

# Exploratorium

Financial Report  
June 30, 2022

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RSM US LLP

## Independent Auditor's Report

Board of Trustees  
Exploratorium

### Opinion

We have audited the financial statements of the Exploratorium (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### 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 Organization'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 Organization'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.

*RSM US LLP*

San Jose, California  
October 21, 2022

## Exploratorium

### Statements of Financial Position June 30, 2022 and 2021

| <b>Assets</b>   | <b>2022</b>           | <b>2021</b>           |
|---|-----------------------|-----------------------|
| Cash and cash equivalents                               | \$ 8,150,478          | \$ 5,937,479          |
| Restricted cash (Note 9)                                | 289,338               | 289,338               |
| Contributions receivable, net (Notes 3 and 13)          | 8,736,483             | 15,546,401            |
| Government receivables                                  | 1,796,027             | 5,686,243             |
| Accounts receivable                                     | 1,306,027             | 2,810,909             |
| Inventories   | 1,142,756             | 1,072,646             |
| Other assets and prepaid expenses                       | 1,538,859             | 3,116,608             |
| Investments, at fair value (Note 5)                     | 85,938,485            | 81,154,672            |
| Exhibits, leasehold improvements and equipment (Note 4) | 165,708,862           | 171,057,776           |
| Construction in progress, exhibits                      | 434,787               | 193,933               |
| Deferred rent (Note 9)                                  | -                     | 9,304                 |
| <b>Total assets</b>                                     | <b>\$ 275,042,102</b> | <b>\$ 286,875,309</b> |
| <b>Liabilities and Net Assets</b>                       |                       |                       |
| Liabilities:  |                       |                       |
| Line of credit (Note 8)                                 | \$ -                  | \$ -                  |
| Trade payables  | 841,076               | 866,270               |
| Accrued expenses  | 6,312,073             | 4,991,736             |
| Deferred revenue  | 7,594,606             | 9,905,812             |
| Deferred rent   | 743,086               | -                     |
| Term debt, net (Note 8)                                 | 21,889,992            | 44,906,951            |
| <b>Total liabilities</b>                                | <b>37,380,833</b>     | <b>60,670,769</b>     |
| Commitments and contingencies (Notes 9, 10, 11 and 13)  |                       |                       |
| Net assets:   |                       |                       |
| Without donor restrictions                              | 142,415,524           | 124,196,323           |
| With donor restrictions (Note 6)                        | 95,245,745            | 102,008,217           |
| <b>Total net assets</b>                                 | <b>237,661,269</b>    | <b>226,204,540</b>    |
| <b>Total liabilities and net assets</b>                 | <b>\$ 275,042,102</b> | <b>\$ 286,875,309</b> |

See notes to financial statements.

