

 **Museum of Science**

Financial Statements
June 30, 2021 and 2020



Museum of Science

Financial Statements – June 30, 2021 and 2020

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Independent Auditors' Report

Board of Trustees
Museum of Science
Boston, Massachusetts

We have audited the accompanying financial statements of the Museum of Science (the "Museum"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum of Science as of June 30, 2021 and 2020, 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.

Mayer Hoffman McCann P.C.

October 20, 2021
Boston, Massachusetts

Museum of Science

Statements of Financial Position — June 30

(in thousands)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 12,449	\$ 15,414	\$ 27,863	\$ 8,160	\$ 25,456	\$ 33,616
Accounts receivable	5,137		5,137	739		739
Grants receivable		2,308	2,308		1,154	1,154
Pledges receivable, net		5,286	5,286		3,166	3,166
Prepaid expenses and other current assets	875		875	1,260		1,260
Total current assets	18,461	23,008	41,469	10,159	29,776	39,935
Noncurrent assets						
Pledges receivable, net		37	37		1,153	1,153
Investments	16,470	208,701	225,171	16,616	160,212	176,828
Assets of split interest agreements		21,879	21,879		18,029	18,029
Other assets, net of amortization	2,516		2,516	2,292		2,292
Property, plant and equipment, net	70,015		70,015	70,314		70,314
Total noncurrent assets	89,001	230,617	319,618	89,222	179,394	268,616
Total assets	\$ 107,462	\$ 253,625	\$ 361,087	\$ 99,381	\$ 209,170	\$ 308,551
LIABILITIES AND NET ASSETS						
Current liabilities						
Line of credit	\$ 10,000		\$ 10,000	\$ 10,000		\$ 10,000
Payroll Protection Plan loan	83		83			
Accounts payable and accrued liabilities	6,968		6,968	5,960		5,960
Deferred revenue	2,569	\$ 330	2,899	5,063	\$ 321	5,384
Total current liabilities	19,620	330	19,950	21,023	321	21,344
Noncurrent liabilities						
Payroll Protection Plan loan	4,608		4,608			
Annuity payable and deferred compensation	1,035		1,035	1,003		1,003
Liability under split interest agreements		1,275	1,275		1,399	1,399
Liability under management agreement	564		564	769		769
Asset retirement obligation	1,735		1,735	1,632		1,632
Capital leases	2,721		2,721	3,545		3,545
Total noncurrent liabilities	10,663	1,275	11,938	6,949	1,399	8,348
Total liabilities	30,283	1,605	31,888	27,972	1,720	29,692
Net assets						
Without donor restrictions						
Operating, designated, and quasi-endowment	11,601		11,601	6,283		6,283
Net investment in plant	65,578		65,578	65,126		65,126
Total net assets without donor restrictions	77,179		77,179	71,409		71,409
With donor restrictions						
Gifts, grants, and endowment income		29,065	29,065		31,869	31,869
Endowment principal, split interests, and other		222,955	222,955		175,581	175,581
Total net assets with donor restrictions		252,020	252,020		207,450	207,450
Total net assets	77,179	252,020	329,199	71,409	207,450	278,859
Total liabilities and net assets	\$ 107,462	\$ 253,625	\$ 361,087	\$ 99,381	\$ 209,170	\$ 308,551

