

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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Independent Auditor's Report

**To the Board of Directors
Pacific Science Center Foundation
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Pacific Science Center Foundation (the Center), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2021 and 2020, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark Nuber P.S.

Certified Public Accountants
December 27, 2021

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,970,053	\$ 2,836,775
Investments	9,956,635	10,000
Accounts receivable, net	4,789	496,672
Pledges receivable, net	271,062	442,340
Federal COVID-relief funding receivable	3,120,305	
Note receivable		351,074
Prepaid expenses and other current assets	360,435	289,204
Total Current Assets	15,683,279	4,426,065
Long-term pledges receivable, net	9,882	113,301
Split life insurance receivable, net	1,435,805	1,394,922
Beneficial interest in trust	8,521,405	7,094,676
Endowment investments	2,233,615	821,647
Trademark licenses	422,382	300,645
Land, building and equipment, net	23,309,789	25,097,022
Total Assets	\$ 51,616,157	\$ 39,248,278
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 360,470	\$ 831,062
Accrued expenses	1,069,921	1,333,260
Deferred revenue	2,651,967	3,227,125
Current portion of trademark license obligations	77,706	105,567
Current portion of capital lease obligations	58,236	57,734
Total Current Liabilities	4,218,300	5,554,748
Long-term debt	11,600,000	
Paycheck Protection Program loans	1,524,284	2,177,700
Trademark license obligations, net of current portion	344,676	195,078
Capital lease obligations, net of current portion	47,292	69,650
Total Liabilities	17,734,552	7,997,176
Net Assets:		
Without donor restrictions	22,400,305	22,307,747
With donor restrictions	11,481,300	8,943,355
Total Net Assets	33,881,605	31,251,102
Total Liabilities and Net Assets	\$ 51,616,157	\$ 39,248,278

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statements of Activities
For the Years Ended June 30, 2021 and 2020

	2021	2020
Revenue:		
Federal, state and local government	\$ 177,514	\$ 324,318
Federal COVID-relief funding	3,345,290	
Corporate, foundation and individual support	1,455,595	1,966,874
Contributions released from restriction	699,624	2,780,335
Endowment earnings released from restriction	279,055	300,000
Membership	26,187	1,534,528
General exhibit revenue		2,737,311
Theater ticket sales		1,511,892
Camps and programs	1,044,773	2,617,884
Earned ancillary revenue	376,314	1,383,978
Total Revenue	7,404,352	15,157,120
Direct Costs of Revenues:		
Federal, state and local government	70,404	243,211
Corporate, foundation and individual fundraising	349,415	929,451
Memberships	34,358	567,472
General exhibit direct costs	199,989	5,528,155
Theater operations		1,831,875
Camps and programs	1,476,587	3,422,870
Direct costs for earned ancillary revenue	1,905	728,645
Total Program and Operating Expenses	2,132,658	13,251,679
Indirect Operating Expenses:		
General and administration	2,437,788	3,813,913
Marketing	442,056	692,410
Facilities	761,805	1,538,003
Total Indirect Operating Expenses	3,641,649	6,044,326
Total Operating Income (Loss)	1,630,045	(4,138,885)
Gains, Losses, Depreciation and Financing Costs:		
Paycheck Protection Program loan forgiveness	2,177,700	
Gain on disposal of assets, net of costs		8,693,789
Endowment loan repayment	(1,638,503)	(151,653)
Depreciation	(1,984,404)	(2,032,295)
Financing costs	(92,280)	(357,979)
Total Gains, Losses, Depreciation and Financing Costs	(1,537,487)	6,151,862
Change in Net Assets Without Donor Restrictions	\$ 92,558	\$ 2,012,977