## Exploratorium

### Statement of Activities Year Ended June 30, 2022

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
|---|-------------------------------|----------------------------|-----------------------|
| Operating revenue and support:                            |                               |                            |                       |
| Private contributions                                     | \$ 6,787,990                  | \$ 10,481,104              | \$ 17,269,094         |
| Government grants (Note 13)                               | 9,923,160                     | -                          | 9,923,160             |
| Global Studios—domestic                                   | 5,068,870                     | -                          | 5,068,870             |
| Global Studios—foreign                                    | 9,079,695                     | -                          | 9,079,695             |
| Admissions  | 4,918,094                     | -                          | 4,918,094             |
| Membership  | 1,962,146                     | -                          | 1,962,146             |
| Rentals and other revenue                                 | 8,174,641                     | -                          | 8,174,641             |
| Store sales   | 1,080,330                     | -                          | 1,080,330             |
| Net assets released from restrictions                     | 11,057,091                    | (11,057,091)               | -                     |
| <b>Total revenues and support</b>                         | <b>58,052,017</b>             | <b>(575,987)</b>           | <b>57,476,030</b>     |
| Operating expenses:                                       |                               |                            |                       |
| Program services:   |                               |                            |                       |
| Visitor experience  | 28,905,006                    | -                          | 28,905,006            |
| Educator engagement                                       | 8,997,285                     | -                          | 8,997,285             |
| Global collaborations                                     | 11,789,184                    | -                          | 11,789,184            |
| Support services:   |                               |                            |                       |
| General and administrative                                | 6,460,487                     | -                          | 6,460,487             |
| Fundraising and membership                                | 3,015,093                     | -                          | 3,015,093             |
| <b>Total operating expenses</b>                           | <b>59,167,055</b>             | <b>-</b>                   | <b>59,167,055</b>     |
| <b>Change in net assets from<br/>operating activities</b> | <b>(1,115,038)</b>            | <b>(575,987)</b>           | <b>(1,691,025)</b>    |
| Nonoperating revenue:                                     |                               |                            |                       |
| Private campaign contributions                            | -                             | 22,524,247                 | 22,524,247            |
| Net assets released from restrictions                     | 22,524,247                    | (22,524,247)               | -                     |
| <b>Total nonoperating revenues</b>                        | <b>22,524,247</b>             | <b>-</b>                   | <b>22,524,247</b>     |
| Financing expense:  |                               |                            |                       |
| Long-term debt interest expense (Note 8)                  | 2,985,509                     | -                          | 2,985,509             |
| <b>Total nonoperating expenses</b>                        | <b>2,985,509</b>              | <b>-</b>                   | <b>2,985,509</b>      |
| Investment activity:                                      |                               |                            |                       |
| Investment return, net                                    | (204,499)                     | (6,186,485)                | (6,390,984)           |
| <b>Total investment activity</b>                          | <b>(204,499)</b>              | <b>(6,186,485)</b>         | <b>(6,390,984)</b>    |
| <b>Change in net assets</b>                               | <b>18,219,201</b>             | <b>(6,762,472)</b>         | <b>11,456,729</b>     |
| Net assets, beginning of year                             | 124,196,323                   | 102,008,217                | 226,204,540           |
| Net assets, end of year                                   | <b>\$ 142,415,524</b>         | <b>\$ 95,245,745</b>       | <b>\$ 237,661,269</b> |

See notes to financial statements.

## Exploratorium

### Statement of Activities Year Ended June 30, 2021

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
|---|-------------------------------|----------------------------|-----------------------|
| Operating revenue and support:                        |                               |                            |                       |
| Private contributions                                 | \$ 7,064,846                  | \$ 13,261,807              | \$ 20,326,653         |
| Government grants (Note 13)                           | 8,279,365                     | -                          | 8,279,365             |
| Global Studios—domestic                               | 2,215,271                     | -                          | 2,215,271             |
| Global Studios—foreign                                | 7,055,975                     | -                          | 7,055,975             |
| Admissions  | 6,391                         | -                          | 6,391                 |
| Rentals and other revenue                             | 3,030,027                     | -                          | 3,030,027             |
| Store sales   | 175,317                       | -                          | 175,317               |
| Employee Retention Tax Credit contribution (Note 13)  | 3,981,063                     | -                          | 3,981,063             |
| Net assets released from restrictions                 | 8,258,472                     | (8,258,472)                | -                     |
| <b>Total revenues and support</b>                     | <b>40,066,727</b>             | <b>5,003,335</b>           | <b>45,070,062</b>     |
| Operating expenses:                                   |                               |                            |                       |
| Program services:                                     |                               |                            |                       |
| Visitor experience                                    | 25,318,987                    | -                          | 25,318,987            |
| Educator engagement                                   | 5,818,707                     | -                          | 5,818,707             |
| Global collaborations                                 | 6,964,251                     | -                          | 6,964,251             |
| Support services:                                     |                               |                            |                       |
| General and administrative                            | 5,998,154                     | -                          | 5,998,154             |
| Fundraising and membership                            | 2,514,249                     | -                          | 2,514,249             |
| <b>Total operating expenses</b>                       | <b>46,614,348</b>             | <b>-</b>                   | <b>46,614,348</b>     |
| <b>Change in net assets from operating activities</b> | <b>(6,547,621)</b>            | <b>5,003,335</b>           | <b>(1,544,286)</b>    |
| Nonoperating revenue:                                 |                               |                            |                       |
| Private campaign contributions                        | -                             | 125,124                    | 125,124               |
| Net assets released from restrictions                 | 125,124                       | (125,124)                  | -                     |
| <b>Total nonoperating revenues</b>                    | <b>125,124</b>                | <b>-</b>                   | <b>125,124</b>        |
| Financing expense:                                    |                               |                            |                       |
| Long-term debt interest expense (Note 8)              | 1,809,316                     | -                          | 1,809,316             |
| <b>Total nonoperating expenses</b>                    | <b>1,809,316</b>              | <b>-</b>                   | <b>1,809,316</b>      |
| Investment activity:                                  |                               |                            |                       |
| Investment return, net                                | 615,155                       | 19,971,569                 | 20,586,724            |
| <b>Total investment activity</b>                      | <b>615,155</b>                | <b>19,971,569</b>          | <b>20,586,724</b>     |
| <b>Change in net assets</b>                           | <b>(7,616,658)</b>            | <b>24,974,904</b>          | <b>17,358,246</b>     |
| Net assets, beginning of year                         | 131,812,981                   | 77,033,313                 | 208,846,294           |
| Net assets, end of year                               | <b>\$ 124,196,323</b>         | <b>\$ 102,008,217</b>      | <b>\$ 226,204,540</b> |

