split interest agreements are recognized in the statement of activities based on accretion of the discounted amount of the contribution and reevaluations of the expected future benefits to be received by the Museum given life expectancies and other factors.

Property, Plant, and Equipment

Property, plant and equipment are assets with a useful life of greater than one year and an initial value of greater than a management-established capitalization threshold. Value is stated at cost, or, in the case of donated assets, fair value at the date of donation. The level of the fair value measurement depends on the nature of the donated asset. Betterments which materially add to the value of the related assets or materially extend the useful life of the assets are capitalized. Normal replacements and minor equipment purchases are included as operating expenses. The Museum capitalizes the cost of standing exhibits and traveling exhibits produced by the Museum for rent by other institutions.

Depreciation is recorded on the straight-line basis over the following estimated useful lives:

Building and improvements	10 – 40 years
Equipment	3 – 20 years
Exhibits	5 – 40 years

Certain extraordinary exhibit components, such as fossils, are considered inexhaustible assets with an indefinite useful life and are therefore not depreciated.

Museum Collections and Archives

The Museum's collections consist of approximately 30,000 artifacts used primarily for educational activities encompassing interpretations, discovery spaces, exhibits, lectures, classes, demonstrations, reference services, or other programs. The Museum also has a historical and archival collection that documents the history of the institution.

The composition of the Museum's collections by artifact type is as follows:

Natural Sciences	20,000 items
Cultural/Physical Science	5,000 items
Artwork	2,000 items
Institutional History	3,000 items
Archives	1,100 linear feet

The Museum's Collections Management Policy stipulates that the Museum will only acquire objects useful in fulfilling the educational purpose stated in its mission. The Museum accepts only those objects that can be immediately put on display in an exhibit, used in educational programs, or used in future programming.

Items may be de-accessioned from the collections if they are determined to be no longer useful or relevant in assisting the Museum in fulfilling its mission. Consistent with the American Alliance of Museums' Code of Ethics, Museum policy specifies that proceeds from the de-accessioning of an item may only be used for the conservation or acquisition of other collections items.

In accordance with current practice generally followed by museums, collections are generally not recorded as assets in the accompanying financial statements. Purchased additions to the collections are recorded as expenses at the time acquired. Although artifacts from the collections may from time to time be incorporated into exhibits, the Museum's exhibits themselves are not considered part of its collections, and may be capitalized under the Museum's property, plant, and equipment policies. However, artifacts and artworks with a value of \$250,000 or greater acquired specifically for incorporation into an exhibit and capitalized as part of that exhibit may be formally accessioned into the Museum's collections in order to be afforded the protections of the Museum's Collections Management Policy.

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Notes to Financial Statements – June 30, 2022 and 2021

Asset Retirement Obligation

The Museum recognizes a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred at fair value with a corresponding increase in the carrying amount of the related long-lived asset. This is considered a Level 3 fair value measurement. The asset retirement obligations are adjusted on an ongoing basis due to the passage of time, new laws and regulations and revisions to either the timing or amounts of original estimates. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

Contributions and Other Supporting Income

Contributions, grants, and pledges consists of unconditional, non-reciprocal support provided by individuals, corporations, foundations, and other private parties. Contributions are recorded as support with or without donor restriction depending on the existence and nature of any donor restrictions.

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period committed. Conditional promises to give are not recognized until the donor-imposed conditions are substantially met. Intentions to give which are not legally enforceable are not recorded as revenue until the gift is received.

Contributions of financial assets other than cash are recorded at their estimated fair value when originally pledged or donated. The initially recorded fair value is generally considered a Level 1 or Level 2 measurement depending on the nature of the donated asset.

Contributed services and gifts-in-kind consists of donations of goods or services. Donated materials are recorded at their estimated fair values at the time of receipt. Donated services are recognized when services are performed which would otherwise have been purchased externally or performed by Museum personnel, and are recorded at the estimated amount the Museum would have paid for their performance. Fair value determination of these contributions is generally a Level 1 or Level 2 measurement depending on the nature of the donated goods or services.

Government grants consists of federal, state, and international government funds awarded in support of the Museum's exhibits and programs. Revenues are recognized as the barriers to entitlement on which they depend (such as incurring costs in accordance with a specified framework) are met. Government grants received in support of the Museum's general operations are recorded as revenue when received.

Recognition of Earned Revenue and Deferred Revenue

Admissions consists of fees paid for entrance to the Museum's exhibit halls, theaters, and special attractions, and is recorded as revenue on the date of visit.

Membership consists of fees paid for household, library, and corporate memberships, and is recorded proportionally over the period of the membership, except for a portion of household membership deemed to be made with donative intent, which is recognized as revenue immediately upon receipt.

Educational programs includes revenue received for the Museum's overnights program, courses, traveling and outreach programs, professional development, rental of traveling exhibits, and sale of curriculum materials. These fees are recorded at the time the related service is provided.

Ancillary services includes income derived from the Museum's events and conference services and garage, and rental income associated with the operation of outsourced food services and retail store. This revenue is recorded on the date the related service is provided.