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

Museum of Science

Statements of Activities for the Years Ended June 30

(in thousands)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
INCOME						
Support						
Contributions, grants, and pledges	\$ 8,184	\$ 6,131	\$ 14,315	\$ 4,336	\$ 3,658	\$ 7,994
Contributed services and gifts-in-kind	1,059		1,059	1,100		1,100
Government grants	60	4,334	4,394	62	3,601	3,663
Total support	9,303	10,465	19,768	5,498	7,259	12,757
Revenue						
Admissions	4,088		4,088	10,301		10,301
Memberships	5,439		5,439	5,378		5,378
Educational programs	6,222		6,222	7,074	26	7,100
Ancillary services	3,461		3,461	6,003		6,003
Investment return appropriated for spending per endowment policy	3,097	3,785	6,882	2,728	3,557	6,285
Other income	3,639	119	3,758	2,205	122	2,327
Net assets released from restrictions	16,973	(16,973)		21,407	(21,407)	
Total revenue	42,919	(13,069)	29,850	55,096	(17,702)	37,394
Total income	52,222	(2,604)	49,618	60,594	(10,443)	50,151
EXPENSES						
Program services						
Exhibits	5,701		5,701	7,887		7,887
Education and outreach programs	5,917		5,917	9,848		9,848
Teacher and curriculum programs	7,784		7,784	8,042		8,042
Visitor and member services	3,375		3,375	4,429		4,429
Other program activities	1,608		1,608	2,553		2,553
Total program services	24,385		24,385	32,759		32,759
Supporting services						
Administration and general	9,799		9,799	12,330		12,330
Facility operations	7,731		7,731	7,637		7,637
Marketing	3,473		3,473	5,103		5,103
Fundraising	3,829		3,829	4,831		4,831
Total supporting services	24,832		24,832	29,901		29,901
Total expenses	49,217		49,217	62,660		62,660
Change in net assets from income and expenses	3,005	(2,604)	401	(2,066)	(10,443)	(12,509)
Investment return, net	3,169	49,569	52,738	225	121	346
Portion of investment return appropriated for spending per endowment policy	(404)	(6,478)	(6,882)	(645)	(5,640)	(6,285)
Change in value of split-interest agreements		4,083	4,083		408	408
Change in accounting policy				603		603
Change in net assets	5,770	44,570	50,340	(1,883)	(15,554)	(17,437)
Net assets, beginning of year	71,409	207,450	278,859	73,292	223,004	296,296
Net assets, end of year	\$ 77,179	\$ 252,020	\$ 329,199	\$ 71,409	\$ 207,450	\$ 278,859

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

Museum of Science

Statements of Functional Expenses for the Years Ended June 30

(in thousands)

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

	2020											
	Program services						Supporting services					Total
	Exhibits	Education and outreach	Teacher and curriculum	Visitor and member services	Other program activities	Total program services	Admin. and general	Facility operations	Marketing	Fundraising	Total supporting services	
Personnel costs	\$ 2,702	\$ 6,098	\$ 3,494	\$ 2,616	\$ 1,913	\$ 16,823	\$ 7,423	\$ 2,316	\$ 1,811	\$ 3,471	\$ 15,021	\$ 31,844
Cost of goods sold			2,064			2,064						2,064
Equipment and fixtures	41	29	23	8	97	198	103	143	29	21	296	494
Conferences and travel	127	95	301	18	29	570	37	1	20	54	112	682
Participant support	3	171	520			694						694
Supplies and materials	198	134	303	57	61	753	148	167	22	121	458	1,211
Outside services	672	670	1,125	538	199	3,204	2,723	601	3,204	862	7,390	10,594
Occupancy		4	2	3	24	33	75	1,855	2	6	1,938	1,971
Subawards	27	1,000	20		137	1,184						1,184
Scholarships and funded fees	3	394	59	78		534						534
Interest		44				44	83	64			147	191
Depreciation and amortization	3,186	813	11	417	5	4,432	962	2,327	13	37	3,339	7,771
Losses on disposal	442					442		14			14	456
Miscellaneous and other	486	396	120	694	88	1,784	776	149	2	259	1,186	2,970
Total expenses	\$ 7,887	\$ 9,848	\$ 8,042	\$ 4,429	\$ 2,553	\$ 32,759	\$ 12,330	\$ 7,637	\$ 5,103	\$ 4,831	\$ 29,901	\$ 62,660

The accompanying notes are an integral part of these financial statements

Museum of Science

Statements of Cash Flows for the Years Ended June 30

(in thousands)

	2021	2020
Cash flows from operating activities		
Cash received from customers	\$ 14,505	\$ 31,074
Cash received from donors	11,674	7,268
Cash received from government agencies	3,248	3,960
Cash received from others	387	951
Cash paid to or on behalf of employees	(22,868)	(31,519)
Cash paid to vendors	(15,228)	(18,470)
Cash paid to subawardees	(650)	(1,649)
Cash paid to others	(1,200)	(835)
Net cash used in operating activities	(10,132)	(9,220)
Cash flows from investing activities		
Purchases of endowment investments	(1,166)	(1,466)
Sales of endowment investments	5,000	5,000
Purchases of other investment assets	(150)	(10)
Sales of other investment assets	11	11
Investment income available for operations	567	591
Cash paid to acquire property, plant, and equipment	(6,492)	(7,996)
Cash paid to acquire other capital assets	(202)	(1,253)
Net cash used in investing activities	(2,432)	(5,123)
Cash flows from financing activities		
Contributions and grants restricted or designated to endowment	1,026	1,350
Other cash receipts restricted or designated to endowment	18	48
Contributions and grants restricted for capital projects	1,359	1,721
Contributions to split interest agreements	150	10
Distributions from split interest agreements	177	
Borrowing on line of credit		10,000
Receipt of government loan	4,691	
Payments on capital leases	(629)	(614)
Other borrowing	19	
Net cash provided by financing activities	6,811	12,515
Net change in cash and cash equivalents	(5,753)	(1,828)
Cash and cash equivalents at beginning of year	33,616	35,444
Cash and cash equivalents at end of year	\$ 27,863	\$ 33,616
Supplemental disclosure of cash flow information		
Interest paid	\$ 365	\$ 180
Additions to property, plant, and equipment via capital leases	\$ -	\$ 2,563