See notes to financial statements.

## Exploratorium

### Statements of Functional Expenses Years Ended June 30, 2022 and 2021

| 2022                                       |                       |                        |                          |                               |                               |                      |
|--|-----------------------|------------------------|--------------------------|-------------------------------|-------------------------------|----------------------|
| Program Expenses                           |                       |                        |                          |                               |                               |                      |
|  | Visitor<br>Experience | Educator<br>Engagement | Global<br>Collaborations | General and<br>Administrative | Fundraising and<br>Membership | Total Expenses       |
| Compensation and benefits                  | \$ 14,678,732         | \$ 6,071,090           | \$ 5,512,072             | \$ 4,864,471                  | \$ 1,974,857                  | \$ 33,101,222        |
| Occupancy                                  | 1,359,116             | 493,990                | 635,358                  | 389,093                       | 14,993                        | 2,892,550            |
| Depreciation and amortization              | 5,691,090             | 19,435                 | 8,022                    | 640,710                       | 23,389                        | 6,382,646            |
| Consulting and professional services       | 1,919,620             | 1,083,929              | 3,458,937                | 161,817                       | 122,270                       | 6,746,573            |
| Production supplies                        | 873,925               | 172,412                | 1,641,123                | 170,502                       | 7,472                         | 2,865,434            |
| Other outside services, advertising, other | 4,382,523             | 1,156,429              | 533,672                  | 233,894                       | 872,112                       | 7,178,630            |
|  | <u>28,905,006</u>     | <u>8,997,285</u>       | <u>11,789,184</u>        | <u>6,460,487</u>              | <u>3,015,093</u>              | <u>59,167,055</u>    |
| Interest expense                           | 1,546,156             | 624,422                | 785,077                  | 14,927                        | 14,927                        | 2,985,509            |
|  | <u>\$ 30,451,162</u>  | <u>\$ 9,621,707</u>    | <u>\$ 12,574,261</u>     | <u>\$ 6,475,414</u>           | <u>\$ 3,030,020</u>           | <u>\$ 62,152,564</u> |
| 2021                                       |                       |                        |                          |                               |                               |                      |
| Program Expenses                           |                       |                        |                          |                               |                               |                      |
|  | Visitor<br>Experience | Educator<br>Engagement | Global<br>Collaborations | General and<br>Administrative | Fundraising and<br>Membership | Total Expenses       |
| Compensation and benefits                  | \$ 12,127,018         | \$ 4,559,901           | \$ 5,536,465             | \$ 3,584,657                  | \$ 2,177,168                  | \$ 27,985,209        |
| Occupancy                                  | 2,091,390             | 44,973                 | 89,814                   | 596,210                       | 22,487                        | 2,844,874            |
| Depreciation and amortization              | 5,772,304             | 1,487                  | 127,608                  | 447,075                       | 31,902                        | 6,380,376            |
| Consulting and professional services       | 729,893               | 812,751                | 671,587                  | 533,965                       | 11,300                        | 2,759,496            |
| Production supplies                        | 735,031               | 74,351                 | 472,532                  | 512,407                       | 12,958                        | 1,807,279            |
| Other outside services, advertising, other | 3,863,351             | 325,244                | 66,245                   | 323,840                       | 258,434                       | 4,837,114            |
|  | <u>25,318,987</u>     | <u>5,818,707</u>       | <u>6,964,251</u>         | <u>5,998,154</u>              | <u>2,514,249</u>              | <u>46,614,348</u>    |
| Interest expense                           | 995,124               | 235,211                | 434,236                  | 126,652                       | 18,093                        | 1,809,316            |
|  | <u>\$ 26,314,111</u>  | <u>\$ 6,053,918</u>    | <u>\$ 7,398,487</u>      | <u>\$ 6,124,806</u>           | <u>\$ 2,532,342</u>           | <u>\$ 48,423,664</u> |

