



# **Financial Statements**

## **Museum of Science**

**June 30, 2023 and 2022**



# MUSEUM OF SCIENCE

## *Financial Statements*

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## *Independent Auditors' Report*

The 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, 2023 and 2022, 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, 2023 and 2022, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 audits.
- 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 audits 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.

*Maya Heyman McCann P.C.*

Boston, Massachusetts  
January 12, 2024

# MUSEUM OF SCIENCE

## Statements of Financial Position

(in thousands)

	<i>June 30,</i>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 22,171	\$ 23,032
Accounts receivable	5,349	5,199
Grants receivable	1,117	879
Pledges receivable, net	12,627	8,004
Prepaid expenses and other assets	2,185	1,127
Investments	225,149	216,921
Assets of split-interest agreements	18,687	17,903
Other assets, net of amortization	6,365	5,646
Property, plant and equipment, net	<u>62,927</u>	<u>66,128</u>
<b>Total assets</b>	<b>\$ <u>356,577</u></b>	<b>\$ <u>344,839</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 8,251	8,803
Deferred revenue	4,015	3,686
Annuity payable and deferred compensation	566	697
Liability under split-interest agreements	823	972
Liability under management agreement	297	645
Asset retirement obligation	1,720	1,720
Debt obligations	<u>3,981</u>	<u>5,207</u>
<b>Total liabilities</b>	<b><u>19,653</u></b>	<b><u>21,730</u></b>
Net assets:		
Without donor restrictions	89,560	89,401
With donor restrictions	<u>247,364</u>	<u>233,708</u>
<b>Total net assets</b>	<b><u>336,924</u></b>	<b><u>323,109</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>356,577</u></b>	<b>\$ <u>344,839</u></b>

See accompanying notes to the financial statements.

# MUSEUM OF SCIENCE

## Statement of Activities

Year Ended June 30, 2023  
(with comparative totals for 2022)

(in thousands)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Operating revenues</b>				
Support				
Contributions, grants and pledges	\$ 5,424	\$ 20,955	\$ 26,379	\$ 20,006
Contributed services and gifts-in-kind	1,111	-	1,111	1,283
Government grants	135	2,536	2,671	7,449
<b>Total support</b>	<b>6,670</b>	<b>23,491</b>	<b>30,161</b>	<b>28,738</b>
Revenue				
Admissions	12,712	-	12,712	9,987
Memberships	6,004	-	6,004	5,266
Educational programs	6,336	-	6,336	8,253
Ancillary services	9,953	-	9,953	7,726
Other income	3,042	153	3,195	2,292
Investment return allocated for spending per endowment policy	3,848	4,192	8,040	7,351
Net assets released from restrictions	19,964	(19,964)	-	-
<b>Total revenue</b>	<b>61,859</b>	<b>(15,619)</b>	<b>46,240</b>	<b>40,875</b>
<b>Total support and revenue from operations</b>	<b>68,529</b>	<b>7,872</b>	<b>76,401</b>	<b>69,613</b>
<b>Expenses</b>				
Program Services				
Exhibits	8,814	-	8,814	8,247
Education and Outreach programs	8,672	-	8,672	7,520
Teacher and curriculum programs	9,281	-	9,281	10,195
Visitor and member services	4,198	-	4,198	3,934
Other program activities	5,988	-	5,988	3,007
<b>Total program services</b>	<b>36,953</b>	<b>-</b>	<b>36,953</b>	<b>32,903</b>
Supporting Services				
Administration and general	13,937	-	13,937	11,358
Facility operations	8,354	-	8,354	8,322
Marketing	3,692	-	3,692	3,876
Fundraising	5,722	-	5,722	4,897
<b>Total supporting services</b>	<b>31,705</b>	<b>-</b>	<b>31,705</b>	<b>28,453</b>
<b>Total expenses from operations</b>	<b>68,658</b>	<b>-</b>	<b>68,658</b>	<b>61,356</b>
<b>Change in net assets from operations</b>	<b>(129)</b>	<b>7,872</b>	<b>7,743</b>	<b>8,257</b>
Non-operating revenues and expenses				
Investment return, net	1,233	11,550	12,783	(8,546)
Portion of investment return appropriated for spending under endowment policy	(945)	(7,095)	(8,040)	(7,351)
Change in value of split-interest agreements	-	1,329	1,329	(3,141)
Forgiveness of PPP loan	-	-	-	4,691
<b>Change in net assets</b>	<b>159</b>	<b>13,656</b>	<b>13,815</b>	<b>(6,090)</b>
Net assets, beginning of year	89,401	233,708	323,109	329,199
<b>Net assets, end of year</b>	<b>\$ 89,560</b>	<b>\$ 247,364</b>	<b>\$ 336,924</b>	<b>\$ 323,109</b>

See accompanying notes to the financial statements.