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statements of Changes in Net Assets
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions:		
Total revenue and gains without donor restrictions	\$ 8,603,373	\$ 20,770,574
Contributions and endowment earnings released from donor restrictions	978,679	3,080,335
Endowment loan repayment	(1,638,503)	(151,653)
Total expenses without donor restrictions	<u>(7,850,991)</u>	<u>(21,686,279)</u>
Change in Net Assets Without Donor Restrictions	92,558	2,012,977
Net Assets With Donor Restrictions:		
Contributions	398,872	1,738,048
Contributions released from restriction	(699,624)	(2,780,335)
Endowment investment return	52,520	(10,766)
Endowment fund earnings released from restriction	(279,055)	(300,000)
Endowment loan repayment	1,638,503	151,653
Change in value of beneficial interest in trust	<u>1,426,729</u>	<u>(430,611)</u>
Change in Net Assets With Donor Restrictions	<u>2,537,945</u>	<u>(1,632,011)</u>
Total Change in Net Assets	2,630,503	380,966
Net assets, beginning of year	<u>31,251,102</u>	<u>30,870,136</u>
Net Assets, End of Year	<u>\$ 33,881,605</u>	<u>\$ 31,251,102</u>

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2021 and 2020

	Science Education and Exhibits	Development	Administration	2021 Total
Personnel	\$ 2,256,837	\$ 354,804	\$ 1,534,235	\$ 4,145,876
Depreciation	1,791,718	43,657	149,029	1,984,404
Services	140,770	33,878	343,127	517,775
Occupancy	515,012		510	515,522
Insurance			253,472	253,472
Supplies	82,057	9,800	16,766	108,623
Interest	49,526	6,624	36,130	92,280
Advertising	64,626	1,210		65,836
Bank fees	32,670	7,291	4,810	44,771
Cost of goods sold	4,441			4,441
Travel	2,607		102	2,709
Other		7,510	107,772	115,282
Totals	\$ 4,940,264	\$ 464,774	\$ 2,445,953	\$ 7,850,991

	Science Education and Exhibits	Development	Administration	2020 Total
Personnel	\$ 10,130,745	\$ 772,190	\$ 2,425,436	\$ 13,328,371
Depreciation	1,834,959	44,710	152,626	2,032,295
Services	991,298	132,821	526,452	1,650,571
Advertising	936,014	392	19,169	955,575
Occupancy	936,185	7,037	1,250	944,472
License and royalty fees	777,024	13,430		790,454
Supplies	499,733	22,388	51,717	573,838
Insurance			269,866	269,866
Bank fees	198,245	16,582	38,230	253,057
Interest	193,677	13,244	45,490	252,411
Cost of goods sold	235,512			235,512
Travel	131,447	12,785	27,780	172,012
Other	50,766	40,410	136,669	227,845
Totals	\$ 16,915,605	\$ 1,075,989	\$ 3,694,685	\$ 21,686,279

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 2,630,503	\$ 380,966
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Gain on disposal of fixed assets		(9,135,170)
Depreciation and amortization	1,984,404	2,032,295
Paycheck Protection Program loan forgiveness	(2,177,700)	
Change in value of beneficial interest in trust	(1,426,729)	430,611
Unrealized and realized losses on investments	25,645	14,175
Changes in assets and liabilities:		
Accounts receivable	491,883	114,706
Pledges receivable	274,697	429,646
Shuttered Venue Operators Grant receivable	(3,120,305)	
Prepaid expenses and other assets	(112,114)	74,157
Accounts payable and accrued expenses	(783,107)	216,904
Deferred revenue	(575,158)	118,230
Net Cash Used in Operating Activities	(2,787,981)	(5,323,480)
Cash Flows From Investing Activities:		
Proceeds from sale of fixed assets		13,891,500
Purchase of building improvements and equipment	(101,234)	(178,485)
Purchase of investments	(11,384,347)	(956,336)
Proceeds from sales of investments	351,173	1,122,756
Net Cash (Used in) Provided by Investing Activities	(11,134,408)	13,879,435
Cash Flows From Financing Activities:		
Proceeds from long-term debt	11,600,000	
Proceeds from Paycheck Protection Program loans	1,524,284	2,177,700
Repayments on long-term debt		(8,082,860)
Proceeds from contributions restricted to endowment and capital projects		52,607
Repayments on capital lease obligations	(68,617)	(79,232)
Net Cash Provided by (Used in) Financing Activities	13,055,667	(5,931,785)
Net Change in Cash and Cash Equivalents	(866,722)	2,624,170
Cash and cash equivalents, beginning of year	2,836,775	212,605
Cash and Cash Equivalents, End of Year	\$ 1,970,053	\$ 2,836,775
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 21,421	\$ 252,411
Equipment acquired with capital leases	\$ 46,761	\$ 70,418