See notes to financial statements.



## Exploratorium

### Statements of Cash Flows Years Ended June 30, 2022 and 2021

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| Cash flows from operating activities:   |                     |                     |
| Change in net assets  | \$ 11,456,729       | \$ 17,358,246       |
| Adjustments to reconcile change in net assets to net cash provided by operating activities:                             |                     |                     |
| Write-off of loan guarantee   | 1,775,020           | -                   |
| Depreciation and amortization   | 6,382,646           | 6,380,376           |
| Amortization of financing costs   | 26,213              | 46,399              |
| Amortization of capitalized software costs  | 27,561              | 24,132              |
| Write-off of prior financing fees   | 153,421             | -                   |
| Change in allowance for uncollectible accounts  | -                   | (1,000)             |
| Change in discount on long-term contributions receivable  | (178,257)           | (386,301)           |
| Net realized and unrealized (gains) losses on investments   | 7,089,726           | (20,265,934)        |
| Donated securities  | (1,615,379)         | (1,090,397)         |
| Proceeds from sale of donated securities  | 1,615,379           | 1,090,397           |
| Loss on disposal of property and equipment  | 68,052              | 151,087             |
| Change in deferred rent   | 752,390             | 624,558             |
| Changes in assets and liabilities:  |                     |                     |
| Contributions receivable  | 4,992,384           | (1,320,354)         |
| Government and other receivables  | 5,395,098           | (6,523,585)         |
| Inventories   | (70,110)            | (40,217)            |
| Other assets and prepaid expenses   | (197,321)           | 94,517              |
| Trade payables and accrued expenses   | 1,295,141           | 857,390             |
| Deferred revenue  | (2,311,206)         | 5,560,596           |
| <b>Net cash provided by operating activities</b>  | <b>36,657,487</b>   | <b>2,559,910</b>    |
| Cash flows from investing activities :  |                     |                     |
| Capital expenditures  | (1,370,199)         | (719,290)           |
| Proceeds from sales of investments  | 27,094,586          | 48,068,347          |
| Purchases of investments  | (38,968,125)        | (45,860,923)        |
| <b>Net cash (used in) provided by investing activities</b>  | <b>(13,243,738)</b> | <b>1,488,134</b>    |
| Cash flows from financing activities:   |                     |                     |
| Proceeds from contributions restricted for investment in endowment and museum improvements                              | 2,000,000           | 2,200,000           |
| Finance fees paid   | (322,274)           | -                   |
| Payments made on term loan  | (22,878,476)        | (1,730,632)         |
| <b>Net cash (used in) provided by financing activities</b>  | <b>(21,200,750)</b> | <b>469,368</b>      |
| <b>Net increase in cash and cash equivalents, and restricted cash</b>   | <b>2,212,999</b>    | <b>4,517,412</b>    |
| Cash and cash equivalents and restricted cash, beginning of year  | 6,226,817           | 1,709,405           |
| Cash and cash equivalents, and restricted cash, end of year   | <b>\$ 8,439,816</b> | <b>\$ 6,226,817</b> |
| At June 30, 2022 and 2021, the amounts included in cash and cash equivalents and restricted cash include the following: |                     |                     |
| Cash and cash equivalents   | \$ 8,150,478        | \$ 5,937,479        |
| Restricted cash   | 289,338             | 289,338             |
|   | <b>\$ 8,439,816</b> | <b>\$ 6,226,817</b> |
| Supplemental disclosure of cash flow information:   |                     |                     |
| Cash paid for interest during the year  | \$ 1,210,489        | \$ 1,820,938        |
| Supplemental disclosure of noncash financing and investment activities:   |                     |                     |
| Loan guarantee write-off  | \$ 1,775,020        | \$ -                |