Other income includes facility rental income, fund-raising and other event ticket sales, and corporate sponsorships. Sponsorship agreements provide for the sponsors' name and/or logo to be displayed on Museum signage, exhibits, advertising, and website, and also provide certain admission and event privileges. Sponsorship revenue is recognized proportionally over the term of the sponsorship agreement. The remaining components of other income are recognized as the related services are provided.

In accordance with these revenue recognition policies, prepayments and deposits are recorded as deferred revenue until the corresponding revenue recognition processes are complete.

Income and Other Taxes

The Museum is exempt from income taxation on activities related to its charitable purposes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is qualified to receive tax-deductible gifts and bequests under the U.S. tax code. The Museum is subject to tax on income from any business it conducts which is unrelated to its charitable purposes. These activities generally include event and conference services revenue for events of a purely social nature, rental income from parking spaces in the Museum's garage, investment income from certain endowment investments, and ticket income from non-scientific offerings in the Museum's planetarium and Omni

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theater. Taxes paid for these activities are recorded in the accompanying financial statements as expenses of the department generating the associated unrelated income.

The Museum accounts for the effect of any uncertain tax positions on the basis of whether it is more likely than not that positions taken, or expected to be taken, in a tax return will be sustained upon examination by the relevant taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated liability for all uncertain tax positions. The Museum considers its status as a tax-exempt entity and the determination of income as related or unrelated to its exempt purpose to be its only significant income tax positions, and has determined that such positions do not result in an uncertainty requiring recognition. The Museum is not currently under income tax examination by any jurisdiction. The Museum’s Federal and state tax returns are generally open for examination for three years following the date filed.

The Museum is also responsible for calculating, collecting, and remitting sales and liquor taxes in various jurisdictions.

Allocation of Expenses

Certain expenses and losses incurred by supporting services, such as interest, depreciation, amortization, and loss on disposal of capital assets, are allocated in the financial statements to the program and supporting functions benefitting from the use of the assets with which each expense or loss was associated. Expenses associated with assets used by the Museum as a whole remain reported under facility operations. The methodology used to allocate expenses for financial statement purposes is different than methodologies used for other purposes such as governmental surveys and informational returns.

Use of Accounting Estimates

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

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform with the current year presentation.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standard Update (“ASU”) 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal year 2023 for the Museum. The Museum is evaluating the impact of the new guidance on the consolidated financial statements.

The Museum is evaluating the impact of other pending accounting standards which it expects will have limited impact.

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NOTE 3 – RESTRUCTURINGS AND REDUCTIONS IN STAFF

In April, 2020, in response to the COVID-19 pandemic, the Museum undertook a significant restructuring, temporarily furloughing or permanently laying off a combined 65 percent of its staff. In July, 2020, approximately one quarter of the previously-furloughed staff were brought back to support the Museum's re-opening. In October, 2020, those staff remaining on furlough were permanently laid off.

Severance and unemployment costs associated with these staffing changes totaled approximately \$1,300,000.

NOTE 4 – COVID-19 IMPACT AND RELIEF

In addition to other consequences of the COVID-19 pandemic reported elsewhere in these notes, the Museum's operations have been affected by a series of shutdowns and re-openings. The Museum has responded through a combination of enhanced fundraising, applications for federal and state government assistance, staff reductions (see Note 3), and other cost-cutting measures.

Closures and Re-openings

On March 13, 2020, the Museum closed to the public. The Museum re-opened its exhibit halls at reduced capacity on July 21, 2020 and its planetarium, Omni, and 4D theater on various dates thereafter.

The Museum closed to the public again on December 16, 2020, re-opening again on February 8, 2021.

Government Relief Programs

In April 2021, the Museum received a \$4,691,000 Payroll Protection Program (PPP) loan from the Small Business Administration, which was recognized as a liability as of June 30, 2021. The Museum applied for forgiveness of the loan under the PPP's terms; forgiveness was granted in April, 2022.

In July 2021, the Museum received a \$5,309,000 Small Business Administration Shuttered Venue Operators ("Save Our Stages") Grant. While some costs eligible for reimbursement under this grant were incurred before June 30, 2021, accounting standards precluded the recognition of contributed support before notification of the award. Therefore, all amounts under this grant are recorded in the statement of activities as government grant revenue recovered during the year ended June 30, 2022.

During fiscal year 2021, the Museum determined that it was eligible for the Internal Revenue Service's Employee Retention Credit, and recorded an amount of \$2,033,000 as other income on the statement of activities for the year ended June 30, 2021. This credit has not been fully disbursed, and corresponding accounts receivable of \$1,931,000 and \$2,033,000 are recorded on the statement of financial position as of June 30, 2022 and 2021, respectively.

During the years ended June 30, 2022 and 2021, the Museum received additional relief totaling \$306,000 and \$100,000, respectively from other federal, state, and municipal agencies.

