

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

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Independent Auditor's Report

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

Opinion

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, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center 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 Center's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center'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 Center'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.

Clark Nuber P.S.

Certified Public Accountants
December 19, 2022

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,651,415	\$ 1,970,053
Investments	9,537,224	9,956,635
Accounts receivable, net	41,629	4,789
Pledges receivable, net	127,462	271,062
Federal COVID-relief funding receivable	130,210	3,120,305
Prepaid expenses and other current assets	227,209	360,435
Total Current Assets	15,715,149	15,683,279
Long-term pledges receivable, net	1,050	9,882
Split life insurance receivable, net	1,479,548	1,435,805
Beneficial interest in trust	6,950,627	8,521,405
Endowment investments	1,951,625	2,233,615
Trademark licenses	404,523	422,382
Land, building and equipment, net	23,280,078	23,309,789
Total Assets	\$ 49,782,600	\$ 51,616,157
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,016,289	\$ 360,470
Accrued expenses	930,276	1,069,921
Deferred revenue	3,132,154	2,651,967
Current portion of long-term debt	1,450,000	
Current portion of trademark license obligations	105,270	77,706
Current portion of capital lease obligations	49,021	58,236
Total Current Liabilities	6,683,010	4,218,300
Paycheck Protection Program loan		1,524,284
Long-term debt, net of current portion	8,700,000	11,600,000
Trademark license obligations, net of current portion	299,253	344,676
Capital lease obligations, net of current portion	1,227	47,292
Total Liabilities	15,683,490	17,734,552
Net Assets:		
Without donor restrictions	22,882,602	22,400,305
With donor restrictions	11,216,508	11,481,300
Total Net Assets	34,099,110	33,881,605
Total Liabilities and Net Assets	\$ 49,782,600	\$ 51,616,157

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statement of Activities
For the Year Ended June 30, 2022

	Without Restrictions	With Donor Restrictions	2022 Total
Earned Revenue:			
Camps	\$ 1,309,936	\$ -	\$ 1,309,936
Theater ticket sales	384,928		384,928
General admissions	179,471		179,471
Education and outreach programs	59,706		59,706
Memberships	31,027		31,027
Earned ancillary revenue	500,461		500,461
Total Earned Revenue	2,465,529		2,465,529
Contribution Support:			
Pledges, contributions and grants	1,834,888	2,391,026	4,225,914
Federal COVID-relief funding	3,858,566		3,858,566
Washington State sales and use tax support	2,241,328		2,241,328
Donated goods and services	209,623		209,623
Contributions released from restriction	793,050	(793,050)	
Total Contribution Support	8,937,455	1,597,976	10,535,431
Total Operating Revenue and Support	11,402,984	1,597,976	13,000,960
Operating Expenses			
Science education and exhibits	6,675,107		6,675,107
Development	619,774		619,774
Administration	2,822,349		2,822,349
Total Operating Expenses	10,117,230		10,117,230
Total Operating Income	1,285,754	1,597,976	2,883,730
Gains, Losses, Depreciation and Financing Costs:			
Paycheck Protection Program loan forgiveness	1,540,654		1,540,654
Investment return, net	(360,853)	(291,990)	(652,843)
Change in value of beneficial interest in trust		(1,570,778)	(1,570,778)
Gain on disposal of assets, net of costs	29,500		29,500
Depreciation expense	(1,929,397)		(1,929,397)
Interest expense	(83,361)		(83,361)
Total Gains, Losses, Depreciation and Financing Costs	(803,457)	(1,862,768)	(2,666,225)
Change in Net Assets	482,297	(264,792)	217,505
Net assets, beginning of year	22,400,305	11,481,300	33,881,605
Net Assets, End of Year	\$ 22,882,602	\$ 11,216,508	\$ 34,099,110

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statement of Activities
For the Year Ended June 30, 2021