**MUSEUM OF SCIENCE**

**Statement of Activities**

**Year Ended June 30, 2022**

(in thousands)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenues</b>			
Support			
Contributions, grants and pledges	\$ 5,774	\$ 14,232	\$ 20,006
Contributed services and gifts-in-kind	1,283	-	1,283
Government grants	60	7,389	7,449
<b>Total support</b>	<b>7,117</b>	<b>21,621</b>	<b>28,738</b>
Revenue			
Admissions	9,987	-	9,987
Memberships	5,266	-	5,266
Educational programs	8,253	-	8,253
Ancillary services	7,726	-	7,726
Other income	2,269	23	2,292
Investment return allocated for spending per endowment policy	3,453	3,898	7,351
Net assets released from restrictions	25,958	(25,958)	-
<b>Total revenue</b>	<b>62,912</b>	<b>(22,037)</b>	<b>40,875</b>
<b>Total support and revenue from operations</b>	<b>70,029</b>	<b>(416)</b>	<b>69,613</b>
<b>Expenses</b>			
Program Services			
Exhibits	8,247	-	8,247
Education and Outreach programs	7,520	-	7,520
Teacher and curriculum programs	10,195	-	10,195
Visitor and member services	3,934	-	3,934
Other program activities	3,007	-	3,007
<b>Total program services</b>	<b>32,903</b>	<b>-</b>	<b>32,903</b>
Supporting Services			
Administration and general	11,358	-	11,358
Facility operations	8,322	-	8,322
Marketing	3,876	-	3,876
Fundraising	4,897	-	4,897
<b>Total supporting services</b>	<b>28,453</b>	<b>-</b>	<b>28,453</b>
<b>Total expenses from operations</b>	<b>61,356</b>	<b>-</b>	<b>61,356</b>
<b>Change in net assets from operations</b>	<b>8,673</b>	<b>(416)</b>	<b>8,257</b>
Non-operating revenues and expenses			
Investment return, net	(421)	(8,125)	(8,546)
Portion of investment return appropriated for spending under endowment policy	(721)	(6,630)	(7,351)
Change in value of split-interest agreements	-	(3,141)	(3,141)
Forgiveness of PPP loan	4,691	-	4,691
<b>Change in net assets</b>	<b>12,222</b>	<b>(18,312)</b>	<b>(6,090)</b>
Net assets, beginning of year	77,179	252,020	329,199
<b>Net assets, end of year</b>	<b>\$ 89,401</b>	<b>\$ 233,708</b>	<b>\$ 323,109</b>

See accompanying notes to the financial statements.

**MUSEUM OF SCIENCE**  
**Statements of Functional Expenses**

**Years Ended June 30,**

(in thousands)

	2023						2023						
	Program Services					Total Program Services	Supporting Services					Total Supporting Services	Total
	Exhibits	Education and Outreach	Teacher and Curriculum	Visitor and Member Services	Other Program Activities		Administration and General	Facility Operations	Marketing	Fundraising			
Personnel costs	\$ 2,703	\$ 4,723	\$ 3,354	\$ 2,198	\$ 2,120	\$ 15,098	\$ 6,530	\$ 2,528	\$ 1,559	\$ 3,434	\$ 14,051	\$ 29,149	
Cost of goods sold	-	-	2,534	-	-	2,534	-	-	-	-	-	2,534	
Equipment and fixtures	111	58	217	38	137	561	218	127	18	118	481	1,042	
Conferences and travel	131	121	285	5	72	614	66	1	-	110	177	791	
Participant support	39	157	824	-	-	1,020	1	-	-	3	4	1,024	
Supplies and materials	143	144	287	41	624	1,239	554	207	40	146	947	2,186	
Outside services	251	1,242	1,543	243	2,896	6,175	4,998	812	2,055	1,555	9,420	15,595	
Occupancy	-	9	-	2	31	42	3	2,455	-	6	2,464	2,506	
Subawards	-	36	-	-	31	67	-	-	-	-	-	67	
Scholarships and funded fees	-	286	133	103	-	522	-	-	-	30	30	552	
Interest	1	35	-	-	-	36	106	-	-	-	106	142	
Depreciation and amortization	5,291	1,242	7	413	22	6,975	225	2,189	15	47	2,476	9,451	
Losses on disposal	279	-	-	-	-	279	465	-	-	-	465	744	
Miscellaneous and other	(135)	619	97	1,155	55	1,791	771	35	5	273	1,084	2,875	
<b>Total expenses</b>	<b>\$ 8,814</b>	<b>\$ 8,672</b>	<b>\$ 9,281</b>	<b>\$ 4,198</b>	<b>\$ 5,988</b>	<b>\$ 36,953</b>	<b>\$ 13,937</b>	<b>\$ 8,354</b>	<b>\$ 3,692</b>	<b>\$ 5,722</b>	<b>\$ 31,705</b>	<b>\$ 68,658</b>	