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

Note 1 - Description of the Center and Summary of Significant Accounting Policies

Description of the Center - Pacific Science Center's mission is to ignite curiosity and fuel a passion for discovery, experimentation, and critical thinking. We are focusing on four strategic initiatives: to enable access to science education for everyone, to serve as a platform for innovation, to be a community laboratory and living room for conversations about science and technology topics relevant to our region, and to utilize our iconic real estate to serve the community in innovative ways.

Pacific Science Center (the Center) began as the United States Science Pavilion during the 1962 Seattle World's Fair. Our award-winning, interactive programs serve nearly 1 million people each year throughout the state of Washington in their communities, in classrooms, at the Mercer Slough Environmental Education Center in Bellevue, digital programming, and our seven-acre campus at Seattle Center.

Impacts of the COVID-19 Pandemic - In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders.

As a result of the spread of COVID-19, governmental restrictions, and uncertain economic conditions the Center closed onsite operations to the public effective March 12, 2020 and remained closed through the year ended June 30, 2021. With the conviction that Curiosity Never Closes, the Center continued to serve the community through innovative Virtual Field Trips to more than 30,000 students in the fiscal year and reached more than 163,000 youth, families and teachers with free digital STEM content. The Center's camp programs continued during this time in virtual and in-person formats as State restrictions allowed. Subsequent to June 30, 2021, the Center resumed limited onsite operations with the worldwide opening of HOCKEY: Faster Than Ever, a special exhibit focused on the science and history of hockey.

As a result of the pandemic, the Center has experienced negative impacts to its operating revenues. It is not clear when economic conditions will allow the operation of the museum at full capacity. Therefore, the full financial impact and duration of the impacts of the COVID-19 pandemic cannot be reasonably estimated as of the date of issuance of these financial statements. To mitigate the effects of the pandemic, the Center applied for and received a Paycheck Protection Program loan in the amount of \$2,177,700 during the year ended June 30, 2020, which was forgiven and recognized as revenue as of June 10, 2021. During the year ended June 30, 2021, the Center applied for and received a second Paycheck Protection Program loan in the amount of \$1,524,284 (Note 7), and a Shuttered Venue Operators Grant in the amount of \$3,884,243 (Note 15). The Center has worked to significantly reduce operating expenses and payroll costs by implementing a combination of shared-work, furloughs and layoffs.

Basis of Presentation - The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Center reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time or that they be maintained in perpetuity by the Center. The donors of the endowment assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

Note 1 - Continued

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. 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 stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as releases between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Principles of Consolidation - The consolidated financial statements include the accounts of the Pacific Science Center Foundation and its wholly-owned limited liability company (collectively referred to as the Center). Inter-organization balances and transactions have been eliminated in consolidation.

Revenue Recognition - The Center earns revenues from the sale of admissions for general exhibits and its theaters. Admissions are generally purchased by customers in advance or on the date of entry to the Center and are nonrefundable. Revenues from admissions are recognized when the performance obligation of providing access to the Center is met on the date of entry to the Center. The Center also earns revenues from camps and programs and revenues are recognized on the date the camp or program occurs. The Center also earns revenues from the sales of memberships, which are nonrefundable, and provides the member access to the Center during the annual membership period. The Center recognizes memberships ratably as the performance obligation is met over the membership period. Deferred revenue consists of payments received in advance for memberships, admissions, educational programs, and events.