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NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Museum's financial assets available for general expenditures within one year of June 30 are as follows:

(in thousands)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
	Cash and cash equivalents	\$ 14,344	\$ 4,131	\$ 18,475
Accounts receivable	5,199		5,199	5,137
Grants receivable		587	587	873
Pledges with purpose restrictions due within one year		1,353	1,353	1,263
Contributions with time restrictions due to expire within one year	15		15	2
Expected appropriations from endowment per allocation policy	3,282	4,780	8,062	7,368
Financial assets available for general expenditures within one year	\$ 22,840	\$ 10,851	\$ 33,691	\$ 32,654

A significant portion of the Museum's ongoing operations are normally funded through donor-restricted contributions and endowment income. The Museum accordingly considers such funds in its analysis of its liquidity and in its short- and long-term planning. Funds restricted for capital projects and/or projects or programs not undertaken on an ongoing basis are not considered available for general expenditures.

As part of its liquidity management, the Museum has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Museum invests cash in excess of daily requirements in various liquid assets. These amounts are reported as cash and cash equivalents.

In addition to the amounts disclosed above, the Museum considers \$10,707,000 of its quasi-endowment to be available as of June 30, 2022 to meet general or special purpose expenditures if necessary.

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Notes to Financial Statements – June 30, 2022 and 2021

NOTE 6 – PLEDGES RECEIVABLE

Pledges are expected to be realized in the following time frame as of June 30:

<i>(in thousands)</i>	2022	2021
In one year or less	\$ 4,752	\$ 6,069
Between one and five years	4,014	40
Less allowance for unfulfilled pledges	(662)	(783)
Less discount to present value	(100)	(3)
Net present value of pledges receivable, net of allowances	<u>\$ 8,004</u>	<u>\$ 5,323</u>

Net present value of pledges by purpose are as follows as of June 30:

<i>(in thousands)</i>	2022	2021
Purpose Restrictions		
Operating and similar funds		
Exhibits	\$ 254	\$ 507
Education and outreach programs	491	359
Teacher and curriculum programs	1,995	286
Visitor and member services	107	108
Other program activities	33	
General and other	186	2
Capital exhibits, property, plant, and equipment	4,100	2,844
Total operating and similar funds	<u>7,166</u>	<u>4,106</u>
Endowment and quasi-endowment		
Education and outreach programs	1,500	2,000
Total endowment and quasi-endowment	<u>1,500</u>	<u>2,000</u>
Less allowance for unfulfilled pledges	(662)	(783)
Net present value of pledges receivable, net of allowances	<u>\$ 8,004</u>	<u>\$ 5,323</u>

Concentration of Risk

Pledges from three and two major donors accounted for 54% and 89% of gross pledges as of June 30, 2022 and 2021, respectively.

Bequest Intentions and Conditional Promises to Give

The Museum had \$29,770,000 and \$250,000 of documented bequest intentions as of June 30, 2022 and 2021, respectively. These promises are not recorded in the financial statements.

The Museum treats government grants awarded but not yet spent as conditional promises to give. These are disclosed in Note 15.

Non-binding Intentions

In addition to enforceable promises to give, the Museum has received promises that an individual will recommend that a gift be made from a donor-advised fund or a foundation over which the individual does not have control. As these donor-advised funds and foundations are not legally bound to honor such recommendations, these promises are not recorded in the financial statements. Any gifts resulting from these recommendations are recorded as contributions when received. The Museum had \$4,168,000 and \$445,000 in outstanding non-binding intentions as of June 30, 2022 and 2021, respectively.

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Notes to Financial Statements – June 30, 2022 and 2021

NOTE 7 – INVESTMENTS AND ASSETS OF SPLIT INTEREST AGREEMENTS

The Museum's investments include both its endowment and miscellaneous non-endowment holdings. Investments and assets of split interest agreements were as follows at June 30:

(in thousands)	2022				2021			
	Investments measuring fair value using net asset value per share	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)	Total fair value	Investments measuring fair value using net asset value per share	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)	Total fair value
Investments								
Cash and cash equivalents		\$ 17,802		\$ 17,802		\$ 4,249		\$ 4,249
Mutual funds		14,943		14,943		20,906		20,906
Commingled trust funds	\$ 29,199			29,199	\$ 32,323			32,323
Hedge funds	62,894			62,894	76,391			76,391
Hedge fund of funds					4,245			4,245
Private investments	70,096			70,096	59,463			59,463
Other alternative investments	21,837		\$ 150	21,987	27,444		\$ 150	27,594
Total investments	\$ 184,026	\$ 32,745	\$ 150	\$ 216,921	\$ 199,866	\$ 25,155	\$ 150	\$ 225,171
Assets of split interest agreements								
Internally managed		\$ 1,828		\$ 1,828		\$ 2,851		\$ 2,851
Administered by external trustees		364	\$ 15,711	16,075		449	\$ 18,579	19,028
Total assets of split interest agreements		\$ 2,192	\$ 15,711	\$ 17,903		\$ 3,300	\$ 18,579	\$ 21,879

Included in Level 3 are interests in split-interest agreements of which the Museum is not the trustee. The fair value consists of market values of assets held as reported by the trustees, net of the present value of the distributions expected to be paid to the income beneficiaries during their lives. Market price data is generally available for the assets held by these trusts, however the actuarial assumptions relating to the income beneficiaries renders final measurement less observable. Activity related to investment and split interest assets for which Level 3 inputs are used to determine fair value were as follows for the years ended June 30, 2022 and 2021.

