

**PACIFIC SCIENCE CENTER FOUNDATION**

Consolidated Financial Statements

For the Years Ended June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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.

### Other Matter

As discussed in Note 16 to the financial statements, the 2022 financial statement have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### 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.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **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 14, 2023

**PACIFIC SCIENCE CENTER FOUNDATION**

**Consolidated Statements of Financial Position  
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,786,188	\$ 5,651,415
Investments	7,659,731	9,537,224
Accounts receivable, net	108,678	41,629
Pledges receivable, net	6,050	127,462
Grants receivable	43,825	130,210
Prepaid expenses and other current assets	529,653	227,209
<b>Total Current Assets</b>	<b>13,134,125</b>	<b>15,715,149</b>
Long-term pledges receivable, net	50,000	1,050
Split life insurance receivable, net	1,522,855	1,479,548
Beneficial interest in trust (as restated, see Note 16)	2,938,587	2,669,527
Endowment investments	2,079,113	1,951,625
Trademark licenses	299,253	404,523
Land, building and equipment, net	22,726,006	23,280,078
<b>Total Assets</b>	<b>\$ 42,749,939</b>	<b>\$ 45,501,500</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,000,247	\$ 1,016,289
Accrued expenses	1,363,940	980,524
Deferred revenue	2,509,307	3,132,154
Current portion of long-term debt	1,450,000	1,450,000
Current portion of trademark license obligations	98,304	105,270
<b>Total Current Liabilities</b>	<b>6,421,798</b>	<b>6,684,237</b>
Long-term debt, net of current portion	7,250,000	8,700,000
Trademark license obligations, net of current portion	200,949	299,253
<b>Total Liabilities</b>	<b>13,872,747</b>	<b>15,683,490</b>
<b>Net Assets:</b>		
Without donor restrictions	22,796,341	22,882,602
With donor restrictions (as restated, see Note 16)	6,080,851	6,935,408
<b>Total Net Assets</b>	<b>28,877,192</b>	<b>29,818,010</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 42,749,939</b>	<b>\$ 45,501,500</b>

See accompanying notes.

**PACIFIC SCIENCE CENTER FOUNDATION**

**Consolidated Statement of Activities  
For the Year Ended June 30, 2023**

	Without Restrictions	With Donor Restrictions	2023 Total
<b>Earned Revenue:</b>			
Camps	\$ 1,598,556	\$ -	\$ 1,598,556
Theater ticket sales and concessions	2,086,719		2,086,719
General admissions	3,706,262		3,706,262
Education and outreach programs	137,316		137,316
Memberships	1,950,565		1,950,565
Venue Experiences revenue	236,918		236,918
Earned ancillary revenue	479,599		479,599
<b>Total Earned Revenue</b>	<b>10,195,935</b>		<b>10,195,935</b>
<b>Contribution Support:</b>			
Pledges, contributions and grants	3,845,101	644,452	4,489,553
Federal COVID-relief funding	925,056		925,056
Washington State sales and use tax support	2,278,228		2,278,228
Donated goods and services	21,859		21,859
Contributions released from restriction	1,990,507	(1,990,507)	
<b>Total Contribution Support</b>	<b>9,060,751</b>	<b>(1,346,055)</b>	<b>7,714,696</b>
<b>Total Operating Revenue and Support</b>	<b>19,256,686</b>	<b>(1,346,055)</b>	<b>17,910,631</b>
<b>Operating Expenses</b>			
Science education and exhibits	12,730,647		12,730,647
Development	1,138,781		1,138,781
Administration	3,662,446		3,662,446
<b>Total Operating Expenses</b>	<b>17,531,874</b>		<b>17,531,874</b>
<b>Total Operating Income</b>	<b>1,724,812</b>	<b>(1,346,055)</b>	<b>378,757</b>
<b>Gains, Losses, Depreciation and Financing Costs:</b>			
Investment return, net	640,253	222,438	862,691
Change in value of beneficial interest in trust		269,060	269,060
Loss on disposal of assets	(98,902)		(98,902)
Depreciation expense	(2,185,103)		(2,185,103)
Interest expense	(167,321)		(167,321)
<b>Total Gains, Losses, Depreciation and Financing Costs</b>	<b>(1,811,073)</b>	<b>491,498</b>	<b>(1,319,575)</b>
<b>Change in Net Assets</b>	<b>(86,261)</b>	<b>(854,557)</b>	<b>(940,818)</b>
Net assets, beginning of year	22,882,602	6,935,408	29,818,010
<b>Net Assets, End of Year</b>	<b>\$ 22,796,341</b>	<b>\$ 6,080,851</b>	<b>\$ 28,877,192</b>