Due to the closures caused by the COVID-19 pandemic, the Center has notified members that memberships will be extended until the Center reopens. Accordingly, the Center has discontinued recording membership revenue until the Center reopens and provides access to members. The deferred revenue liability recorded on the consolidated statements of financial position for memberships was \$1,294,328 and \$1,271,462 at June 30, 2021 and 2020, respectively.

The Center recognizes contributions as revenues when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Government contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Cash and Cash Equivalents - The Center considers all short-term investments with an original maturity of three months or less to be cash equivalents, except for cash balances held for investment purposes. At times the Center holds cash in a bank in excess of the available federal deposit insurance.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position based on quoted market prices. Unrealized gains and losses are recorded as a change in net assets.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

Note 1 - Continued

Receivables - Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or pledges receivable. Changes in the valuation allowance have not been material to the financial statements.

Land, Building and Equipment - Purchased assets are recorded at cost and donated assets are recorded at fair value when received. Depreciation is computed on a straight-line basis over the estimated useful life of the asset, which is 10 to 40 years for buildings and improvements, 7 years for vehicles and 3 to 10 years for furniture and equipment except the IMAX projection systems, which is 20 years. The Center capitalizes assets of \$2,000 or more with useful lives over one year.

Noncash Donations - A substantial number of volunteers donate significant amounts of time to support the Center's objectives. However, the value of these services is not recognized in these consolidated financial statements as the services do not meet the recognition criteria under U.S. GAAP. The Center also received donated goods and services, which are included in the consolidated statements of unrestricted activities at the estimated fair value of \$31,391 and \$19,895, for the years ended June 30, 2021 and 2020, respectively.

Advertising - The Center expenses advertising as incurred. Advertising and marketing expenses totaled \$65,836 and \$944,472, for the years ended June 30, 2021 and 2020, respectively, including donated advertising.

Allocation of Expenses - The consolidated statements of activities present revenues summarized by various sources and present expenses summarized by direct or indirect categories. The consolidated statements of functional expenses reports expenses by both function and nature as required by U.S. GAAP. The functional categories of expenses are primarily derived by directly charging expenses to specific functional categories. There are certain categories of expenses that are attributable to one or more program or supporting services of the Center that must be allocated. Those expenses include depreciation and interest. Depreciation expense is allocated to each functional category based on square footage, and interest expense is allocated based on the proportion of expenses in each functional category.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 those estimates.

Income Tax Status - The Center has been notified by the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) with the exception of income from any activities that are not related to the Center's tax-exempt purpose. The Center is further classified as an organization that is not a private foundation under Section 509(a)(1) of the Code. No provision for income taxes has been recorded.

Reclassifications - Certain reclassifications have been made to the 2020 financial statements to conform to the presentation of the 2021 financial statements. The reclassifications have no effect on the previously reported total assets, total liabilities, total net assets or change in net assets.

Subsequent Events - The Center has evaluated subsequent events through December 27, 2021, the date on which the financial statements were available to be issued.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2 - Pledges Receivable

Pledges receivable at June 30 are expected to be received as follows:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 271,062	\$ 454,840
Due in one to five years	<u>10,500</u>	<u>121,000</u>
Gross pledges receivable	281,562	575,840
Less present value discount (2021 and 2020 - 6.25%)	(618)	(7,699)
Less allowance for uncollectible balances		(12,500)
Less current portion of pledges receivable	<u>(271,062)</u>	<u>(442,340)</u>
Noncurrent Portion of Pledges Receivable	<u>\$ 9,882</u>	<u>\$ 113,301</u>

Note 3 - Investments

Investments consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Investments-		
Cash equivalents	\$ 10,684	\$ 10,000
Mutual funds - fixed income	<u>9,945,951</u>	
Total investments	9,956,635	10,000
Endowment investments-		
Cash equivalents	38,968	750,191
Common stock		23,628
Mutual funds - fixed income	658,948	26,854
Mutual funds - equities	<u>1,535,699</u>	<u>20,974</u>
Total endowment investments	<u>2,233,615</u>	<u>821,647</u>
Total Investments	<u>\$ 12,190,250</u>	<u>\$ 831,647</u>