	2022						2022						
	Program Services					Total Program Services	Supporting Services					Total Supporting Services	Total
	Exhibits	Education and Outreach	Teacher and Curriculum	Visitor and Member Services	Other Program Activities		Administration and General	Facility Operations	Marketing	Fundraising			
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	
<b>Total expenses</b>	<b>\$ 8,247</b>	<b>\$ 7,520</b>	<b>\$ 10,195</b>	<b>\$ 3,934</b>	<b>\$ 3,007</b>	<b>\$ 32,903</b>	<b>\$ 11,358</b>	<b>\$ 8,322</b>	<b>\$ 3,876</b>	<b>\$ 4,897</b>	<b>\$ 28,453</b>	<b>\$ 61,356</b>	



**MUSEUM OF SCIENCE**  
**Statements of Cash Flows**

(in thousands)

	<b>Years Ended June 20,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 34,311	\$ 31,932
Cash received from donors	15,812	11,969
Cash received from government agencies	2,414	8,884
Cash received from others	2,039	1,362
Cash paid to or on behalf of employees	(29,191)	(27,045)
Cash paid to vendors	(27,835)	(19,382)
Cash paid to subawardees	(76)	(210)
Cash paid to others	<u>(1,362)</u>	<u>(1,225)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>(3,888)</u></b>	<b><u>6,285</u></b>
<b>Cash flows from investing activities:</b>		
Purchases of endowment investments	(1,381)	(2,328)
Sales of endowment investments	5,000	-
Purchases of other investment assets	10	-
Investment income available for operations	927	2,030
Cash paid to acquire property, plant and equipment	(6,064)	(5,136)
Cash paid to acquire other capital assets	<u>(823)</u>	<u>(3,508)</u>
<b>Net cash used in investing activities</b>	<b><u>(2,331)</u></b>	<b><u>(8,942)</u></b>
<b>Cash flows from financing activities:</b>		
Contributions and grants restricted or designated to endowment	249	1,641
Other cash receipts restricted or designated to endowment	568	-
Contributions and grants restricted for capital projects	5,320	4,131
Distributions from split-interest agreements	399	558
Line of credit, notes, and other borrowing	39	5,000
Payments against line of credit and notes payable	(1,000)	(10,500)
Payments on capital leases	<u>(217)</u>	<u>(3,004)</u>
<b>Net cash provided by (used in) financing activities</b>	<b><u>5,358</u></b>	<b><u>(2,174)</u></b>
<b>Net change in cash and cash equivalents</b>	<b>(861)</b>	<b>(4,831)</b>
Cash and cash equivalents, beginning of year	<u>23,032</u>	<u>27,863</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 22,171</u></b>	<b><u>\$ 23,032</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 142	\$ 373
Additions to property, plant and equipment via capital leases	\$ 39	\$ -

See accompanying notes to the financial statements.

# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### **Note 1 - Organization**

The Museum of Science (the “Museum”) is a private, non-profit organization operating from Boston, Massachusetts. 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 is one of the largest and most visited in the greater Boston area drawing in person attendance from the greater Boston area together with regional and tourism related attendance. The Museum focuses on science and technology related programs and exhibits, as well as curriculum programs and networks serving national and international audiences through curriculum programs and networks on formal and informal bases with other organizations.

### **Note 2 - Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

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 restrictions. 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.

**Quasi-endowment** funds are funds designated to function as endowments by the Museum’s Board or management.

**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, finance leases, asset retirement obligations, and other liabilities management considers capital related.

# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***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 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.

# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Fair Value (Continued)*

**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 fair value 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 and money market funds with a maturity of ninety days or less when acquired. Bank deposits are often in excess of federally insured limits. 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.

#### *Accounts and Grants Receivable*

The Museum records a receivable when there is an unconditional right to consideration based under contract and grant arrangements. Accounts and grants receivable are reported at the amount management expects to collect on balances outstanding at year end. Management considers the need for allowances at year end but has determined that no such reserves have been needed at year end.

#### *Pledges Receivable*

Pledges are recorded using a Level 2 fair value method when unconditionally committed by donors net of any expected uncollectable amounts as well a risk adjusted discount rate for pledges made that are expected to be paid in periods greater than one year. Annual amortization of the discount is recorded as additional contribution revenue in accordance with donor restrictions as applicable. The allowance for uncollectible pledges is based on historical experience and known circumstances impacting major pledges with management periodically updating such estimates.

# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***Prepaid Expenses and Other Assets***

Prepaid expenses and other assets are recorded at cost and represent prepaid insurance, inventory, and other items.

#### ***Investments***

Investments are carried at fair value consistent with the fair value policies described elsewhere in this section. 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 investment 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.