See notes to financial statements.

## Exploratorium

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies

**Nature of organization:** The Exploratorium, a California nonprofit organization, is a museum of science, art and human perception located in San Francisco, California. The Exploratorium creates tools and experiences that help visitors to become active explorers. Some of the tools used include: hundreds of explore-for-yourself exhibits; a website with several thousand pages of content; film screenings; workshops for lifelong learners and family investigations; and evening art and science events for adults. Professional development programs have been and are being created for educators and are at the forefront of changing the way science is taught. Exhibits created and expertise learned are shared with museums worldwide.

The Exploratorium's major programs are as follows:

**Visitor Experience:** Consists of our research, exhibits and public programs, and all other types of programs, the Visitor Experience at the Exploratorium is the museum where visitors of all ages, including school groups can ask questions, question answers and learn about the world around them by interacting with exhibits in a public laboratory exploring the world through science, art and human perception. We offer hands-on experiences; and encourage questions, explorations and individual discovery, we're transforming the way people learn. Learning this way empowers people to figure things out for themselves—about science but also about any topic, claim or idea.

**Global Collaborations:** Through Global Collaborations, we share our deep knowledge of exhibit making, program creation, and professional development with partner organizations around the world, shaping and tailoring our approach and expertise to the needs and goals of other communities. We co-create programs, conduct research and develop staff; we think across disciplines, collaborate, and prototype to generate exhibits and programs that adapt to the cultures of those communities.

**Educator Engagement:** Through our Educator Engagement programs such as the Teacher Institute, Institute for Inquiry, and the Tinkering Studio, we create inquiry-based experiences and tools that spark wonder. We offer professional development programs and workshops, in person and online to train teachers and teacher leaders and other informal educators in how to teach science and learning through inquiry. Whether inside the museum or on the other side of the planet, in school settings or out in the world, we offer a variety of resources—videos, classroom activities, tools and workshops—that support better teaching and better learning.

A summary of the Exploratorium's significant accounting policies is as follows:

**Basis of presentation:** The Exploratorium's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires that resources be classified for reporting purposes based upon the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions.

**Without donor restrictions:** Net assets without donor restrictions are not subject to donor-imposed restrictions and include the carrying value of all physical properties (leasehold improvements and furniture and equipment). Items that affect (i.e., increase or decrease) this net asset category include: revenue (principally fees for admission), membership and educational programs, and related expenses associated with the core activities of the Exploratorium. In addition to these exchange transactions, changes in this category of net assets include certain types of philanthropic support, namely, unrestricted contributions, as well as restricted contributions whose donor-imposed restrictions were met during the fiscal year.

## Exploratorium

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**With donor restrictions:** Net assets with donor restrictions represent contributions and other assets received from donors that are limited in use by the Exploratorium in accordance with donor-imposed stipulations. Items that affect this net asset category are restricted contributions, including unconditional pledges and investment income with donor-imposed restrictions from endowments. These stipulations may expire with time or may be satisfied and removed by the actions of the Exploratorium according to the terms of the contribution. Upon satisfaction of such stipulations, net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions.

Also included in this category are net assets that represent unconditional promises to give by a donor that specifies that the assets donated be maintained permanently and be invested to provide a permanent source of income. Permanently restricted gifts (endowments) are managed according to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the state of California. If the donor does not restrict the allowed use of the income, the Exploratorium classifies income as net assets with donor restrictions until those amounts are appropriated for expenditure by the Exploratorium in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Cash and cash equivalents:** Cash and cash equivalents represent cash and short-term investments with original maturities of 90 days or less at purchase.