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

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Notes to Financial Statements – June 30, 2021 and 2020

NOTE 1 – ORGANIZATION

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

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

NOTE 2 – ACCOUNTING POLICIES

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

Net assets without donor restrictions

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

Net assets without donor restrictions are divided into four categories:

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

Designated funds are funds on which the Museum’s Board of Trustees or management has placed purpose- or time-related spending limitations. These funds include reserves and income generated by quasi-endowment funds (see Note 14).

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

Net investment in plant is the book value of the Museum’s capitalized assets, net of accumulated depreciation and amortization, less outstanding liabilities on management agreements (see Note 10), capital leases (see Note 13), asset retirement obligations (see below within this Note), and other liabilities management considers capital-related.

Net assets with donor restrictions

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

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

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

Fair Value

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

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Notes to Financial Statements – June 30, 2021 and 2020

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

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

Pledges Receivable

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

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

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

Investments

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

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

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Notes to Financial Statements – June 30, 2021 and 2020

Assets and Liabilities under Split Interest Agreements

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

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

Property, Plant, and Equipment

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

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

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

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

Museum Collections and Archives

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

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

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

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

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

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

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Asset Retirement Obligation

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

Contributions and Other Supporting Income

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

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

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

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

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

Recognition of Earned Revenue and Deferred Revenue

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

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

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

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

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

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

Income and Other Taxes

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

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

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

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

Allocation of Expenses

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

Use of Accounting Estimates

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

Reclassifications

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

New Accounting Pronouncements

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

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

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NOTE 3 – RESTRUCTURINGS AND REDUCTIONS IN STAFF

In July, 2019, the Museum undertook a strategic restructuring. The Museum offered a Voluntary Termination Package to employees aged 61 or older and also effected a number of involuntary staff reductions. The Museum incurred approximately \$2,001,000 in severance and other costs related to this restructuring.

In April, 2020, in response to the COVID-19 pandemic, the Museum undertook another restructuring, temporarily furloughing or permanently laying off a combined 65 percent of its staff and incurring \$926,000 in severance and unemployment costs.

In July, 2020, approximately one quarter of the previously-furloughed staff were brought back to support the Museum's re-opening. In October, 2020, those staff remaining on furlough were permanently laid off.

NOTE 4 – COVID-19 IMPACT AND RELIEF

In addition to consequences of the COVID-19 pandemic reported in other notes, the Museum's operations during the years ended June 30, 2021 and 2020 were affected by a series of shutdowns and re-openings. The Museum responded through a combination of enhanced fundraising, applications for federal and state government assistance, staff reductions (see Note 3), and other cost-cutting measures.

Closures and Re-openings

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

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

Government Relief Programs

In April 2021, the Museum received a \$4,691,000 Payroll Protection Program loan from the Small Business Administration, for which it intends to apply for forgiveness under the program's terms. Pending forgiveness, this amount is recorded as a liability on the statement of financial position.

In May 2021, the Museum applied for a \$5,309,000 Small Business Administration Shuttered Venue Operators ("Save Our Stages") Grant. The application was approved in July 2021 and the funds have been received. While the Museum had incurred costs that will be eligible for reimbursement under this grant before June 30, 2021, accounting standards preclude the recognition of contributed support until notification of the award. Therefore, no amounts for this grant are recorded in the current financial statements.

The Museum is eligible for the Internal Revenue Service's Employee Retention Credit, though the credit has not yet been disbursed. An amount of \$2,033,000 is recorded as other income on the statement of activities and under accounts receivable on the statement of financial position.

In addition, the Museum has received and continues to apply for other relief from both federal and state agencies.