	Without Restrictions	With Donor Restrictions	2021 Total
Earned Revenue:			
Camps	\$ 982,533	\$ -	\$ 982,533
Education and outreach programs	62,183		62,183
Memberships	26,187		26,187
Earned ancillary revenue	336,024		336,024
Total Earned Revenue	1,406,927		1,406,927
Contribution Support:			
Pledges, contributions and grants	1,577,178	398,872	1,976,050
Federal COVID-relief funding	3,345,290		3,345,290
Donated goods and services	31,391		31,391
Contributions released from restriction	699,624	(699,624)	
Endowment earnings released from restriction	279,055	(279,055)	
Total Contribution Support	5,932,538	(579,807)	5,352,731
Total Operating Revenue and Support	7,339,465	(579,807)	6,759,658
Operating Expenses			
Science education and exhibits	3,327,880		3,327,880
Development	420,069		420,069
Administration	2,026,358		2,026,358
Total Operating Expenses	5,774,307		5,774,307
Total Operating Income	1,565,158	(579,807)	985,351
Gains, Losses, Depreciation and Financing Costs:			
Paycheck Protection Program loan forgiveness	2,177,700		2,177,700
Investment return, net	64,887	52,520	117,407
Endowment loan repayment	(1,638,503)	1,638,503	
Change in value of beneficial interest in trust		1,426,729	1,426,729
Depreciation expense	(1,984,404)		(1,984,404)
Interest expense	(92,280)		(92,280)
Total Gains, Losses, Depreciation and Financing Costs	(1,472,600)	3,117,752	1,645,152
Change in Net Assets	92,558	2,537,945	2,630,503
Net assets, beginning of year	22,307,747	8,943,355	31,251,102
Net Assets, End of Year	\$ 22,400,305	\$ 11,481,300	\$ 33,881,605

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2022

	Science Education and Exhibits	Development	Administration	2022 Total
Operating Expenses				
Personnel	\$ 3,176,410	\$ 414,856	\$ 1,925,278	\$ 5,516,544
Services	1,225,526	104,027	675,396	2,004,949
Occupancy	736,298	2,040	565	738,903
Insurance	222,524	5,422	18,509	246,455
Supplies	293,191	6,278	83,812	383,281
Advertising	864,923	75,973		940,896
Bank fees	106,841	7,380	5,888	120,109
Cost of goods sold	11,159			11,159
Travel	38,041		467	38,508
Other	194	3,798	112,434	116,426
Total Operating Expenses	6,675,107	619,774	2,822,349	10,117,230
Nonoperating Expenses				
Depreciation and amortization	1,742,052	42,447	144,898	1,929,397
Interest	53,322	5,077	24,962	83,361
Total Nonoperating Expenses	1,795,374	47,524	169,860	2,012,758
Total Expenses	\$ 8,470,481	\$ 667,298	\$ 2,992,209	\$ 12,129,988

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2021

	Science Education and Exhibits	Development	Administration	2021 Total
Operating Expenses				
Personnel	\$ 2,256,837	\$ 354,804	\$ 1,534,235	\$ 4,145,876
Services	140,770	33,878	343,127	517,775
Occupancy	515,012		510	515,522
Insurance	228,860	5,576	19,036	253,472
Supplies	82,057	9,800	16,766	108,623
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
Total Operating Expenses	3,327,880	420,069	2,026,358	5,774,307
Nonoperating Expenses				
Depreciation	1,791,718	43,657	149,029	1,984,404
Interest	49,526	6,624	36,130	92,280
Total Nonoperating Expenses	1,841,244	50,281	185,159	2,076,684
Total Expenses	\$ 5,169,124	\$ 470,350	\$ 2,211,517	\$ 7,850,991