#### ***Assets and Liabilities under Split-Interest Agreements***

Assets and liabilities under split-interest agreements are recorded at fair value with the net effect of those amounts being reflected in the appropriate net asset category based on donor stipulation. Agreements for which the Museum is not the trustee are recorded on a net basis within assets of split-interest agreements, while agreements for which the Museum holds the assets are recorded on a gross basis with the assets being reflected as assets under split-interest agreements along with the liability indicated as liability under split-interest agreements. The initially recorded fair value of assets are generally Level 1 measurements, while the related obligations are Level 3, given life expectancy and other factors used in determining the amount of the obligations.

During the term of these agreements, changes in the value of split-interest agreements are recognized in the statement of activities based on changes in the fair value of the investments, actuarial and other factors.

#### ***Other Assets***

Other assets consist primarily of costs incurred to date for the creation of a new signature film for the Museum's Omni Theater. The film was expected to be released in November 2023. The costs incurred will start being amortized during the year ended June 30, 2023.

#### ***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.

# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### ***Property, Plant and Equipment (Continued)***

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***

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. The Museum follows the American Alliance of Museums' Code of Ethics relative to its collections which is further augmented by the Museum's Collection Management Policy.

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.

#### ***Deferred Revenue***

Deferred revenue is recorded when cash is received in advance of the Museum meeting its performance obligation associated with the funds. Amounts are recognized as revenue when the performance obligation is met which is generally in the next fiscal year.

#### ***Asset Retirement Obligation***

Asset retirement obligations relate to the estimated cost on a present value basis using Level 3 fair value methods for the handling of regulated items generally within property due to the laws and regulations. This amount is adjusted on an ongoing basis due to these matters being addressed, passage of time, new laws and regulations and revisions to either the timing or amounts of original estimates with any difference in computation being recorded as a gain or loss in the statement of activities.

# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### ***Revenue Recognition***

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. The Museum has both contributed support and earned revenues. Earned revenues are under arrangements that are one year or less in length.

#### ***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 that meet the accounting standards for being recorded. Amounts are recorded at their estimated fair value at the time of receipt mostly using Level 2 fair value methods.

**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***

**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** include 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.

# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Revenue Recognition (Continued)*

##### *Recognition of Earned Revenue (Continued)*

**Ancillary services** include 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, fundraising 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.

#### *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 theater.

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 other taxes that are other than based on income.

#### *Functional 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.



# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *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.

#### *Operating and Non-operating Activity*

The statements of activities report the change in net assets from operating and non-operating activities. Non-operating activities consists of investment return, investment return appropriated for spending under the engagement policy, change in the value of split-interest arrangements and forgiveness of the Payroll Protection Program loan. All other activities are considered operating.

#### *Reclassifications*

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

#### *Subsequent Events*

The Museum has evaluated subsequent events through January 12, 2024, the date that the financial statements were issued. Management determined that no items through that date required adjustment or disclosure within these financial statements.

In connection with its routine review of its facilities, management determined that certain electrical and other infrastructure related to its facilities require substantial betterments to reduce the risk of substantial and sustained potential interruption of normal operations given the age and condition of these critical elements. Management has estimated the potential costs of such updates to be between \$10,000,000 and \$15,000,000 which will need to take place over next few years, however these estimates could change.

After year end, the first \$5,000,000 of funding was approved by the Board of Trustees. As of the date of this report, management has not entered into a contract for the first phase of the betterment project.

Management laid out the expected timing of these cash flows on an estimated basis and has a variety of approaches at its disposal to affect the needed resources over time which include existing financial resources, added fundraising and the other options.

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 3 - Liquidity and Availability of Financial Assets

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

<i>(in thousands)</i>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 17,899	\$ 18,475
Accounts receivable	5,349	5,199
Grants receivable	934	587
Pledges with purpose restrictions due within one year	2,501	1,353
Contributions with time restrictions due to expire within one year	900	15
Expected appropriations from endowment per allocation policy	8,416	8,062
	<u>\$ 35,999</u>	<u>\$ 33,691</u>

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 \$11,209,100 and \$10,707,000 of its quasi-endowment to be available as of June 30, 2023 and WP 2022, respectively, to meet general or special purpose expenditures if necessary.

### Note 4 - Pledges Receivable, Net

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

<i>(in thousands)</i>	<u>2023</u>	<u>2022</u>
In one year or less	\$ 10,396	\$ 4,752
Between one and five years	2,712	4,014
Less allowance for unfulfilled pledges	(353)	(662)
Less discount to present value	(128)	(100)
	<u>\$ 12,627</u>	<u>\$ 8,004</u>

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 4 - Pledges Receivable, Net (Continued)

Pledges from three major donors accounted for 36% and 54% of gross pledges as of June 30, 2023 and 2022, respectively.

The Museum had \$30,220,000 and \$29,770,000 of documented bequest intentions as of June 30, 2023 and 2022, 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 13.

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 \$2,243,000 and \$4,168,000 in outstanding non-binding intentions as of June 30, 2023 and 2022, respectively.

The Museum had given intentions pending that are expected to be fulfilled via donor-advised funds and via bequests in the amount of approximately \$32,500,000 and \$34,000,000 for the years ended June 30, 2023 and 2022, respectively.