Investment return totaled a gain of \$37,758 and loss of \$9,367 for the years ended June 30, 2021 and 2020, respectively.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

Note 4 - Beneficial Interest in Trust

The Center is named the irrevocable remainder beneficiary of a charitable remainder unitrust that is administered by a third-party trustee. Under the terms of the trust agreement, two income beneficiaries are to receive a total annuity each year equal to a percentage of the net fair value of the trust assets as of the first day of the trust year. Upon the deaths of the beneficiaries, the remaining trust assets will be distributed to the Center. A noncurrent asset for the Center's beneficial interest in this charitable remainder unitrust of \$8,521,405 and \$7,094,676 at June 30, 2021 and 2020, respectively, has been recognized at management's estimate of its fair value. Change in the value of the trust has been reported in the consolidated statements of changes in net assets as an increase in net assets with donor restrictions of \$1,426,729 and a decrease in net assets with donor restrictions of \$430,611 for the years ended June 30, 2021 and 2020, respectively.

Note 5 - Fair Value Measurements

U.S. GAAP defines fair value and establishes a framework for measuring fair value. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

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

Common Stock - Valued at the closing price reported on the active market on which the securities are traded.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Center at year end.

Beneficial Interest in Trust Agreements - Valued at the present value of the estimated future cash flow to the Center at the estimated termination of the trust based on the fair value of the underlying trust assets. Management currently estimates that the present value of the future cash flow approximates the current fair value of the trust assets. Based on inherent uncertainties in estimating future cash flows, it is at least reasonably possible that this estimate of the trust's fair value will change in the near term.

PACIFIC SCIENCE CENTER FOUNDATION

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 5 - Continued

Fair values of assets measured on a recurring basis at June 30 are as follows:

	Fair Value Measurements as of June 30, 2021		
	Level 1	Level 2	Level 3
Investments-			
Cash equivalents	\$ 49,652	\$ -	\$ -
Mutual funds - fixed income	10,604,899		
Mutual funds - equities	1,535,699		
Beneficial interest in trust			8,521,405
	<u>\$ 12,190,250</u>	<u>\$ -</u>	<u>\$ 8,521,405</u>

	Fair Value Measurements as of June 30, 2020		
	Level 1	Level 2	Level 3
Investments-			
Cash equivalents	\$ 760,191	\$ -	\$ -
Common stock	23,628		
Mutual funds - fixed income	26,854		
Mutual funds - equities	20,974		
Beneficial interest in trust			7,094,676
	<u>\$ 831,647</u>	<u>\$ -</u>	<u>\$ 7,094,676</u>

Note 6 - Land, Building and Equipment

Land, building and equipment at June 30 are as follows:

	2021	2020
Building and improvements	\$ 47,650,407	\$ 47,593,056
Land	2,830,000	2,830,000
Furniture, equipment and vehicles	6,138,446	6,080,369
Construction in progress	150,316	68,575
	56,769,169	56,572,000
Accumulated depreciation	<u>(33,459,380)</u>	<u>(31,474,978)</u>
Total Land, Building and Equipment	<u>\$ 23,309,789</u>	<u>\$ 25,097,022</u>

The Center's Seattle campus is designated as a City of Seattle landmark. As a result of this designation, changes to the exterior of the Center's facility, and certain parts of the facility's interior, must be approved by the City of Seattle's Landmarks Preservation Board.