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
<b>Earned Revenue:</b>			
Camps	\$ 1,309,936	\$ -	\$ 1,309,936
Theater ticket sales and concessions	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
<b>Total Earned Revenue</b>	<b>2,465,529</b>		<b>2,465,529</b>
<b>Contribution Support:</b>			
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)	
<b>Total Contribution Support</b>	<b>8,937,455</b>	<b>1,597,976</b>	<b>10,535,431</b>
<b>Total Operating Revenue and Support</b>	<b>11,402,984</b>	<b>1,597,976</b>	<b>13,000,960</b>
<b>Operating Expenses</b>			
Science education and exhibits	6,675,107		6,675,107
Development	619,774		619,774
Administration	2,822,349		2,822,349
<b>Total Operating Expenses</b>	<b>10,117,230</b>		<b>10,117,230</b>
<b>Total Operating Income</b>	<b>1,285,754</b>	<b>1,597,976</b>	<b>2,883,730</b>
<b>Gains, Losses, Depreciation and Financing Costs:</b>			
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 (as restated, see Note 16)		(396,304)	(396,304)
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)
<b>Total Gains, Losses, Depreciation and Financing Costs</b>	<b>(803,457)</b>	<b>(688,294)</b>	<b>(1,491,751)</b>
<b>Change in Net Assets</b>	<b>482,297</b>	<b>909,682</b>	<b>1,391,979</b>
Net assets, beginning of year (as restated, see Note 16)	22,400,305	6,025,726	28,426,031
<b>Net Assets, End of Year</b>	<b>\$ 22,882,602</b>	<b>\$ 6,935,408</b>	<b>\$ 29,818,010</b>

See accompanying notes.

**PACIFIC SCIENCE CENTER FOUNDATION**

**Consolidated Statements of Functional Expenses  
For the Year Ended June 30, 2023**

	Science Education and Exhibits	Development	Administration	2023 Total
<b>Operating Expenses</b>				
Personnel	\$ 7,271,081	\$ 730,391	\$ 2,556,565	\$ 10,558,037
Services	1,131,166	75,964	429,055	1,636,185
Occupancy	1,155,797	2,887	31,597	1,190,281
Advertising	800,721	135,018		935,739
Supplies	689,179	30,303	79,140	798,622
Licenses and royalty fees	681,448			681,448
Information technology	334,114	80,209	180,910	595,233
Bank fees	281,258	22,228	49,842	353,328
Insurance			260,376	260,376
Cost of goods sold	162,027			162,027
Printing and copying	120,034	13,090	3,793	136,917
Other	15,403	44,530	65,438	125,371
Travel	88,419	4,161	5,730	98,310
<b>Total Operating Expenses</b>	<b>12,730,647</b>	<b>1,138,781</b>	<b>3,662,446</b>	<b>17,531,874</b>
<b>Nonoperating Expenses</b>				
Depreciation and amortization	1,972,930	48,072	164,101	2,185,103
Interest	121,426	10,886	35,009	167,321
<b>Total Nonoperating Expenses</b>	<b>2,094,356</b>	<b>58,958</b>	<b>199,110</b>	<b>2,352,424</b>
<b>Total Expenses</b>	<b>\$ 14,825,003</b>	<b>\$ 1,197,739</b>	<b>\$ 3,861,556</b>	<b>\$ 19,884,298</b>

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

See accompanying notes.