### Note 5 - 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:

<i>(in thousands)</i>	2023			
	<i>Level 1</i>	<i>Level 3</i>	<i>Investments Measured At NAV</i>	<i>Total</i>
<b>Investments:</b>				
Cash and cash equivalents	\$ 18,939	\$ -	\$ -	\$ 18,939
Mutual funds	15,501	-	-	15,501
Commingled trust funds	-	-	25,706	25,706
Hedge funds	-	-	68,386	68,386
Private investments	-	-	69,226	69,226
Other alternative investments	-	140	27,251	27,391
<b>Total investments</b>	<b>\$ 34,440</b>	<b>\$ 140</b>	<b>\$ 190,569</b>	<b>\$ 225,149</b>
<b>Assets of split-interest agreements:</b>				
Internally managed	\$ 1,444	\$ -	\$ -	\$ 1,444
Administered by external trustees	383	16,860	-	17,243
<b>Total assets of split-interest agreements</b>	<b>\$ 1,827</b>	<b>\$ 16,860</b>	<b>\$ -</b>	<b>\$ 18,687</b>

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 5 - Investments and Assets of Split-Interest Agreements (Continued)

(in thousands)	2022			
	Level 1	Level 3	Investments Measured At NAV	Total
<b>Investments:</b>				
Cash and cash equivalents	\$ 17,802	\$ -	\$ -	\$ 17,802
Mutual funds	14,943	-	-	14,943
Commingled trust funds	-	-	29,199	29,199
Hedge funds	-	-	62,894	62,894
Private investments	-	-	70,096	70,096
Other alternative investments	-	150	21,837	21,987
<b>Total investments</b>	<b>\$ 32,745</b>	<b>\$ 150</b>	<b>\$ 184,026</b>	<b>\$ 216,921</b>
<b>Assets of split-interest agreements:</b>				
Internally managed	\$ 1,828	\$ -	\$ -	\$ 1,828
Administered by external trustees	364	15,711	-	16,075
<b>Total assets of split-interest agreements</b>	<b>\$ 2,192</b>	<b>\$ 15,711</b>	<b>\$ -</b>	<b>\$ 17,903</b>

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.

Liquidity of the Museum's investments is as follows at June 30:

<u>Redemption Frequency</u>	<u>2023</u>		<u>2022</u>	
Daily	\$ 47,998	21.3%	\$ 46,344	21.4%
Weekly	7,088	3.1%	6,883	3.2%
Monthly	32,426	14.4%	29,727	13.7%
Quarterly	34,292	15.2%	30,279	14.0%
Quarterly or more frequently	121,804	54.0%	113,233	52.3%
Semi-annually	22,318	9.9%	19,656	9.1%
Annually	4,146	1.8%	3,826	1.8%
Less frequently than annually	2,436	1.1%	5,365	2.5%
Illiquid	74,445	33.2%	74,841	34.3%
<b>Total investments</b>	<b>\$ 225,149</b>	<b>100.0%</b>	<b>\$ 216,921</b>	<b>100.0%</b>

# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### ***Note 5 - Investments and Assets of Split-Interest Agreements (Continued)***

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 \$21,326,000 and \$25,501,000 as of June 30, 2023 and 2022, respectively.

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, 2023 and 2022.

### ***Note 6 - 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 over 100 individual donor-restricted endowment funds and over 25 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 Museum tracks the historical value of its various funds along with any unexpended appreciation. Gift instruments are considered the ultimate guidance over the use of the funds, however most endowment instruments do not have prescriptive requirements. UPMIFA is followed by the funds without such instructions. The Museum considers the following factors in deciding to appropriate or accumulate endowment funds without having other instructions:

- 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 other than funds considered part of the quasi-endowment. Amounts appropriated for expenditure are classified as net assets without donor restrictions.

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 6 - Endowment (Continued)

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

<i>(in thousands)</i>	<b>2023</b>		
	<b><i>Without Donor Restrictions</i></b>	<b><i>With Donor Restrictions</i></b>	<b><i>Total</i></b>
Donor-restricted funds	\$ -	\$ 187,834	\$ 187,834
Board-designated funds	14,492	4,556	19,048
<b>Total endowment net assets</b>	<b>\$ 14,492</b>	<b>\$ 192,390</b>	<b>\$ 206,882</b>

  

<i>(in thousands)</i>	<b>2022</b>		
	<b><i>Without Donor Restrictions</i></b>	<b><i>With Donor Restrictions</i></b>	<b><i>Total</i></b>
Donor-restricted funds	\$ -	\$ 182,459	\$ 182,459
Board-designated funds	13,832	4,465	18,297
<b>Total endowment net assets</b>	<b>\$ 13,832</b>	<b>\$ 186,924</b>	<b>\$ 200,756</b>