PACIFIC SCIENCE CENTER FOUNDATION

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 7 - Debt

King County Loan - The Center has been notified that it will be the beneficiary of funding from the State of Washington (the State) associated with certain inflows to the State from sales and use taxes. The State Department of Revenue projects total funding to be \$14.5 million. The funding is scheduled for 2021 through 2030 and will be recorded as revenue by the Center in the periods each payment is received. In connection with this funding, on December 15, 2020, King County (the County) signed a loan agreement with the Center for \$11,600,000, which is to be repaid from the scheduled funding payments from the State. Repayments to the County will be at the rate of \$1,450,000 annually between December 15, 2022 and 2030. The loan is due in full if the Center receives a lump sum of expected funding from the State. Interest is calculated using the 12-month average King County Investment Pool’s Monthly Gross Earnings Rate for the 12 months prior to the date of the payment. The funding from the State originally restricted the use of the funds to capital improvements in the facilities, technology and infrastructure that are essential to renewal and long-term service of the Center. As of May 3, 2021, the State approved an ordinance to remove this restriction effective July 2021, thereby allowing the use of the funds for operations.

Paycheck Protection Program Loans - In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 24, 2020, the Center obtained a loan under the PPP with a principal balance of \$2,177,700 and an annual interest rate of 1%.

In December 2020, the U.S. Congress passed the Consolidated Appropriations Act, 2021. Included in this act was the Second Draw Program for Paycheck Protection Program loans. On March 16, 2021, the Center obtained a second PPP loan under the Second Draw Program with a principal balance of \$1,524,284 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning August 16, 2022 through maturity on March 16, 2026.

All or a portion of the PPP loans may be forgiven if certain terms and conditions of the program are met. The Center’s accounting policy for recognition of revenue from forgiveness of the PPP loans is to recognize the gain from forgiveness when loan forgiveness is approved by the Small Business Administration (SBA). The Center’s first PPP loan was forgiven in full by the lender and the SBA on June 10, 2021, and \$2,202,240, inclusive of accrued interest, was recognized as gain during the year ended June 30, 2021. The Center intends to also pursue SBA forgiveness for the second PPP loan.

Future minimum principal payments on the King County loan and second PPP loan are as follows:

For the Year Ending June 30,

2022	\$	-
2023		1,843,444
2024		1,879,211
2025		1,879,211
2026		1,722,418
Due thereafter		<u>5,800,000</u>
	\$	<u>13,124,284</u>

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

Note 7 - Continued

Uncertainty exists in the payment schedule outlined above as payments to the County are dependent on the timing of funding received from the State.

Interest expense incurred on the King County Loan, the PPP loans, and the trademark license obligations discussed in Note 8 totaled \$92,280 and \$252,411 for the years ended June 30, 2021 and 2020, respectively.

Note 8 - Trademark License Obligations

The Center operates two IMAX theaters, the Boeing IMAX Theater and the PACCAR IMAX Theater. Equipment for the theaters was acquired from IMAX Corporation. The Center has agreements with IMAX Corporation for licenses to use the IMAX trademark for each theater. Both agreements were renegotiated during the year ended June 30, 2021 to suspend royalty fees and annual maintenance payments from March 2020 through September 2021 in response to COVID-19. The updated agreement for the Boeing IMAX Theater expires in 2026 and the updated agreement for the PACCAR IMAX Theater expires in 2023. Both agreements include two potential five-year renewals. Under the terms of the agreements, the Center must have the trademark licenses to operate the IMAX theater system equipment. The agreements require the Center to pay annual royalty fees for the license equal to the greater of a percentage of net theater admissions or a minimum base amount of \$75,000 for the Boeing IMAX Theater and \$50,000 for the PACCAR IMAX Theater. A liability totaling \$422,382 and \$300,645 at June 30, 2021 and 2020, respectively, has been recorded for the minimum base trademark license payments through the end of the terms of the agreements. The agreement also requires the Center to make annual maintenance payments of \$75,000 for the Boeing IMAX Theater and \$40,000 for the PACCAR IMAX Theater.

Note 9 - Employee Benefit Plans

The Center has agreements with certain former employees to purchase life insurance for the employees. Under the arrangements, the Center paid the premiums of the life insurance and, upon the employees' deaths, will receive repayment of all premiums paid. These expected repayments are recorded as a noninterest bearing receivable totaling \$1,435,805 and \$1,394,922, net of a discount of \$1,103,352 and \$1,144,235, and are included in long-term receivables on the consolidated statements of financial position at June 30, 2021 and 2020, respectively. The receivables are secured by the respective insurance policies, are due upon the individuals' deaths and are discounted at 5% over the expected lives of the individuals.