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NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

(in thousands)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Cash and cash equivalents	\$ 12,449	\$ 5,562	\$ 18,011	\$ 13,125
Accounts receivable	5,137		5,137	739
Grants receivable		873	873	1,134
Pledges with purpose restrictions due within one year		1,263	1,263	1,323
Contributions with time restrictions due to expire within one year	2		2	20
Expected appropriations from endowment per allocation policy	2,898	4,470	7,368	6,899
Financial assets available for general expenditures within one year	\$ 20,486	\$ 12,168	\$ 32,654	\$ 23,240

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

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

In addition to the amounts disclosed above, the Museum considers \$10,185,000 of its quasi-endowment to be available as of June 30, 2021 to meet general or special purpose expenditures if necessary.

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Notes to Financial Statements – June 30, 2021 and 2020

NOTE 6 – PLEDGES RECEIVABLE

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

<i>(in thousands)</i>	2021	2020
In one year or less	\$ 6,069	\$ 3,482
Between one and five years	40	1,200
Less allowance for unfulfilled pledges	(783)	(327)
Less discount to present value	(3)	(36)
Net present value of pledges receivable, net of allowances	<u>\$ 5,323</u>	<u>\$ 4,319</u>

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

<i>(in thousands)</i>	2021	2020
Purpose Restrictions		
Operating and similar funds		
Exhibits	\$ 507	\$ 507
Education and outreach programs	359	344
Teacher and curriculum programs	286	344
Visitor and member services	108	108
General and other	2	41
Capital exhibits, property, plant, and equipment	2,844	1,276
Total operating and similar funds	<u>4,106</u>	<u>2,620</u>
Endowment and quasi-endowment		
Education and outreach programs	2,000	2,025
Total endowment and quasi-endowment	<u>2,000</u>	<u>2,025</u>
Unrestricted pledges with effective time restrictions		
Less allowance for unfulfilled pledges	(783)	(326)
Net present value of pledges receivable, net of allowances	<u>\$ 5,323</u>	<u>\$ 4,319</u>

Concentration of Risk

Pledges from three and two major donors accounted for 89% and 85% of gross pledges as of June 30, 2021 and 2020, respectively.

Conditional Promises to Give

The Museum had a \$250,000 bequest intention as of June 30, 2021 and 2020. This promise is not recorded in the financial statements. The Museum also treats government grants awarded but not yet spent as conditional promises. These are disclosed in Note 16.

Non-binding Intentions

In addition to enforceable promises to give, the Museum has received promises that an individual will recommend that a gift be made from a donor-advised fund or a foundation over which the individual does not have control. As these donor-advised funds and foundations are not legally bound to honor such recommendations, these promises are not recorded in the financial statements. Any gifts resulting from these recommendations are recorded as contributions when received. The Museum had \$445,000 and \$624,000 in outstanding non-binding intentions as of June 30, 2021 and 2020, respectively.

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Notes to Financial Statements – June 30, 2021 and 2020

NOTE 7 – INVESTMENTS AND ASSETS OF SPLIT INTEREST AGREEMENTS

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

(in thousands)

	2021				2020			
	Investments measuring fair value using net asset value per share	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)	Total fair value	Investments measuring fair value using net asset value per share	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)	Total fair value
Investments								
Cash and cash equivalents		\$ 4,249		\$ 4,249		\$ 13,298		\$ 13,298
Mutual funds		20,906		20,906		9,097		9,097
Exchange-traded funds						6,134		6,134
Commingled trust funds	\$ 32,323			32,323	\$ 15,769			15,769
Hedge funds	76,391			76,391	57,763			57,763
Hedge fund of funds	4,245			4,245	7,427			7,427
Private investments	59,463			59,463	40,264			40,264
Other alternative investments	27,444		\$ 150	27,594	26,942		\$ 134	27,076
Total investments	\$ 199,866	\$ 25,155	\$ 150	\$ 225,171	\$ 148,165	\$ 28,529	\$ 134	\$ 176,828
Assets of split interest agreements								
Internally managed		\$ 2,851		\$ 2,851		\$ 2,760		\$ 2,760
Administered by external trustees		449	\$ 18,579	19,028		364	\$ 14,905	15,269
Total assets of split interest agreements		\$ 3,300	\$ 18,579	\$ 21,879		\$ 3,124	\$ 14,905	\$ 18,029

Included in Level 3 are interests in split-interest agreements of which the Museum is not the trustee. The fair value consists of market values of assets held as reported by the trustees, net of the present value of the distributions expected to be paid to the income beneficiaries during their lives. Market price data is generally available for the assets held by these trusts, however the actuarial assumptions relating to the income beneficiaries renders final measurement less observable. Activity related to investment and split interest assets for which Level 3 inputs are used to determine fair value were as follows for the years ended June 30, 2021 and 2020.