(in thousands)	Alternative investments	Split interest agreements	Total Level 3 investments
Fair Value, July 1, 2020	\$ 134	\$ 14,905	\$ 15,039
Distributions	(11)	-	(11)
Net investment return	27	-	27
Change in value of split interests	-	3,674	3,674
Fair Value, June 30, 2021	150	18,579	18,729
Change in value of split interests	-	(2,868)	(2,868)
Fair Value, June 30, 2022	\$ 150	\$ 15,711	\$ 15,861

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Notes to Financial Statements – June 30, 2022 and 2021

Liquidity

The liquidity of the Museum’s investments is as follows at June 30:

Redemption Frequency	Fair value (in thousands)			
	2022		2021	
Daily	\$ 46,344	21.4%	\$ 40,764	18.1%
Weekly	6,883	3.2%	5,830	2.6%
Monthly	29,727	13.7%	46,959	20.9%
Quarterly	30,279	14.0%	38,051	16.9%
Quarterly or more frequently	113,233	52.3%	131,604	58.5%
Semi-annually	19,656	9.1%	18,149	8.1%
Annually	3,826	1.8%	6,598	2.9%
Less frequently than annually	5,365	2.5%	8,790	3.9%
Illiquid	74,841	34.3%	60,030	26.6%
Total investments	\$ 216,921	100.0%	\$ 225,171	100.0%

Management has no intentions or plans to liquidate any fund for which NAV per share is used to measure fair value at other than NAV per share.

Unfunded commitments totaled \$25,501,000 and \$26,653,000 as of June 30, 2022 and 2021.

Some investment managers reserve the right under unusual circumstances to suspend withdrawals notwithstanding the redemption frequencies noted above; however, none of the Museum’s managers has exercised those rights for the two years ended June 30, 2022 and 2021.

NOTE 8 – ENDOWMENT

The Museum’s endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees or management to function as endowments (“quasi-endowments”). The endowment consists of 119 individual donor-restricted endowment funds and 26 quasi-endowment funds established for a variety of purposes. The net assets associated with endowment funds including quasi-endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Museum follows the “Uniform Prudent Management of Institutional Funds Act” (“UPMIFA”) as promulgated in Massachusetts. The Board of Trustees of the Museum has interpreted UPMIFA as not requiring the preservation of the original gift of donor-restricted endowment funds unless explicitly stipulated by the donor. However, the Board interprets UPMIFA's standard of prudence as favoring preservation of the original gift absent compelling reasons to act otherwise. For the purposes of this interpretation, the Museum considers the “original gift” to consist of: (a) the original value of gifts donated to the permanent endowment as of the date of gift, (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. Appreciation in excess of the original gift is subject to appropriation for expenditure by the Museum in a manner consistent with the standards prescribed by UPMIFA. In accordance with those standards, the Museum considers the following factors in making a determination to appropriate or accumulate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Museum and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Museum
- 7) The investment policies of the Museum.

Both the original gift and any appreciation are classified as net assets with donor restrictions. Amounts appropriated for expenditure are classified as net assets without donor restrictions unless the donor has stipulated a purpose limitation on the uses of the fund.

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Endowment funds segregated by net asset class are as follows at June 30:

(in thousands)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds		\$ 182,459	\$ 182,459		\$ 196,018	\$ 196,018
Board-designated funds	\$ 13,832	4,465	18,297	\$ 13,476	4,833	18,309
Total endowment net assets	\$ 13,832	\$ 186,924	\$ 200,756	\$ 13,476	\$ 200,851	\$ 214,327

The following schedule summarizes the change in endowment net assets for the years ended June 30:

(in thousands)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 13,476	\$ 200,851	\$ 214,327	\$ 10,084	\$ 157,226	\$ 167,310
Additions to corpus						
Contributions	855	786	1,641	529	499	1,028
Other	643	42	685	98	47	145
Investment return, net	(421)	(8,125)	(8,546)	3,169	49,557	52,726
Endowment income per spending policy	(721)	(6,630)	(7,351)	(404)	(6,478)	(6,882)
Endowment net assets, end of year	\$ 13,832	\$ 186,924	\$ 200,756	\$ 13,476	\$ 200,851	\$ 214,327

Endowment Funds with Deficits (i.e. Underwater funds)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the original donor gift amounts. As described below, the Museum reduces income allocated for spending from funds with deficits. There were no such deficits as of June 30, 2022 and 2021.