The Center has a compensation deferral plan under Section 457 of the Code. Only employees specifically designated by the Board of Directors are eligible. Participation in the plan, in the form of compensation deferral by an eligible employee, is voluntary. The participant will be entitled to receive the aggregate amount of his or her account when the participant terminates employment with the Center. The plan is administered by the Center. Salary deferrals are unrestricted assets owned by the Center. The total participant deferrals, including accumulated investment earnings, in the plan at June 30, 2020, totaled \$35,710, and are recorded as an asset and a liability in the accompanying consolidated financial statements. The final benefit payment from this plan was distributed during the year ended June 30, 2021.

The Center's employees are eligible to participate in a tax-deferred salary plan under Section 403(b) of the Internal Revenue Code. Employees may elect to defer a portion of their salary under this plan and are immediately vested in such deferrals. The Center provides a discretionary employer match. The Center did not match employee contributions during the years ended June 30, 2021 and 2020.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 10 - Commitments and Contingencies

The Center's performance under grants and contracts with federal agencies and other grantors is subject to audit by those entities. If it is determined that the Center's performance under any of these grants and contracts was not in accordance with such agreements, the granting entities may require refunds of a portion or all of such amounts. As of June 30, 2021 and 2020, the Center's management knew of no such determinations and believes it has complied with all grants and contracts.

Note 11 - Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time or expenditure for specified purposes-		
Program restricted grants	\$ 621,470	\$ 816,322
Time restricted grants	104,810	210,710
Beneficial interest in trust	<u>8,521,405</u>	<u>7,094,676</u>
	9,247,685	8,121,708
Endowment funds-		
Original gifts to endowment:		
Income to support science education and leadership training	1,614,542	1,614,542
Income to support repair and maintenance of fixed assets	576,327	576,327
Unappropriated endowment earnings	42,746	95,181
Endowment loan (Note 12)		<u>(1,464,403)</u>
	<u>2,233,615</u>	<u>821,647</u>
Total Net Assets With Donor Restrictions	<u>\$ 11,481,300</u>	<u>\$ 8,943,355</u>

Note 12 - Endowment Funds

The Center's endowment consists of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of the Center has interpreted the Washington Prudent Management of Institutional Funds Act (PMIFA) as making it advisable for the Center to track fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center considers the value of a fund to be deficient if the fair value of the fund is less than the sum of (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

PACIFIC SCIENCE CENTER FOUNDATION

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 12 - Continued

The remaining portion of the donor-restricted endowment fund is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Center and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Center and the investment policies of the Center.

Endowment Fund Activity - Changes to endowment funds by net asset category for the years ended June 30, 2021 and 2020, were as follows:

	Net Assets With Donor Restrictions			Total
	Endowment Corpus	Accumulated Earnings	Endowment Loan	
Endowment funds, June 30, 2019	\$ 2,190,869	\$ 337,493	\$ (1,547,633)	\$ 980,729
Endowment investment return		(10,735)		(10,735)
Appropriation of earnings		(300,000)		(300,000)
Repayment of loan to operations		68,423	83,230	151,653
Endowment Funds, June 30, 2020	2,190,869	95,181	(1,464,403)	821,647
Endowment investment return		52,520		52,520
Appropriation of earnings		(279,055)		(279,055)
Repayment of loan to operations		174,100	1,464,403	1,638,503
Endowment Funds, June 30, 2021	\$ 2,190,869	\$ 42,746	\$ -	\$ 2,233,615

Funds With Deficiencies - On September 26, 2012, the Center's Board authorized a loan of \$2,000,000 from the endowment to provide short-term operating funds. On September 16, 2013, the Center's Board authorized an additional loan of \$250,000. The Center's Board adopted a formal repayment plan requiring monthly payments and a full repayment of the endowment loan on or before June 30, 2038, with an interest rate of 4% per annum. On March 17, 2021, the Center repaid the endowment loan and accrued interest in full.