(in thousands)

	Alternative investments	Split interest agreements	Total Level 3 investments
Fair Value, July 1, 2019	\$ 144	\$ 14,577	\$ 14,721
Distributions	(10)	-	(10)
Change in value of split interests	-	328	328
Fair Value, June 30, 2020	134	14,905	15,039
Distributions	(11)	-	(11)
Net investment return	27	-	27
Change in value of split interests	-	3,674	3,674
Fair Value, June 30, 2021	\$ 150	\$ 18,579	\$ 18,729

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Notes to Financial Statements – June 30, 2021 and 2020

Liquidity

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

Redemption Frequency	Fair value (in thousands)			
	2021		2020	
Daily	\$ 40,764	18.1%	\$ 28,529	16.1%
Weekly	5,830	2.6%	4,077	2.3%
Monthly	46,959	20.9%	46,634	26.4%
Quarterly	38,051	16.9%	38,342	21.7%
Quarterly or more frequently	131,604	58.5%	117,582	66.5%
Semi-annually	18,149	8.1%	15,203	8.6%
Annually	6,598	2.9%	6,612	3.7%
Less frequently than annually	8,790	3.9%	7,341	4.2%
Illiquid	60,030	26.6%	30,090	17.1%
Total investments	\$ 225,171	100.0%	\$ 176,828	100.0%

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

Unfunded commitments totaled \$26,653,000 and \$34,547,000 as of June 30, 2021 and 2020.

Some investment managers reserve the right under unusual circumstances to suspend withdrawals notwithstanding the redemption frequencies noted above; however, none of the Museum’s managers has exercised those rights for the two years ended June 30, 2021 and 2020.

NOTE 8 – ENDOWMENT

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

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

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

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

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

(in thousands)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds		\$ 196,018	\$ 196,018		\$ 153,413	\$ 153,413
Board-designated funds	\$ 13,476	4,833	18,309	\$ 10,084	3,813	13,897
Total endowment net assets	\$ 13,476	\$ 200,851	\$ 214,327	\$ 10,084	\$ 157,226	\$ 167,310

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

(in thousands)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 10,084	\$ 157,226	\$ 167,310	\$ 10,287	\$ 161,499	\$ 171,786
Additions to corpus						
Contributions	529	499	1,028	155	1,195	1,350
Other	98	47	145	61	51	112
Investment return, net	3,169	49,557	52,726	226	121	347
Endowment income per spending policy	(404)	(6,478)	(6,882)	(645)	(5,640)	(6,285)
Endowment net assets, end of year	\$ 13,476	\$ 200,851	\$ 214,327	\$ 10,084	\$ 157,226	\$ 167,310

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the original donor gift amounts. As described below, the Museum reduces income allocated for spending from funds with deficits. There were no such deficits as of June 30, 2021 and 2020.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Investment Objectives

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

Endowment Spending Allocation Policy and Relationship to Investment Objectives

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

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

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

In accordance with its standard and special income allocation policies, the Museum approved an appropriation of \$7,368,000 for the year beginning July 1, 2021. This appropriation is expected to be funded from liquidity normally maintained within the portfolio.

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

NOTE 9 – PROPERTY, PLANT, AND EQUIPMENT

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

<i>(in thousands)</i>	2021	2020
Building and improvements	\$ 95,469	\$ 94,159
Equipment	37,629	37,204
Exhibits	51,206	46,002
Total before depreciation	184,304	177,365
Accumulated depreciation	(114,289)	(107,051)
Net	\$ 70,015	\$ 70,314

Capital additions were \$7,417,000 and \$12,047,000 for the years ended June 30, 2021 and 2020, respectively.

Depreciation expense amounted to \$7,715,000 and \$7,821,000 for the years ended June 30, 2021 and 2020, respectively.

The Museum's total expenditures for constructing, hosting, and refurbishing exhibits were as follows for the years ended June 30:

<i>(in thousands)</i>	2021	2020
Traveling exhibitions, shorter duration exhibits, and refurbishment costs charged to operations	\$ 4,283	\$ 5,573
Standing exhibits added to property, plant, and equipment	5,682	5,058
	\$ 9,965	\$ 10,631

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

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Notes to Financial Statements – June 30, 2021 and 2020

NOTE 10 – MANAGEMENT AGREEMENTS AND OTHER VENDOR CONTRACTS

The Museum has contracted with an outside vendor to operate its food services. This contract expires in 2025 and is cancelable with notice. The vendor has made capital improvements totaling \$4,056,000 associated with the food service facilities, with these outlays being amortized on a straight-line basis over a 20-year schedule. Should the Museum terminate the agreement, it is obligated to pay the vendor the unamortized balance of the liability under management agreement, which was \$769,000 and \$974,000, as of June 30, 2021 and 2020, respectively. The current portion of \$205,000 is reflected in accounts payable and accrued liabilities each year.