Return Objectives and Risk Parameters

The Museum's endowment investment and spending policies aim to provide a predictable stream of funding to programs supported by the endowment while maintaining the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets is to maximize the return over a full market cycle against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Investment Objectives

The Museum pursues a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places greater emphasis on investments whose underlying holdings are equity-based to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation Policy and Relationship to Investment Objectives

The Museum's spending allocation policy is to appropriate for expenditure an amount of up to 4.75% of the 16-quarter moving average of the fair value of the endowment as measured at the December 31 preceding the fiscal year in which the distribution is planned. On a monthly basis, one twelfth of the predetermined annual amount is allocated among the individual endowment funds on the basis of each fund's fair value as compared to that of the pool as a whole. Donor-restricted funds with deficits in any month are excepted from this policy during that month and allocated only their share of interest and dividend income received. Over the long term, the Museum expects its current asset allocation policy to provide sufficient endowment growth to fund its spending policy and also maintain the purchasing power of the endowment assets. The asset allocation and spending policies are reviewed periodically and may be adjusted as necessary to meet these objectives.

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Under the base spending allocation policy, new large gifts may have a distorting effect on the allocation of income to existing funds until those gifts are fully absorbed into the lookback period. Therefore, the Board reserves the right to exempt unusually large endowment additions from the standard procedure and subject those gifts to a separate allocation policy. When it does so, the Board will seek to approximate the allocation rate applied to the main endowment, while protecting the future earning power of the exempted fund.

One endowment gift of significant size has been exempted from the standard policy as described above. In agreement with the donor, the Museum has applied a special policy under which increasing predetermined amounts are to be appropriated annually until June 2024, whereupon a modified version of the Museum's standard policy, using 4% of the 20 quarter moving average of the fund's fair value, will be applied.

In accordance with its standard and special income allocation policies, the Museum approved an appropriation of \$8,062,000 for the year beginning July 1, 2022. This appropriation is expected to be funded from liquidity normally maintained within the portfolio.

The establishing documents for the majority of the Museum's donor-restricted endowment funds contain provisions which allow the Museum to accumulate and carry forward amounts allocated but not spent during the fiscal year. This provision allows the Museum to undertake projects for which a single year's allocation would provide insufficient funds.

NOTE 9 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30:

<i>(in thousands)</i>	2022	2021
Building and improvements	\$ 96,319	\$ 95,469
Equipment	38,129	37,629
Exhibits	52,790	51,206
Total before depreciation	187,238	184,304
Accumulated depreciation	(121,110)	(114,289)
Net	\$ 66,128	\$ 70,015

Capital additions were \$4,811,000 and \$7,417,000 for the years ended June 30, 2022 and 2021, respectively.

Depreciation expense amounted to \$8,497,000 and \$7,714,000 for the years ended June 30, 2022 and 2021, respectively.

Net losses on disposal of property, plant, and equipment were \$202,000 for the year ended June 30, 2022. There were no such losses in the previous year. The Museum's total expenditures for constructing, hosting, and refurbishing exhibits were as follows for the years ended June 30:

<i>(in thousands)</i>	2022	2021
Traveling exhibitions, shorter duration exhibits, and refurbishment costs charged to operations	\$ 5,020	\$ 4,283
Standing exhibits added to property, plant, and equipment	2,279	5,682
	\$ 7,299	\$ 9,965

The Museum has a 99-year lease with the Massachusetts Department of Conservation and Recreation for the land occupied by the Museum's buildings. The lease calls for payment of \$1 per year over the term of the lease and expires on December 1, 2047, with an option to renew for another 99 years under the same terms and conditions as the original lease. Management does not assign a value to this agreement due to the nature of the parcel at the time the Museum entered into the agreement. Therefore no value is recorded on the statement of financial position, nor is any contribution recognized on the statement of activities.

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NOTE 10 – MANAGEMENT AGREEMENTS AND OTHER VENDOR CONTRACTS

The Museum has contracted with an outside vendor to operate its food services. This contract expires in 2025 and is cancelable with notice. The vendor has made capital improvements totaling \$4,056,000 associated with the food service facilities, with these outlays being amortized on a straight-line basis over a 20-year schedule. Should the Museum terminate the agreement, it is obligated to pay the vendor the unamortized balance of the liability under management agreement, which was \$993,000 and \$769,000, as of June 30, 2022 and 2021, respectively. The current portion of \$348,000 is reflected in accounts payable and accrued liabilities each year.

The Museum has also contracted with an outside vendor to operate its gift shop. This contract expires in 2030.

Both agreements provide for minimum annual rental payments to the Museum, with additional amounts due based on each vendor's revenue. The combined minimum rent due each year under these contracts is \$1,825,000. However, due to the COVID-19 pandemic, the Museum waived the minimum requirement through June 30, 2021 and recovered at reduced rates through June 30, 2022. Total actual revenue realized was \$1,437,000 and \$343,000 for the years ended June 30, 2022 and 2021, respectively, which is included in ancillary services and other income.

The Museum has entered into contracts with a movie studio to develop two copies of a large traveling exhibition. The agreements license the Museum to use intellectual property and custom-developed materials until 2027. The exhibits are on tour nationally and internationally and are expected to be rented to 3-5 institutions per year over the course of the license period, with the expectation that such rentals will cover the initial investment and generate additional revenue for future projects. The COVID-19 pandemic has impacted the touring schedule of the exhibits, but the Museum continues to expect rental income to exceed its investment.