Return Objectives and Risk Parameters - The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that results in a reasonable "real" rate of return, consistent with risk levels established by the Investment Committee. The minimum target Total Return over a full market cycle (3 to 7 years) is that which equals or exceeds the assumed spending rate plus the rate of inflation as measured by the national Consumer Price Index. The endowment fund should also be invested to minimize the likelihood of low or negative total returns, defined as a one year nominal return no worse than negative 10%. The endowment fund should experience risk, as measured by volatility and variability of return, consistent with that of a custom index designed to match the asset allocation strategy then in effect.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 12 - Continued

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Center has a policy of appropriating for distribution each year up to 4% of the average principal balance of the endowment fund for the prior three years and may be used for any portion of its annual budget including operating or capital. For purposes of these guidelines, the principal balance of the funds is defined as its fair market value. The Board may, by two-thirds majority vote, exceed the spending policy guidelines to the extent of accumulated earnings.

Note 13 - Contribution Revenue

Contribution revenue was received as support with and without donor restrictions from the following categories of donors for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Corporate and foundation support	\$ 704,010	\$ 1,908,562
Individual support	<u>1,150,457</u>	<u>1,796,360</u>
Total Contribution Revenue	<u>\$ 1,854,467</u>	<u>\$ 3,704,922</u>

Note 14 - Liquidity and Availability of Financial Assets

As part of the Center's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Center's working capital and cash flows have seasonal variations during the year attributable primarily to changes in attendance and the timing of grant funding.

Beginning in March 2020 and continuing through the date these financials were available to be issued, the Center's normal cash flow activities were disturbed by the COVID-19 pandemic, as further described in Note 1. As discussed in Note 1, this disturbance was mitigated by efforts to reduce expenses and obtain federal COVID-relief funding and with the receipt of a long-term loan from King County (Note 7).

PACIFIC SCIENCE CENTER FOUNDATION

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2021 and 2020**

Note 14 - Continued

The following reflects the Center's financial assets as of the date of the consolidated statements of financial position, reduced by amounts not available for general use within one year of the date of the consolidated statements of financial position because of the timing of scheduled collections or donor-imposed restrictions.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,970,053	\$ 2,836,775
Accounts receivable, net	4,789	496,672
Pledges receivable, net	280,944	555,641
Shuttered Venue Operators Grant receivable	3,120,305	
Investments	12,190,250	831,647
Split life insurance receivable, net	1,435,805	1,394,922
Note receivable		351,074
Beneficial interest in trust	<u>8,521,405</u>	<u>7,094,676</u>
 Total financial assets	 27,523,551	 13,561,407
 Reductions for amounts not available to meet cash needs for general expenditures within one year-		
Receivables scheduled to be collected in more than one year:		
Pledges receivable	(9,882)	(113,301)
Long-term receivables	(1,435,805)	(1,394,922)
Note receivable		(351,074)
Beneficial interest in trust	(8,521,405)	(7,094,676)
Donor-imposed restrictions:		
Investments held for endowment funds	<u>(2,233,615)</u>	<u>(821,647)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 15,322,844</u>	 <u>\$ 3,785,787</u>

Note 15 - Shuttered Venue Operators Grant

In response to the COVID-19 pandemic, the Shuttered Venue Operators Grant (SVOG) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The program includes over \$16 billion in grants to shuttered venues, to be administered by SBA's Office of Disaster Assistance. On June 27, 2021, the Center received a notice of award of an SVOG for \$3,884,243 which was received on July 7, 2021. As of June 30, 2021, \$3,079,940 of allowable costs had been incurred and recognized as revenue on the consolidated statement of activities and a receivable on the consolidated statement of financial position. Subsequent to year end, on October 27, 2021, the Center was issued a supplemental SVOG in the amount of \$2,704,264.