**PACIFIC SCIENCE CENTER FOUNDATION**

**Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (940,818)	\$ 1,391,979
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Loss (gain) on disposal of fixed assets	98,902	(29,500)
Depreciation and amortization	2,185,103	1,929,397
Contributions restricted to endowment		(10,000)
Paycheck Protection Program loan forgiveness		(1,540,654)
Change in value of beneficial interest in trust (as restated, see Note 16)	(269,060)	396,304
Unrealized and realized (gains) losses on investments	(411,329)	938,434
Changes in assets and liabilities:		
Accounts receivable	(67,049)	(36,840)
Pledges and grants, and split life insurance receivable	115,540	3,142,527
Prepaid expenses and other assets	(302,444)	89,483
Accounts payable and accrued expenses	676,723	272,371
Deferred revenue	(622,847)	480,187
<b>Net Cash Provided by Operating Activities</b>	<b>462,721</b>	<b>7,023,688</b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of fixed assets	100	29,500
Purchase of building improvements and equipment	(1,624,763)	(1,621,654)
Purchase of investments	(2,599,745)	(237,033)
Proceeds from sales of investments	4,451,730	
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>227,322</b>	<b>(1,829,187)</b>
<b>Cash Flows From Financing Activities:</b>		
Repayments on long-term debt	(1,450,000)	(1,450,000)
Payments on trademark liabilities	(105,270)	
Proceeds from contributions restricted to endowment		10,000
Repayments on capital lease obligations		(73,139)
<b>Net Cash Used in Financing Activities</b>	<b>(1,555,270)</b>	<b>(1,513,139)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(865,227)</b>	<b>3,681,362</b>
Cash and cash equivalents, beginning of year	5,651,415	1,970,053
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,786,188</b>	<b>\$ 5,651,415</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 124,480	\$ 106,782
Building and equipment purchases included in accounts payable	\$ -	\$ 309,349
See accompanying notes.		

## PACIFIC SCIENCE CENTER FOUNDATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### 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 more than 500 thousand 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.

**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.

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.

## PACIFIC SCIENCE CENTER FOUNDATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Continued

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.

**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 \$5,000 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>2023</u>	<u>2022</u>
Donated advertising	\$ -	\$ 189,903
Other donated goods and services	<u>21,859</u>	<u>19,720</u>
<b>Total Donated Goods and Services</b>	<b><u>\$ 21,859</u></b>	<b><u>\$ 209,623</u></b>

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 years ended June 30, 2023 and 2022.

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.

## PACIFIC SCIENCE CENTER FOUNDATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Continued

Periodically, volunteers donate 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 \$935,739 and \$940,896, for the years ended June 30, 2023 and 2022, respectively, including donated advertising.

**New Accounting Standards** - Effective January 1, 2022, the Center adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) and related ASUs using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840). There was no impact on the Center's statement of financial position upon adoption of the new standard.

**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 Pacific Science Center Foundation 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. The wholly-owned LLC is subject to income taxes. No provision for income taxes has been recorded.

**Reclassifications** - Certain reclassifications have been made to the 2022 financial statements to conform to the presentation of the 2023 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 14, 2023, 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, 2023 and 2022**

**Note 2 - Pledges Receivable**

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

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 6,050	\$ 127,462
Due in one to five years	<u>50,000</u>	<u>1,050</u>
Gross pledges receivable	56,050	128,512
Less current portion of pledges receivable	<u>(6,050)</u>	<u>(127,462)</u>
<b>Noncurrent Portion of Pledges Receivable</b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 1,050</u></b>

**Note 3 - Investments**

Investments consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Investments-		
Cash equivalents	\$ 152,346	\$ 993,850
Mutual funds - fixed income	5,100,489	5,086,356
Mutual funds - equities	<u>2,406,896</u>	<u>3,457,018</u>
Total investments	7,659,731	9,537,224
Endowment investments-		
Cash equivalents	7,212	59,329
Mutual funds - fixed income	626,738	570,670
Mutual funds - equities	1,427,699	1,321,626
Real estate ETF	<u>17,464</u>	<u></u>
Total endowment investments	<u>2,079,113</u>	<u>1,951,625</u>
<b>Total Investments</b>	<b><u>\$ 9,738,844</u></b>	<b><u>\$ 11,488,849</u></b>

## PACIFIC SCIENCE CENTER FOUNDATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### 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 \$2,938,587 and \$2,669,527 at June 30, 2023 and 2022, respectively, has been recognized at net present 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 \$269,060 and a decrease in net assets with donor restrictions of \$396,304 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

Mutual Funds - Valued at quoted market prices in active markets.