The Museum has also contracted with an outside vendor to operate its gift shop. This contract expires in 2025.

Both agreements provide for minimum annual rental payments to the Museum, with additional amounts due based on each vendor's revenue. The combined minimum rent due each year under these contracts is \$1,825,000. However, due to the COVID-19 pandemic, the Museum has waived the minimum requirement through June 30, 2021. Total actual revenue realized was \$343,000 and \$1,486,000 for the years ended June 30, 2021 and 2020, respectively, which is included in ancillary services and other income.

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

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

The Museum has an annuity agreement with a related party individual which provides for fixed annual payments for life. Using standard actuarial methods and life tables, management has estimated the net present value of this obligation as \$189,000 and \$199,000 at June 30, 2021 and 2020, respectively. Of these amounts, the current portion of \$45,000 is included in accounts payable and accrued expenses each year.

In addition, the Museum has a non-qualified deferred compensation plan under section 457 of the Internal Revenue Code covering certain employees. Assets associated with this plan in the amount of \$891,000 and \$849,000 at June 30, 2021 and 2020, respectively, are included in other assets, with the corresponding obligation to the employees included in deferred compensation. The Museum contributed \$15,000 for the year ended June 30, 2020 to the 457 plan. There were no employer contributions to the plan during the year ended June 30, 2021.

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

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

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

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

The significant reductions in staff in 2020 prompted by COVID-19 triggered a partial termination of the Retirement Plan, under which all laid-off participants in the plan were immediately fully vested.

Expenses for the Retirement Plan were \$336,000 and \$848,000 for the years ended June 30, 2021 and 2020, respectively.

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NOTE 12 – LINE OF CREDIT

In March, 2020, in response to reductions in cash flow due to the COVID-19 pandemic, the Museum established and fully drew against a \$10,000,000 advised line of credit with its primary bank, secured with a blanket lien on all assets. The line of credit bears an interest rate equal to the LIBOR rate plus 2.1% for an actual interest rate of 2.35% as of June 30, 2021. Repayment is due on January 31, 2022.

NOTE 13 – LEASES

The Museum leases energy conservation, office, 4-D theater, and other equipment under finance leases that expire at various dates through April, 2027. The Museum has also entered into a financing agreement to fund the renovation of its Omni theater, which is collateralized in part by the equipment purchased during the renovation and in part by other Museum equipment.

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

In March, 2020, the Museum renegotiated the timing of payments due under the 4-D theater lease due to the closure of the theater in response to the COVID-19 pandemic. Lease payments were suspended for the duration of the closure, and were replaced with a simplified per-visitor operating fee during subsequent periods of reduced-capacity operation. Payments under the original terms of the agreement will resume in July, 2021.

Future minimum payments under lease agreements are as follows at June 30, 2021:

<i>(in thousands)</i>	Capital leases	4-D programs and services
2022	\$ 1,026	\$ 363
2023	929	376
2024	834	391
2025	523	406
2026	355	104
After 2026	258	-
Total minimum lease payments	3,925	\$ 1,640
Interest	(285)	
Present value of net minimum lease payments	3,640	
Current portion of lease obligations included in accounts payable and accrued liabilities	(913)	
Unamortized debt issuance costs	(6)	
Net long term obligations under leases	\$ 2,721	

The net book value of assets acquired under finance leases was \$4,398,000 and \$4,734,000 as of June 30, 2021 and 2020, respectively.

The weighted average remaining term of these leases is 4.5 years, and the weighted average discount applied to them is 3.5%.

For the year ended June 30, 2021, total lease expense was \$892,000, of which \$113,000 was interest.