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 217,505	\$ 2,630,503
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Gain on disposal of fixed assets	(29,500)	
Depreciation and amortization	1,929,397	1,984,404
Contributions restricted to endowment	(10,000)	
Paycheck Protection Program loan forgiveness	(1,540,654)	(2,177,700)
Change in value of beneficial interest in trust	1,570,778	(1,426,729)
Unrealized and realized losses on investments	938,434	25,645
Changes in assets and liabilities:		
Accounts receivable	(36,840)	491,883
Pledges receivable	152,432	274,697
Federal COVID-relief funding receivable	2,990,095	(3,120,305)
Prepaid expenses and other current assets	89,483	(112,114)
Accounts payable and accrued expenses	272,371	(783,107)
Deferred revenue	480,187	(575,158)
Net Cash Provided by (Used in) Operating Activities	7,023,688	(2,787,981)
Cash Flows From Investing Activities:		
Proceeds from sale of fixed assets	29,500	
Purchase of building improvements and equipment	(1,621,654)	(101,234)
Purchase of investments	(237,033)	(11,384,347)
Proceeds from sales of investments		351,173
Net Cash Used in Investing Activities	(1,829,187)	(11,134,408)
Cash Flows From Financing Activities:		
Proceeds from long-term debt		11,600,000
Proceeds from Paycheck Protection Program loans		1,524,284
Repayments on long-term debt	(1,450,000)	
Proceeds from contributions restricted to endowment	10,000	
Repayments on capital lease obligations	(73,139)	(68,617)
Net Cash (Used in) Provided by Financing Activities	(1,513,139)	13,055,667
Net Change in Cash and Cash Equivalents	3,681,362	(866,722)
Cash and cash equivalents, beginning of year	1,970,053	2,836,775
Cash and Cash Equivalents, End of Year	\$ 5,651,415	\$ 1,970,053
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 106,782	\$ 21,421
Equipment acquired with capital leases	\$ -	\$ 46,761
Building and equipment purchases included in accounts payable	\$ 309,349	\$ 49,176

See accompanying notes.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2022 and 2021

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

Description of the Center - Born in the spirit of innovation at the 1962 World's Fair in Seattle, the Pacific Science Center ("PacSci," or "the Center") has ignited curiosity for more than 60 years. Since its founding as the nation's first science and technology center, PacSci has worked to expand access to science, serve as a vital resource for educators, and fuel discovery and experimentation as a vibrant community laboratory. PacSci is an independent, not-for-profit institution that serves nearly 1 million people in the Pacific Northwest and beyond each year. Look for its iconic arches at the foot of the Space Needle in the Seattle Center and for innovative PacSci programming and digital resources at schools, libraries, community centers throughout Washington and beyond.

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. During fiscal year 2022, the Center resumed onsite operations with the worldwide opening of HOCKEY: Faster Than Ever, a special exhibit focused on the science and history of hockey. In April 2022, the Center resumed its Laser Dome performances and in May 2022 the Center resumed IMAX activities. Full operations were resumed in July 2022.

As a result of the pandemic, the Center has experienced negative impacts to its operating revenues. To mitigate the effects of the pandemic, the Center received two forgivable Paycheck Protection Program loans totaling \$3,701,984, which were forgiven and recognized as revenues during the years ended June 30, 2022 and 2021 (see Note 7). The Center additionally received Shuttered Venue Operators Grant funding totaling \$6,588,506 which was recognized as revenue during the years ended June 30, 2022 and 2021 with other federal COVID-relief funding (see Note 14). The Center has worked to significantly reduce operating expenses and payroll costs by implementing a combination of shared-work, furloughs and layoffs. The Center continues to monitor and access relief funds for which it is available.

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, 2022 and 2021

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 discontinued recording membership revenue until the Center reopened and provided access to members again in July 2022. The deferred revenue liability recorded on the consolidated statements of financial position for memberships is \$1,294,328 at June 30, 2022 and 2021.

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, 2022 and 2021

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 - The Center also receives donated goods and services, which are included in the consolidated statements of activities at estimated fair value as follows:

	<u>2022</u>	<u>2021</u>
Donated advertising	\$ 189,903	\$ -
Other donated goods and services	<u>19,720</u>	<u>31,391</u>
Total Donated Goods and Services	<u>\$ 209,623</u>	<u>\$ 31,391</u>

Donated advertising is utilized by the Center and is recognized based on market value. The Center did not monetize any donated facilities or other support during the year ended June 30, 2022 and 2021.

Gifts of equipment are reported as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restriction. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restriction are reported when the donated or acquired long-lived assets are placed in service.

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.