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

<i>(in thousands)</i>	<b>2023</b>		
	<b><i>Without Donor Restrictions</i></b>	<b><i>With Donor Restrictions</i></b>	<b><i>Total</i></b>
Endowment net assets beginning of year	\$ 13,832	\$ 186,924	\$ 200,756
Additions to corpus			
Contributions	245	574	819
Other	127	443	570
Investment return, net	1,233	11,544	12,777
Endowment income per spending policy	(945)	(7,095)	(8,040)
<b>Endowment net assets, end of year</b>	<b>\$ 14,492</b>	<b>\$ 192,390</b>	<b>\$ 206,882</b>

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 6 - Endowment (Continued)

<i>(in thousands)</i>	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets beginning of year	\$ 13,476	\$ 200,851	\$ 214,327
Additions to corpus			
Contributions	855	786	1,641
Other	643	42	685
Investment return, net	(421)	(8,125)	(8,546)
Endowment income per spending policy	(721)	(6,630)	(7,351)
<b>Endowment net assets, end of year</b>	<b>\$ 13,832</b>	<b>\$ 186,924</b>	<b>\$ 200,756</b>

#### **Endowment Funds with Deficits**

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, 2023 and 2022.

#### **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 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

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 6 - Endowment (Continued)

#### **Endowment Spending Allocation Policy and Relationship to Investment Objectives (Continued)**

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.

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.

The Museum approved an appropriation of \$8,416,000 the year beginning July 1, 2023.

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

### Note 7 - Property, Plant and Equipment

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

<i>(in thousands)</i>	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 97,988	\$ 96,319
Equipment	37,770	38,129
Exhibits	54,065	52,790
	<u>189,823</u>	<u>187,238</u>
Less accumulated depreciation	<u>(126,896)</u>	<u>(121,110)</u>
<b>Property, plant and equipment, net</b>	<b>\$ <u>62,927</u></b>	<b>\$ <u>66,128</u></b>

Capital additions were \$6,989,000 and \$4,811,000 for the years ended June 30, 2023 and 2022, respectively.



# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### ***Note 7 - Property, Plant and Equipment (Continued)***

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 did not assign a value to this agreement due to the nature of the parcel at the time the Museum entered into the agreement which by all accounts seem to indicate that the parcel was of limited value. Therefore, no value is recorded on the statement of financial position, nor is any contribution recognized on the statement of activities.

### ***Note 8 - 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 \$645,000 and \$993,000 as of June 30, 2023 and 2022, respectively. The current portion of \$348,000 is reflected in accounts payable and accrued expenses 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 certain adjustments were made in 2022 given the continued effect of the pandemic. Rental income under these arrangements amount to \$2,391,000 and \$1,437,000 for the years ended June 30, 2023 and 2022, 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.

### ***Note 9 - 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 \$0 and \$180,000 at June 30, 2023 and 2022, respectively.

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 \$566,000 and \$564,000 at June 30, 2023 and 2022, respectively, are included in other assets, with the corresponding obligation to the employees included in deferred compensation.

# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### ***Note 9 - Annuity Payable, Deferred Compensation and Benefit Plans (Continued)***

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 qualified 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 Retirement Plan calls for the Museum to contribute between 2.25% and 4.5% (depending on age) of eligible employees’ compensation to the 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 the Retirement Plan vary according to length of service. Expenses under the plan were \$1,088,000 and \$861,000 for the years ended June 30, 2023 and 2022, respectively.

### ***Note 10 - Debt Obligations***

The Museum has a term note bearing fixed interest at a rate of 2.38% per annum. The note is payable in quarterly installments through December 2026.

The Museum has a line of credit of \$5,000,000 with a variable interest rate of 1.3% above SOFR. There were no outstanding draws against the line of credit as of June 30, 2023. The Museum did not utilize the line of credit during the years ended June 30, 2023 or 2022.

The Museum leases the 4-D theater and other equipment under finance leases that expire at various dates through September 2026. 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.

The Museum had also financed energy conservation equipment and the renovation of its Omni theater; these leases were retired early in April 2022.

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 10 - Debt Obligations (Continued)

Outstanding debt was as follows at June 30:

<i>(in thousands)</i>	<u>2023</u>	<u>2022</u>
Term note	\$ 3,500	\$ 4,500
Financing leases	<u>481</u>	<u>707</u>
<b>Total</b>	<b>\$ <u>3,981</u></b>	<b>\$ <u>5,207</u></b>

Future minimum payments under debt arrangements are as follows at June 30, 2023:

<i>(in thousands)</i>	<u>Term Note</u>	<u>Financing Leases</u>	<u>Total</u>	<u>4-D Programs and services</u>
2024	\$ 1,000	\$ 222	\$ 1,222	\$ 373
2025	1,000	208	1,208	387
2026	1,000	82	1,082	148
2027	500	8	508	-
2028	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Total minimum payments	3,500	523	4,023	908
Less interest	<u>-</u>	<u>(42)</u>	<u>(42)</u>	<u>-</u>
<b>Present value of net minimum payments</b>	<b>\$ <u>3,500</u></b>	<b>\$ <u>481</u></b>	<b>\$ <u>3,981</u></b>	<b>\$ <u>908</u></b>

The net book value of assets acquired under finance leases was \$584,000 and \$3,272,000 as of June 30, 2023 and 2022, respectively.