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NOTE 14 – NET ASSETS

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

(in thousands)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating funds, gifts and grants, and endowment income available for spending						
Exhibits	\$ (15)	7,915	\$ 7,900	\$ 78	\$ 9,597	\$ 9,675
Education and outreach programs	533	11,197	11,730	438	10,309	10,747
Teacher and curriculum programs	166	1,481	1,647	518	2,748	3,266
Visitor and member services		31	31		24	24
Other program activities	85	492	577	116	617	733
Supporting services	(2,881)	515	(2,366)	(5,051)	418	(4,633)
Property, plant, and equipment	237	3,611	3,848	100	5,562	5,662
Total operating and similar funds	(1,875)	25,242	23,367	(3,801)	29,275	25,474
Endowment and quasi-endowment corpus and accumulated gains not allocated for spending						
Exhibits	5,059	57,792	62,851	3,982	45,575	49,557
Education and outreach programs	5,666	107,833	113,499	4,470	83,919	88,389
Teacher and curriculum programs	582	1,699	2,281	460	1,310	1,770
Visitor and member services		67	67		53	53
Other program activities	1,157	2,858	4,015	850	2,255	3,105
Supporting services	1,012	30,602	31,614	322	24,114	24,436
Total endowment and quasi-endowment	13,476	200,851	214,327	10,084	157,226	167,310
Other net assets						
Carrying value of capital exhibits, property, plant, and equipment	65,578		65,578	65,126		65,126
Split interest agreements		20,604	20,604		16,630	16,630
Total other net assets	65,578	20,604	86,182	65,126	16,630	81,756
Pledges receivable		5,323	5,323		4,319	4,319
Total net assets	\$ 77,179	\$ 252,020	\$ 329,199	\$ 71,409	\$ 207,450	\$ 278,859

Museum of Science

Notes to Financial Statements – June 30, 2021 and 2020

Net assets without donor restrictions

The Museum's net assets without donor restriction consist of general operating funds without further designation, board-designated funds, and net investment in plant. General operating funds totaled and as of June 30, 2021 and 2020, respectively.

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

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

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

Activity on board-designated funds was as follows for the years ended June 30, 2021 and 2020:

(in thousands)

	Designated operating funds				Quasi-endowment corpus	Total designated
	Reserves	Quasi-endowment income	Other designated	Total		
Net assets as of 6/30/19	\$ 8	\$ 515	\$ 408	\$ 932	\$ 10,287	\$ 11,219
Contributions			107	107	155	262
Revenue designated per board or management policy	1,516		367	1,883	13	1,896
Designated endowment and quasi-endowment income	58	433	1,037	1,528		1,528
Net assets released from restriction			8	8	48	18
Transfers from operating fund	2,759	4	72	2,835		2,835
Additions to designated funds	4,333	437	1,591	6,361	178	6,539
Funding of operations	(2,926)	(337)	(1,283)	(4,546)		(4,546)
Funding of capital projects			(87)	(87)		(87)
Uses of designated funds	(2,926)	(337)	(1,370)	(4,633)		(4,633)
Other transfers	(12)	(37)	12	(38)	38	
Investment earnings, net of endowment income per policy					(419)	(419)
Change in accounting principle	603			603		603
Net assets as of 6/30/20	2,006	578	641	3,225	10,084	13,309
Contributions			79	79	529	608
Revenue designated per board or management policy	416		307	723	13	736
Designated endowment and quasi-endowment income	142	451	1,289	1,882		1,882
Net assets released from restriction					48	48
Transfers from operating fund	2,162		29	2,191		2,191
Additions to designated funds	2,720	451	1,704	4,875	590	5,465
Funding of operations	(1,849)	(212)	(1,509)	(3,570)		(3,570)
Funding of capital projects, net of refunds from other sources	963		(24)	939		939
Uses of designated funds	(886)	(212)	(1,533)	(2,631)		(2,631)
Other transfers		(37)		(37)	37	
Investment earnings, net of endowment income per policy					2,765	2,765
Net assets as of 6/30/21	\$ 3,840	\$ 780	\$ 812	\$ 5,432	\$ 13,476	\$ 18,908

Museum of Science

Notes to Financial Statements – June 30, 2021 and 2020

Net assets released from restriction

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

<i>(in thousands)</i>	2021	2020
Net assets released due to fulfillment of purpose restrictions		
Releases funding operations		
Exhibits	\$ 1,232	\$ 1,638
Education and outreach programs	2,908	4,589
Teacher and curriculum programs	2,898	2,682
Visitor and member services	42	80
Other program activities	797	945
Administration and general	276	336
Facility operations	161	124
Marketing	186	140
Fundraising	7	145
Total operating releases	8,507	10,679
Releases funding capital projects		
Capital exhibits	5,504	4,878
Other property, plant, and equipment	2,787	5,610
Total capital releases	8,291	10,488
Total releases from purpose restrictions	16,798	21,167
Net assets released due to expiration of time restrictions		
Releases to operations	127	222
Releases to designated funds and reserves	-	8
Releases to quasi-endowment	48	10
Total releases from time restrictions	175	240
Total net assets released from restriction	\$ 16,973	\$ 21,407