Advertising - The Center expenses advertising as incurred. Advertising and marketing expenses totaled \$940,896 and \$65,836, for the years ended June 30, 2022 and 2021, respectively, including donated advertising.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 - Continued

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 2021 financial statements to conform to the presentation of the 2022 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 19, 2022, the date on which the financial statements were available to be issued.

Note 2 - Pledges Receivable

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

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 127,462	\$ 271,062
Due in one to five years	<u>1,050</u>	<u>10,500</u>
Gross pledges receivable	128,512	281,562
Less present value discount (6.25%)		(618)
Less current portion of pledges receivable	<u>(127,462)</u>	<u>(271,062)</u>
Noncurrent Portion of Pledges Receivable	<u>\$ 1,050</u>	<u>\$ 9,882</u>

For the year ended June 30, 2022, two contributions composed 45.6% of total pledges, contributions and grants. There were no such concentrations in contributions for the year ended June 30, 2021.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 3 - Investments

Investments consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Investments-		
Cash equivalents	\$ 993,850	\$ 10,684
Mutual funds - fixed income	5,086,356	9,945,951
Mutual funds - equities	<u>3,457,018</u>	
Total investments	9,537,224	9,956,635
Endowment investments-		
Cash equivalents	59,329	38,968
Mutual funds - fixed income	570,670	658,948
Mutual funds - equities	<u>1,321,626</u>	<u>1,535,699</u>
Total endowment investments	<u>1,951,625</u>	<u>2,233,615</u>
Total Investments	<u>\$ 11,488,849</u>	<u>\$ 12,190,250</u>

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 \$6,950,627 and \$8,521,405 at June 30, 2022 and 2021, 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 a decrease in net assets with donor restrictions of \$1,570,778 and an increase in net assets with donor restrictions of \$1,426,729 for the years ended June 30, 2022 and 2021, 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.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 5 - Continued

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, 2022 and 2021.

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.

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

	Fair Value Measurements as of June 30, 2022		
	Level 1	Level 2	Level 3
Investments-			
Cash equivalents	\$ 1,053,180	\$ -	\$ -
Mutual funds - fixed income	5,657,026		
Mutual funds - equities	4,778,643		
Beneficial interest in trust			6,950,627
	<u>\$ 11,488,849</u>	<u>\$ -</u>	<u>\$ 6,950,627</u>
	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>

PACIFIC SCIENCE CENTER FOUNDATION

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021**

Note 6 - Land, Building and Equipment

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

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 48,806,284	\$ 47,650,407
Land	2,830,000	2,830,000
Furniture, equipment and vehicles	6,738,618	6,138,446
Construction in progress	<u>194,280</u>	<u>150,316</u>
	58,569,182	56,769,169
Accumulated depreciation	<u>(35,289,104)</u>	<u>(33,459,380)</u>
Total Land, Building and Equipment	<u>\$ 23,280,078</u>	<u>\$ 23,309,789</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.

Note 7 - Debt

King County Loan and Washington State Sales Tax Support - 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 \$17.8 million. The funding is scheduled for 2021 through 2030 and is 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 through December 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 (1.04% at June 30, 2022). 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. During the year ended June 30, 2022, the Center recognized \$2,241,328 in sales and use tax support revenue including interest of \$13,474, and received \$707,564 in cash after deducting the \$1,450,000 annual payment and accrued interest of \$83,764.

PACIFIC SCIENCE CENTER FOUNDATION

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021**

Note 7 - Continued

Future minimum payments on the King County loan are as follows:

For the Year Ending June 30,

2023	\$ 1,450,000
2024	1,450,000
2025	1,450,000
2026	1,450,000
2027	1,450,000
Due Thereafter	<u>2,900,000</u>
	<u>\$ 10,150,000</u>

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

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's second PPP loan was forgiven by the SBA on April 13, 2022, and \$1,540,654 inclusive of accrued interest was recognized as a gain during the year ended June 30, 2022.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2022 and 2021

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 years ended June 30, 2022 and 2021 to suspend royalty fees and annual maintenance payments in response to COVID-19. As of June 30, 2022, the agreement for the Boeing IMAX Theater suspends payments through March 31, 2022 and expires in 2027. The agreement for the PACCAR IMAX Theater suspends payments through May 31, 2022 and expires in 2024. 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 \$404,523 and \$422,382 at June 30, 2022 and 2021, 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 \$1,479,548 and \$1,435,805, net of a discount of \$1,059,609 and \$1,103,352, and are included in long-term receivables on the consolidated statements of financial position at June 30, 2022 and 2021, 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, 2022 and 2021 totaled \$0. The final benefit payment from this plan was distributed during the year ended June 30, 2021, and there were no employees in this plan during the year ended June 30, 2022.