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

	Fair Value Measurements as of June 30, 2023		
	Level 1	Level 2	Level 3
Investments-			
Cash equivalents	\$ 159,558	\$ -	\$ -
Mutual funds - fixed income	5,727,227		
Mutual funds - equities	3,834,595		
Real estate ETF	17,464		
	<u>\$ 9,738,844</u>	<u>\$ -</u>	<u>\$ -</u>

**PACIFIC SCIENCE CENTER FOUNDATION**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 5 - Continued**

	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		
	<u>\$ 11,488,849</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 6 - Land, Building and Equipment**

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

	2023	2022
Building and improvements	\$ 49,732,331	\$ 48,806,284
Land	2,830,000	2,830,000
Furniture, equipment and vehicles	5,230,183	6,738,618
Construction in progress	207,555	194,280
	58,000,069	58,569,182
Accumulated depreciation	(35,274,063)	(35,289,104)
<b>Total Land, Building and Equipment</b>	<u><b>\$ 22,726,006</b></u>	<u><b>\$ 23,280,078</b></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 was notified in 2019 that it would 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 projected 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 (1.75% at June 30, 2023). During the year ended June 30, 2023, the Center recognized \$2,278,228 in sales and use tax support revenue including interest of \$62,177, and received \$728,528 in cash after deducting the \$1,450,000 annual payment and accrued interest of \$99,700.



**PACIFIC SCIENCE CENTER FOUNDATION**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

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**Note 7 - Continued**

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.

Upon receiving each deferred tax payment, the County shall credit the Center within 30 days for its annual principal and interest payment and remit the balance to the Center. Deferred tax payments are subject to the following schedule:

For the Year Ending June 30,

2024	\$ 1,450,000
2025	1,450,000
2026	1,450,000
2027	1,450,000
2028	1,450,000
Due thereafter	<u>1,450,000</u>
	<u><b>\$ 8,700,000</b></u>

**Note 8 - Trademark License Obligations**

The Center operates two IMAX theaters, the Boeing IMAX Theater (Boeing) and the PACCAR IMAX Theater (PACCAR). 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 temporarily, in response to COVID-19. The amendment for Boeing suspended payments from March 1, 2020 through March 31, 2022 and extended the maturity date to 2027. The amendment for PACCAR suspended payments from March 1, 2020 through May 31, 2022 and extended the maturity date to 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 Boeing and \$50,000 for PACCAR. A liability totaling \$299,253 and \$404,523 at June 30, 2023 and 2022, respectively, has been recorded for the minimum base trademark license payments through the end of the terms of the agreements.

The agreements also requires the Center to make annual maintenance payments of \$75,000 for Boeing and \$40,000 for PACCAR. Annual maintenance payments are expensed as incurred on the consolidated statements of activities.

## PACIFIC SCIENCE CENTER FOUNDATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### 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 \$1,522,855 and \$1,479,548, net of a discount of \$1,015,922 and \$1,059,609, and are included in long-term receivables on the consolidated statements of financial position at June 30, 2023 and 2022, 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'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, 2023 and 2022.

#### 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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Subject to the passage of time or expenditure for specified purposes-		
Program restricted grants	\$ 958,220	\$ 2,111,564
Time restricted grants	96,265	202,692
Beneficial interest in trust	<u>2,938,587</u>	<u>2,669,527</u>
	3,993,072	4,983,783
Endowment funds-		
Original gifts to endowment:		
Income to support science education and leadership training	1,624,542	1,624,542
Income to support repair and maintenance of fixed assets	576,327	576,327
Unappropriated endowment earnings	<u>(113,090)</u>	<u>(249,244)</u>
	<u>2,087,779</u>	<u>1,951,625</u>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 6,080,851</u></b>	<b><u>\$ 6,935,408</u></b>

**PACIFIC SCIENCE CENTER FOUNDATION**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**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.

**Endowment Fund Activity** - Changes to endowment funds by net asset category for the years ended June 30, 2023 and 2022, were as follows:

	<u>Net Assets With Donor Restrictions</u>		<u>Total</u>
	<u>Endowment Corpus</u>	<u>Accumulated Earnings</u>	
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)
<b>Endowment Funds, June 30, 2022</b>	<b>2,200,869</b>	<b>(249,244)</b>	<b>1,951,625</b>
Endowment investment return		222,438	222,438
Appropriation of earnings		(86,284)	(86,284)
<b>Endowment Funds, June 30, 2023</b>	<b><u>\$ 2,200,869</u></b>	<b><u>\$ (113,090)</u></b>	<b><u>\$ 2,087,779</u></b>

## PACIFIC SCIENCE CENTER FOUNDATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 12 - Continued

**Funds With Deficiencies** - 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 \$2,079,113, and a deficiency of \$121,756 as of June 30, 2023. The Center's donor-restricted endowment funds had an original gift value of \$2,200,869, fair value of \$1,951,625 and a deficiency of \$249,244 as of June 30, 2022.