The weighted average remaining term of these leases is 2.9 years, and the weighted average discount applied to them is 6.7%.

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 11 - Net Assets

Net asset balances by donor restriction or internally designed purpose are as follows at June 30:

(in thousands)

	<b>2023</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
<b>Detail of Net Assets</b>			
<b>Operating funds, gifts and grants and endowment income available for spending</b>			
Exhibits	\$ 854	\$ 7,148	\$ 8,002
Education and outreach programs	337	8,006	8,343
Teacher and curriculum programs	117	584	701
Visitor and member services	-	24	24
Other program activities	211	294	505
Supporting services	1,089	1,167	2,256
Property, plant and equipment	6,363	7,260	13,623
<b>Total operating and similar funds</b>	<b>8,971</b>	<b>24,483</b>	<b>33,454</b>
<b>Endowment and quasi-endowment corpus and accumulated gains not allocated for spending</b>			
Exhibits	4,769	54,566	59,335
Education and outreach programs	5,342	104,459	109,801
Teacher and curriculum programs	549	1,705	2,254
Visitor and member services	-	64	64
Other program activities	1,270	2,695	3,965
Supporting services	2,562	28,901	31,463
<b>Total endowment and quasi-endowment corpus</b>	<b>14,492</b>	<b>192,390</b>	<b>206,882</b>
<b>Other net assets</b>			
Value of capital exhibits, property, plant and equipment, net of depreciation	66,097	-	66,097
Split-interest agreements	-	17,864	17,864
<b>Total purpose restricted funds</b>	<b>66,097</b>	<b>17,864</b>	<b>83,961</b>
<b>Pledges receivable</b>	<b>-</b>	<b>12,627</b>	<b>12,627</b>
<b>Total net assets</b>	<b>\$ 89,560</b>	<b>\$ 247,364</b>	<b>\$ 336,924</b>

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 11 - Net Assets (Continued)

(in thousands)

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Detail of Net Assets</b>			
<b>Operating funds, gifts and grants and endowment income available for spending</b>			
Exhibits	\$ 293	\$ 8,086	\$ 8,379
Education and outreach programs	327	6,781	7,108
Teacher and curriculum programs	111	1,455	1,566
Visitor and member services	-	19	19
Other program activities	217	417	634
Supporting services	5,300	1,757	7,057
Property, plant and equipment	1,276	3,334	4,610
<b>Total operating and similar funds</b>	<b>7,524</b>	<b>21,849</b>	<b>29,373</b>
<b>Endowment and quasi-endowment corpus and accumulated gains not allocated for spending</b>			
Exhibits	4,673	53,404	58,077
Education and outreach programs	5,235	100,867	106,102
Teacher and curriculum programs	538	1,629	2,167
Visitor and member services	-	62	62
Other program activities	1,153	2,641	3,794
Supporting services	2,233	28,321	30,554
<b>Total endowment and quasi-endowment corpus</b>	<b>13,832</b>	<b>186,924</b>	<b>200,756</b>
<b>Other net assets</b>			
Value of capital exhibits, property, plant and equipment, net of depreciation	68,045	-	68,045
Split-interest agreements	-	16,931	16,931
<b>Total purpose restricted funds</b>	<b>68,045</b>	<b>16,931</b>	<b>84,976</b>
<b>Pledges receivable</b>	<b>-</b>	<b>8,004</b>	<b>8,004</b>
<b>Total net assets</b>	<b>\$ 89,401</b>	<b>\$ 233,708</b>	<b>\$ 323,109</b>

### **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 of reserves, 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.

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 11 - Net Assets (Continued)

#### Net Assets Without Donor Restrictions (Continued)

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 as general operating revenue.

Board policy directs 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, 2023 and 2022:

(in thousands)