Museum of Science

Notes to Financial Statements – June 30, 2021 and 2020

NOTE 15 – CONTRIBUTED SERVICES AND GIFTS IN KIND

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

<i>(in thousands)</i>	2021	2020
Pro bono outside services:		
Legal services	\$ 269	\$ 426
Marketing services and airtime	273	336
Consulting services	500	-
Miscellaneous	11	19
In-house volunteers	2	299
Gifts in kind:		
Capital exhibit components	-	3
Miscellaneous exhibit and program materials	4	17
Total	\$ 1,059	\$ 1,100

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

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

During the COVID-19 pandemic, the Museum's use of volunteers has been severely curtailed. For the year ended June 30, 2021, the value of contributed services meeting recognition criteria was \$2,000. The value of contributed time not meeting the recognition criteria was \$38,000.

In 2020, the Museum received a major donation of photographs and negatives produced by its former director. These materials have been taken into the Museum's archives. The appraised value of these items was \$3,006,000, which is not reflected in the financial statements.

Museum of Science

Notes to Financial Statements – June 30, 2021 and 2020

NOTE 16 – GOVERNMENT AWARDS

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

<i>(in thousands)</i>	2021			2020
	State	Federal	Total	
Direct cost support				
General operating support	\$ -	\$ 60	\$ 60	\$ 62
Exhibits		92	92	166
Programs	287	1,667	1,954	2,651
Capital projects	1,610	90	1,700	346
Other		117	117	37
	1,897	2,026	3,923	3,262
Indirect cost recovery	15	459	474	562
Net change in estimate for unbilled subawards		(3)	(3)	(161)
Total	\$ 1,912	\$ 2,482	\$ 4,394	\$ 3,663

Due to COVID-19, the Museum did not make any expenditures under its international government award during the year ended June 30, 2021.

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

The Museum's federal awards include substantial subawards. At the end of each fiscal year, the Museum estimates and accrues charges incurred, but not yet billed, by its subawardees in order to more accurately reflect total program costs in its financial statements. The accrual is reversed in the subsequent fiscal year as actual subaward billings are received. As these amounts are estimates, the accrued charges are not billed to government funders; only actual charges are submitted for reimbursement.

Funds awarded but not yet expended

Funds under a government award for a particular purpose or program are not earned until the Museum incurs expenses in the performance of the funded project, at which time the Museum recognizes the corresponding award revenue. If a government agency advances cash to the Museum under an award, amounts not yet expended are carried as a liability. These advances totaled \$12,000 as of June 30, 2021. As of June 30, 2020 the Museum had no such liabilities. Amounts awarded but neither advanced nor earned are not reflected in the financial statements. Government funds awarded but not yet expended totaled \$3,001,000 at June 30, 2021.

NOTE 17 – RELATED PARTIES

The Museum maintains vendor relationships with several companies, the principals of which are members or related to members of the Museum's Board of Trustees or Senior Management Team. All such relationships are subject to the same procurement requirements, policies, and controls as the Museum applies to its other vendors. The Museum expended funds totaling \$76,000 and \$63,000 for the years ended June 30, 2021 and 2020, respectively, under these relationships.

Certain companies whose principals are members of the Museum's Board may also from time to time procure the services of the Museum's Event and Conference Services department. Trustees receive a 15% discount on pricing for such events; otherwise related-party companies are subject to the same policies, pricing, and controls as the Museum applies to its other customers. The Museum \$48,000 for the year ended June 30, 2020, from these transactions. Due to COVID-19, the Museum did not host any outside events or conferences during the year ended June 30, 2021.

Museum of Science

Notes to Financial Statements – June 30, 2021 and 2020

NOTE 18 – CONTINGENCIES

Continued uncertainties associated with the COVID-19 pandemic have increased the Museum's reliance on estimates and projections, and the future effect of the pandemic on the financial position of the Museum is likewise uncertain.

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

NOTE 19 – SUBSEQUENT EVENTS

As noted in Note 4, the Museum anticipates forgiveness of its Payroll Protection Program loan in the latter half of 2021.

The Museum's evaluation of subsequent events through October 20, 2021 has noted no other material subsequent events.