**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.

**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.

**PACIFIC SCIENCE CENTER FOUNDATION**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,786,188	\$ 5,651,415
Accounts receivable, net	108,678	41,629
Pledges receivable, net	56,050	128,512
Government grant receivable	43,825	130,210
Investments	9,738,844	11,488,849
Split life insurance receivable, net	1,522,855	1,479,548
Beneficial interest in trust	<u>2,938,587</u>	<u>2,669,527</u>
 Total financial assets	 19,195,027	 21,589,690
 Reductions for amounts not available to meet cash needs for general expenditures within on year-		
Receivables scheduled to be collected in more than one year:		
Pledges receivable	(50,000)	(1,050)
Long-term receivables	(1,522,855)	(1,479,548)
Beneficial interest in trust	(2,938,587)	(2,669,527)
Donor-imposed restrictions:		
Program restricted grants	(958,220)	(2,111,564)
Investments held for endowment funds	<u>(2,087,779)</u>	<u>(1,951,625)</u>
 <b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	 <b><u>\$ 11,637,586</u></b>	 <b><u>\$ 13,376,376</u></b>

## PACIFIC SCIENCE CENTER FOUNDATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

#### Note 14 - Federal COVID-Relief Funding

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. At various points during fiscal year 2022, the Center presented a special exhibit, reopened its Laser Dome performances and resumed IMAX activities. Full operations were resumed in July 2022.

To mitigate the effects of the pandemic, the Center received various forms of 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>2023</u>	<u>2022</u>
Operating revenues-		
Employee Retention Tax Credits	\$ 575,056	\$ -
Shuttered Venue Operators Grant		3,508,566
King County grants	<u>350,000</u>	<u>350,000</u>
	925,056	3,858,566
Nonoperating revenues-		
Paycheck Protection Program loan forgiveness		<u>1,540,654</u>
<b>Total Federal COVID-Relief Funding</b>	<b><u>\$ 925,056</u></b>	<b><u>\$ 5,399,220</u></b>

**Shuttered Venue Operators Grant** - In response to COVID-19, 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.

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.

## PACIFIC SCIENCE CENTER FOUNDATION

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 14 - Continued

**Paycheck Protection Program Loans** - 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 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.

#### 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 Center extended the lease for an additional year commencing October 15, 2022, and then extended the lease for an additional 6 months commencing October 15, 2023. The lease will end April 15, 2024.

The value of the original lease was determined by an outside appraiser to be \$167,450. The value of the lease for the first 12-month extension was determined by an outside appraiser to be \$251,475, \$186,475 of which is to be paid with in-kind promotional support, and the other \$65,000 of which is to be paid in cash. The value of the additional 6-month extension was determined by an outside appraiser to be valued at \$125,738, \$93,238 of which will be paid with in-kind promotional support, and \$32,500 of which will be paid in cash.

#### Note 16 - Prior Period Restatement

During the year ended June 30, 2023, management identified that the accounting methodology used to value the Center's beneficial interest in trust for the years ended June 30, 2022 and 2021 materially varied from that resulting from the valuation methodology prescribed by U.S. GAAP. The impact of adjustments made as a result of this analysis are summarized as follows:

	Previously Reported June 30, 2022	Adjustment	Restated June 30, 2022
Statement of financial position-			
Beneficial interest in trust	\$ 6,950,627	\$ (4,281,100)	\$ 2,669,527
Net assets with donor restrictions	11,216,508	(4,281,100)	6,935,408
Statement of activities-			
Change in value of beneficial interest in trust	(1,570,778)	1,174,474	(396,304)
Net assets with donor restrictions, beginning of year	11,481,300	(5,455,574)	6,025,726
Net assets with donor restrictions, end of year	11,216,508	(4,281,100)	6,935,408