NOTE 11 – ANNUITY PAYABLE, DEFERRED COMPENSATION, AND BENEFIT PLANS

The Museum has an annuity agreement with a related party individual which provides for fixed annual payments for life. Using standard actuarial methods and life tables, management has estimated the net present value of this obligation as \$180,000 and \$189,000 at June 30, 2022 and 2021, respectively. Of these amounts, the current portion of \$45,000 is included in accounts payable and accrued expenses each year.

In addition, the Museum has a non-qualified deferred compensation plan under section 457 of the Internal Revenue Code covering certain employees. Assets associated with this plan in the amount of \$564,000 and \$891,000 at June 30, 2022 and 2021, respectively, are included in other assets, with the corresponding obligation to the employees included in deferred compensation.

The Museum has a long-term employment agreement with its President that provides for severance payments upon termination. As these provisions are conditional on whether termination is with or without cause, no amount is recorded for the future portion of this contract on the financial statements.

The Museum has two defined contribution plans for the benefit of its employees: a 403(b) savings plan ("the Savings Plan") and a 401(a) retirement plan ("the Retirement Plan").

The Savings Plan allows employees to defer a percentage of their compensation on a pre- or post-tax basis (or both) subject to IRS limits. All employees are eligible to participate in the Savings Plan. All employees, except interns, are automatically enrolled in the Savings Plan on the first day of the month following their date of hire at a rate of 3% of the employee's compensation, and employees may cease or resume participation at any time. The Museum does not make contributions to the Savings Plan.

The Museum contributes between 2.25% and 4.5% (depending on age) of eligible employees' compensation to the Retirement Plan. These percentages are subject to annual review and may be changed at the discretion of the Museum's management. In addition, the Retirement Plan provides a match of up to 50% of the first 6% of an employee's contributions to the Savings Plan. Employees scheduled to work at least 17.5 hours per week who have completed one year of service are automatically enrolled in the Retirement Plan. Vesting provisions for Retirement Plan vary according to length of service. In April, 2020, the Museum temporarily suspended contributions under the Retirement Plan in response to the COVID-19 pandemic. The Museum resumed these contributions in March, 2021.

Expenses for the Retirement Plan were \$861,000 and \$336,000 for the years ended June 30, 2022 and 2021, respectively.

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NOTE 12 – LINE OF CREDIT, LEASES, AND OTHER DEBT

In March, 2020, in response to reductions in cash flow due to the COVID-19 pandemic, the Museum established and fully drew against a \$10,000,000 advised line of credit with its primary bank, secured with a blanket lien on all assets. In December, 2021, the Museum repaid \$5,000,000 of the line of credit and refinanced the remainder with a term note bearing an interest rate of 2.38% per annum. The note is payable in quarterly installments through December 2026.

The Museum retains access to a \$5,000,000 line of credit at a rate of 1.3% above SOFR. There were no outstanding draws against the line of credit as of June 30, 2022.

The Museum leases office, 4-D theater, and other equipment under finance leases that expire at various dates through September, 2025. The Museum had also financed energy conservation equipment and the renovation of its Omni theater; these leases were retired early in April, 2022.

The 4-D theater equipment lease agreement also includes the provision of programs, supplies, and maintenance services for the theater. The portion of the annual payments representing those items are expensed in the year paid.

Outstanding debt, other than the Payroll Protection Plan loan noted in Note 4, was as follows at June 30:

<i>(in thousands)</i>	2022			2021		
	Short-term	Long-Term	Total	Short-term	Long-Term	Total
Line of credit				\$ 10,000		\$ 10,000
Term note	\$ 1,000	\$ 3,500	\$ 4,500	-		-
Leases	266	441	707	913	\$ 2,721	3,634
Total Debt	\$ 1,266	\$ 3,941	\$ 5,207	\$ 10,913	\$ 2,721	\$ 13,634

Future minimum payments under lease agreements are as follows at June 30, 2022:

<i>(in thousands)</i>	Capital leases	4-D programs and services
2023	\$ 302	\$ 360
2024	210	373
2025	195	387
2026	73	148
Total minimum lease payments	780	\$ 1,268
Interest	(73)	
Present value of net minimum lease payments	707	
Current portion of lease obligations in accounts payable and accrued	(266)	
Net long term obligations under leases	\$ 441	

The net book value of assets acquired under finance leases was \$3,272,000 and \$4,398,000 as of June 30, 2022 and 2021, respectively.

The weighted average remaining term of these leases is 2.9 years, and the weighted average discount applied to them is 6.0%.

For the year ended June 30, 2022, total lease expense was \$387,000, of which \$50,000 was interest.