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, 2022 and 2021.

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, 2022 and 2021, the Center's management knew of no such determinations and believes it has complied with all grants and contracts.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 11 - Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to the passage of time or expenditure for specified purposes-		
Program restricted grants	\$ 2,111,564	\$ 621,470
Time restricted grants	202,692	104,810
Beneficial interest in trust	<u>6,950,627</u>	<u>8,521,405</u>
	9,264,883	9,247,685
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	586,327	576,327
Unappropriated endowment earnings	<u>(249,244)</u>	<u>42,746</u>
	<u>1,951,625</u>	<u>2,233,615</u>
Total Net Assets With Donor Restrictions	<u>\$ 11,216,508</u>	<u>\$ 11,481,300</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.

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.

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 12 - Continued

Endowment Fund Activity - Changes to endowment funds by net asset category for the years ended June 30, 2022 and 2021, were as follows:

	Net Assets With Donor Restrictions			Total
	Endowment Corpus	Accumulated Earnings	Endowment Loan	
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
Contributions	10,000			10,000
Endowment investment return		(291,990)		(291,990)
Endowment Funds, June 30, 2022	\$ 2,200,869	\$ (249,244)	\$ -	\$ 1,951,625

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.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Center to retain as a fund of perpetual duration. Deficiencies of this nature existed in the Center's donor-restricted endowment funds, which together have an original gift value of \$2,200,869, a current fair value of \$1,951,625, and a deficiency of \$249,244 as of June 30, 2022. There were no such deficiencies of this nature at June 30, 2021.

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, 2022 and 2021**

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 - 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, 2022 and 2021**

Note 13 - 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,651,415	\$ 1,970,053
Accounts receivable, net	41,629	4,789
Pledges receivable, net	128,512	280,944
Federal COVID-relief funding receivable	130,210	3,120,305
Investments	11,488,849	12,190,250
Split life insurance receivable, net	1,479,548	1,435,805
Beneficial interest in trust	<u>6,950,627</u>	<u>8,521,405</u>
 Total financial assets	 25,870,790	 27,523,551
 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	(1,050)	(9,882)
Long-term receivables	(1,479,548)	(1,435,805)
Beneficial interest in trust	(6,950,627)	(8,521,405)
Donor-imposed restrictions:		
Investments held for endowment funds	<u>(1,951,625)</u>	<u>(2,233,615)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 15,487,940</u>	 <u>\$ 15,322,844</u>

Note 14 - Federal COVID-Relief Funding

The following reflects the federal COVID-19 relief funding presented in the consolidated statements of activities for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Shuttered Venue Operators Grant	\$ 3,508,566	\$ 3,079,940
King County grants	<u>350,000</u>	<u>265,350</u>
 Total Federal COVID-Relief Funding	 <u>\$ 3,858,566</u>	 <u>\$ 3,345,290</u>

PACIFIC SCIENCE CENTER FOUNDATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2022 and 2021

Note 14 - Continued

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, with a corresponding receivable on the statement of financial position.

On October 27, 2021, the Center was issued a supplemental SVOG in the amount of \$2,704,264. During the year ended June 30, 2022, the Center incurred the remaining \$3,508,566 in allowable costs and recognized this as revenue on the statement of activities.

Note 15 - Related Parties

On September 29, 2021, the Center entered into a one-year lease agreement with a related party commencing October 1, 2021. Under the agreement, the Center has provided space to the lessee in exchange for promotion and advertising services. The value of the lease was determined by an outside appraiser to be \$167,450. The Center renewed the lease for an additional year commencing October 15, 2022.