	<u>Designated Operating Funds</u>				<u>Quasi- Endowment Corpus</u>	<u>Total Designated</u>
	<u>Reserves</u>	<u>Quasi- Endowment Income</u>	<u>Other Designated</u>	<u>Total</u>		
<b>Net assets as of June 30, 2021</b>	<b>\$ 3,840</b>	<b>\$ 780</b>	<b>\$ 812</b>	<b>\$ 5,432</b>	<b>\$ 13,476</b>	<b>\$ 18,908</b>
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 restrictions	-	-	-	-	577	577
Transfers from operating funds	6,157	-	467	6,624	-	6,624
<b>Additions to designated funds</b>	<b>7,040</b>	<b>466</b>	<b>2,538</b>	<b>10,044</b>	<b>1,457</b>	<b>11,501</b>
Funding of operations	(2,843)	(334)	(2,187)	(5,364)	-	(5,364)
Funding of capital projects	(482)	(9)	(80)	(571)	-	(571)
<b>Use of designated funds</b>	<b>(3,325)</b>	<b>(343)</b>	<b>(2,267)</b>	<b>(5,935)</b>	<b>-</b>	<b>(5,935)</b>
Other transfers	-	(41)	-	(41)	41	-
Investment earning, net of endowment income per policy	-	-	-	-	(1,142)	(1,142)
<b>Net assets as of June 30, 2022</b>	<b>7,555</b>	<b>862</b>	<b>1,083</b>	<b>9,500</b>	<b>13,832</b>	<b>23,332</b>
Contributions	-	-	285	285	245	530
Revenue designated per board or management policy	1,154	-	465	1,619	4	1,623
Designated endowment and quasi-endowment income	177	499	1,792	2,468	-	2,468
Net assets released from restrictions	-	-	25	25	76	101
Transfers from operating funds	2,460	-	60	2,520	-	2,520
<b>Additions to designated funds</b>	<b>3,791</b>	<b>499</b>	<b>2,627</b>	<b>6,917</b>	<b>325</b>	<b>7,242</b>
Funding of operations	(2,386)	(357)	(2,727)	(5,470)	-	(5,470)
Funding of capital projects	(1,731)	(29)	(172)	(1,932)	-	(1,932)
<b>Use of designated funds</b>	<b>(4,117)</b>	<b>(386)</b>	<b>(2,899)</b>	<b>(7,402)</b>	<b>-</b>	<b>(7,402)</b>
Other transfers	-	(47)	-	(47)	47	-
Investment earning, net of endowment income per policy	-	-	-	-	288	288
<b>Net assets as of June 30, 2023</b>	<b>\$ 7,229</b>	<b>\$ 928</b>	<b>\$ 811</b>	<b>\$ 8,968</b>	<b>\$ 14,492</b>	<b>\$ 23,460</b>

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 11 - Net Assets (Continued)

#### Net Assets Released from Restrictions

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>	<b>2023</b>	<b>2022</b>
<b>Net assets released due to fulfillment of purpose restrictions</b>		
<b>Releases - funding operations</b>		
Exhibits	\$ 1,498	\$ 2,031
Education and outreach programs	3,691	3,257
Teacher and curriculum programs	2,243	2,618
Visitor and member services	85	89
Other program activities	3,767	2,979
Supporting services	1,888	5,035
Facilities operations	144	322
Marketing	47	33
Fundraising	59	24
<b>Total operating releases</b>	<b>13,422</b>	<b>16,388</b>
<b>Releases - funding capital projects</b>		
Capital exhibits	3,381	2,471
Other property, plant and equipment	2,345	6,505
<b>Total capital releases</b>	<b>5,726</b>	<b>8,976</b>
<b>Total releases from purpose restrictions</b>	<b>19,148</b>	<b>25,364</b>
<b>Net assets released due to time expiration of time restriction</b>		
Releases from operations	715	17
Releases to designated funds and reserves	25	-
Releases from quasi-endowment	76	577
<b>Total releases from time restrictions</b>	<b>816</b>	<b>594</b>
<b>Total net assets released from restrictions</b>	<b>\$ 19,964</b>	<b>\$ 25,958</b>

# MUSEUM OF SCIENCE

## Notes to Financial Statements

### Note 12 - 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>	<u>2023</u>	<u>2022</u>
Pro-bono outside services:		
Legal services	\$ 284	\$ 313
Marketing services and airtime	411	750
Miscellaneous	27	14
In-house volunteers	174	119
Gifts-in-kind:		
Miscellaneous exhibit and program materials	<u>215</u>	<u>87</u>
<b>Total</b>	<b><u>\$ 1,111</u></b>	<b><u>\$ 1,283</u></b>

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.

### Note 13 - Government Awards

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 \$1,000 and \$36,000 as of June 30, 2023 and 2022, respectively. Amounts awarded but neither advanced nor earned are not reflected in the financial statements. Government funds awarded but not yet expended totaled \$2,807,000 and \$3,260,000 at June 30, 2023 and 2022, respectively.

In 2022, the Museum recorded non-recurring grant revenue in the amount of \$10,300,000 with \$5,309,000 being included in operations and \$4,691,000 as non-operating associated with various programs of the U.S. Government associated with the pandemic. In 2023, there was no such funding.



# MUSEUM OF SCIENCE

## *Notes to Financial Statements*

### ***Note 14 - Related Party Transactions***

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 \$137,000 and \$114,000 for the years ended June 30, 2023 and 2022, respectively, under these relationships.

There were no outstanding amounts payable to or receivable from related parties at June 30, 2023 or 2022.

### ***Note 15 - Commitments and 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.