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NOTE 13 – NET ASSETS

Net asset balances by donor restriction or internally designated purpose are as follows as of June 30:

(in thousands)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating funds, gifts and grants, and endowment income available for spending						
Exhibits	\$ 293	8,086	\$ 8,379	\$ (15)	\$ 7,915	\$ 7,900
Education and outreach programs	327	6,781	7,108	533	11,197	11,730
Teacher and curriculum programs	111	1,455	1,566	166	1,481	1,647
Visitor and member services		19	19		31	31
Other program activities	217	417	634	85	492	577
Supporting services	5,300	1,757	7,057	(2,881)	515	(2,366)
Property, plant, and equipment	1,276	3,334	4,610	237	3,611	3,848
Total operating and similar funds	7,524	21,849	29,373	(1,875)	25,242	23,367
Endowment and quasi-endowment corpus and accumulated gains not allocated for spending						
Exhibits	4,673	53,404	58,077	5,059	57,792	62,851
Education and outreach programs	5,235	100,867	106,102	5,666	107,833	113,499
Teacher and curriculum programs	538	1,629	2,167	582	1,699	2,281
Visitor and member services		62	62		67	67
Other program activities	1,153	2,641	3,794	1,157	2,858	4,015
Supporting services	2,233	28,321	30,554	1,012	30,602	31,614
Total endowment and quasi-endowment	13,832	186,924	200,756	13,476	200,851	214,327
Other net assets						
Value of capital exhibits, property, plant, and equipment, net of depreciation	68,045		68,045	65,578		65,578
Split interest agreements		16,931	16,931		20,604	20,604
Total other net assets	68,045	16,931	84,976	65,578	20,604	86,182
Pledges receivable		8,004	8,004		5,323	5,323
Total net assets	\$ 89,401	\$ 233,708	\$ 323,109	\$ 77,179	\$ 252,020	\$ 329,199

Museum of Science

Notes to Financial Statements – June 30, 2022 and 2021

Net assets without donor restrictions

The Museum's net assets without donor restriction consist of general operating funds without further designation, board-designated funds, and net investment in plant.

Board-designated funds consist reserve, quasi-endowment, and other designated funds set aside by the Board of Trustees to meet the Museum's long-term needs. The Board has authorized management to make certain decisions regarding additions to and removals from these funds, while reserving other decisions to itself.

The Museum also treats special-purpose private contract revenue as board-designated funds to facilitate tracking income and expenses. Contract revenue received for the Museum's normal business is treated a general operating revenue.

Board policy directs that bequests and distributions from trusts under will without donor restriction be added to the quasi-endowment, with income appropriated therefrom allocated to general operations.

Activity on board-designated funds was as follows for the years ended June 30, 2022 and 2021:

	Designated operating funds				Quasi-endowment corpus	Total designated
	Reserves	Quasi-endowment income	Other designated	Total		
<i>(in thousands)</i>						
Net assets as of 6/30/20	\$ 2,006	\$ 578	\$ 641	\$ 3,225	\$ 10,084	\$ 13,309
Contributions			79	79	529	608
Revenue designated per board or management policy	416		307	723	13	736
Designated endowment and quasi-endowment income	142	451	1,289	1,882		1,882
Net assets released from restriction					48	48
Transfers from operating fund	2,162		29	2,191		2,191
Additions to designated funds	2,720	451	1,704	4,875	590	5,465
Funding of operations	(1,849)	(212)	(1,509)	(3,570)		(3,570)
Funding of capital projects	963		(24)	939		939
Uses of designated funds	(886)	(212)	(1,533)	(2,631)		(2,631)
Other transfers		(37)		(37)	37	
Investment earnings, net of endowment income per policy					2,765	2,765
Net assets as of 6/30/21	3,840	780	812	5,432	13,476	18,908
Contributions			170	170	855	1,025
Revenue designated per board or management policy	695	(1)	361	1,055	25	1,080
Designated endowment and quasi-endowment income	188	467	1,540	2,195		2,195
Net assets released from restriction					577	577
Transfers from operating fund	6,157		467	6,624		6,624
Additions to designated funds	7,040	466	2,538	10,044	1,457	11,501
Funding of operations	(2,843)	(334)	(2,187)	(5,364)		(5,364)
Funding of capital projects, net of refunds from other sources	(482)	(9)	(80)	(571)		(571)
Uses of designated funds	(3,325)	(343)	(2,267)	(5,935)		(5,935)
Other transfers		(41)		(41)	41	
Investment earnings, net of endowment income per policy					(1,142)	(1,142)
Net assets as of 6/30/22	\$ 7,555	\$ 862	\$ 1,083	\$ 9,500	\$ 13,832	\$ 23,332

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Notes to Financial Statements – June 30, 2022 and 2021

Net assets released from restriction

Net assets with donor restrictions are released from those restrictions when expenses are incurred to satisfy the restricted purposes or by the occurrence of other events specified by the donors or implied by the nature of the gift. Net assets were released from restriction as follows for the years ended June 30:

<i>(in thousands)</i>	2022	2021
Net assets released due to fulfillment of purpose restrictions		
Releases funding operations		
Exhibits	\$ 2,031	\$ 1,232
Education and outreach programs	3,257	2,908
Teacher and curriculum programs	2,618	2,898
Visitor and member services	89	42
Other program activities	2,979	797
Administration and general	5,035	276
Facility operations	322	161
Marketing	33	186
Fundraising	24	7
Total operating releases	16,388	8,507
Releases funding capital projects		
Capital exhibits	2,471	5,504
Other property, plant, and equipment	6,505	2,787
Total capital releases	8,976	8,291
Total releases from purpose restrictions	25,364	16,798
Net assets released due to expiration of time restrictions		
Releases to operations	17	127
Releases to quasi-endowment	577	48
Total releases from time restrictions	594	175
Total net assets released from restriction	\$ 25,958	\$ 16,973

Museum of Science

Notes to Financial Statements – June 30, 2022 and 2021

NOTE 14 – CONTRIBUTED SERVICES AND GIFTS IN KIND

Contributed services and gifts in kind were as follows for the years ended June 30:

<i>(in thousands)</i>	2022	2021
Pro bono outside services:		
Legal services	\$ 313	\$ 269
Marketing services and airtime	750	273
Consulting services	-	500
Miscellaneous	14	11
In-house volunteers	119	2
Gifts in kind:		
Miscellaneous exhibit and program materials	87	4
Total	\$ 1,283	\$ 1,059

Pro-bono outside services are valued at market billing rates as reported by the individuals and companies providing the services. Gifts in kind are valued at the retail price of the item donated or of comparable items in cases where the item itself has no retail market.

The Museum normally receives contributed services from volunteers working in various capacities across the institution. US GAAP specifies that the value of volunteer time may be recognized as income and expense when the service provided requires specialized skills for which the Museum would otherwise have paid. The Museum values these services based on the salary and benefit costs which would have been paid to an employee engaged in similar work to that performed by each volunteer.

During the COVID-19 pandemic, the Museum's use of volunteers has been severely curtailed. For the year ended June 30, 2022, the value of contributed services meeting recognition criteria was \$119,000. The value of contributed time not meeting the recognition criteria was \$7,000. Volunteer time contributed across both categories totaled 3 full-time employee equivalents.

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Notes to Financial Statements – June 30, 2022 and 2021

NOTE 15 – GOVERNMENT AWARDS

The Museum has received federal, state, and international government awards to support both its general operations and specific projects and programs. Funds expended in connection with these grants are subject to review or audit by the granting agencies. Government support was as follows for the years ended June 30:

(in thousands)	2022				2021
	State	Federal	Int'l	Total	
Direct cost support					
General operating support		\$ 60		\$ 60	\$ 60
Exhibits		182		182	92
Programs	\$ 267	726	\$ 3	996	1,954
Capital projects	281	19		300	1,700
Other	26	5,602		5,628	114
	574	6,589	3	7,166	3,920
Indirect cost recovery	8	274	1	283	474
Total	\$ 582	\$ 6,863	\$ 4	\$ 7,449	\$ 4,394

These figures include only transactions under awards as that term is defined in applicable government regulations. Revenue under contracts and other agreements whereby a government entity procures goods or services from the Museum in the same manner as a non-government customer are recorded on the revenue line associated with the goods or services procured.

Funds awarded but not yet expended

Funds under a government award for a particular purpose or program are not earned until the Museum incurs expenses in the performance of the funded project, at which time the Museum recognizes the corresponding award revenue. If a government agency advances cash to the Museum under an award, amounts not yet expended are carried as a liability. These advances totaled \$36,000 and \$12,000 as of June 30, 2022 and 2021, respectively. Amounts awarded but neither advanced nor earned are not reflected in the financial statements. Government funds awarded but not yet expended totaled \$3,260,000 and \$3,001,000 at June 30, 2022 and 2021, respectively.

NOTE 16 – RELATED PARTIES

The Museum maintains vendor relationships with several companies, the principals of which are members or related to members of the Museum's Board of Trustees or Senior Management Team. All such relationships are subject to the same procurement requirements, policies, and controls as the Museum applies to its other vendors. The Museum expended funds totaling \$114,000 and \$76,000 for the years ended June 30, 2022 and 2021, respectively, under these relationships.

Certain companies whose principals are members of the Museum's Board may also from time to time procure the services of the Museum's Events department. Trustees receive a 15% discount on pricing for such events; otherwise related-party companies are subject to the same policies, pricing, and controls as the Museum applies to its other customers. The Museum earned \$13,000 for the year ended June 30, 2022 from these transactions. Due to COVID-19, the Museum did not host any outside events or conferences during the year ended June 30, 2021.

At June 30, 2022 and 2021, there were no outstanding amounts payable to or receivable from related parties.

NOTE 17 – CONTINGENCIES

The Museum is generally subject to various claims which arise in the normal course of its operations. In the opinion of management, the outcome of these actions will not have a material adverse effect on the financial position of the Museum.

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Notes to Financial Statements – June 30, 2022 and 2021

NOTE 18 – SUBSEQUENT EVENTS

The Museum's evaluation of subsequent events through October 24, 2022 has noted no material subsequent events requiring adjustment or disclosure in the financial statements.