**Restricted cash:** As of June 30, 2022 and 2021, restricted cash is held for amounts related to the ongoing maintenance of the substructure of Pier 15 and Pier 17, as further described in Note 9.

**Accounts and government receivables—noncontribution:** The Exploratorium evaluates the collectibility of its noncontribution receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. At June 30, 2022 and 2021, the Exploratorium has determined that all noncontribution receivables are fully collectible and therefore, has not recorded an allowance for doubtful accounts.

**Contributions receivable:** As of June 30, 2022 and 2021, contributions receivable consist of grants and pledges from grant making foundations, government agencies or other donors. As further described in Note 3, these receivables are subject to discount. The Exploratorium has received intentions to give from its donor base, which do not constitute contributions in accordance with U.S. GAAP and, therefore, have not been recognized as revenue or receivables.

**Inventories:** Inventories, which consist mostly of items available for sale at the museum stores, are stated at the lower of cost (first-in, first-out basis) or net realizable value.

**Exhibits, leasehold improvements and equipment:** Upon determination that an exhibit is viable, the Exploratorium capitalizes the costs of construction, which generally includes materials and labor. Depreciation is provided on the straight-line method over an estimated useful life of five to 10 years.

Equipment is recorded at cost or, if donated, at fair value on the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, which range from three to 10 years. Leasehold improvements are amortized on the straight-line basis over the shorter of their useful lives or the remaining period of the original lease ranging from 10 to 64 years.

## Exploratorium

### Notes to Financial Statements

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#### **Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Fair value measurements:** Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to the Exploratorium's assumptions (unobservable inputs). The Exploratorium groups assets and liabilities at fair value in three levels based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

**Level 1:** Valuations are based on quoted prices in active markets for identical assets or liabilities that the Exploratorium has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.

**Level 2:** Valuations are not based on quoted prices for identical assets or liabilities, but rather are based on significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Fair values are primarily obtained from third-party pricing services for comparable assets or liabilities.

**Level 3:** Valuations are derived from other valuation methodologies and incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

For the fiscal year ended June 30, 2022, the application of valuation techniques applied to similar assets has been consistent. The Exploratorium assesses levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2022 and 2021, there were no such instances.

The fair value of money market funds is based on quoted market prices. Investments in equity instruments traded on national securities exchanges are stated at the last reported sales price on the day of valuation. Investments in Treasury Bills are reported at fair value based on their quoted market prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

## Exploratorium

### Notes to Financial Statements

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#### **Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Investments in alternative investment funds are valued at fair value based on the applicable ownership of the funds' net asset value (NAV) or equivalent as of the measurement date as a practical expedient, as determined by the Exploratorium, in instances where there is not a readily determinable fair value. In determining fair value, the Exploratorium utilizes valuations provided by the investment funds. The investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the investment funds, which in turn is based on the most recent information available to the fund manager for the underlying investments, including the audited financial statements of the underlying funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Exploratorium's investments in funds generally represents the amount the Exploratorium would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply.

The Exploratorium has various processes and controls in place to ensure fair value is reasonably stated. While the Exploratorium believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**Investments:** Investments are stated at fair value and are recorded on the trade or contract date. The fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. The fair value of alternative investments consisting of hedge funds, fixed income and private equity investment partnerships (collectively, the funds) is based on the applicable ownership of the funds' net assets or equivalent as of the measurement date, as determined by the Exploratorium. The difference between cost and fair value of investments is reflected as unrealized appreciation (depreciation) on investments, and any change in that amount from the prior year is reported as a component of investment return on the statements of activities.

**Deferred rent:** As further described in Note 9, the Exploratorium recognizes rent expense on the straight-line method over the term of its lease with the Port of San Francisco. In addition to the monthly lease payments, the Exploratorium is obligated under the lease agreement to pay for certain costs associated with the lease. These costs have been considered minimum lease payments and, as a result, have been included in the straight-line rent computation.

The Exploratorium uses the same methodology for its sublease on Pier 17. Rental revenue has been recognized on the straight-line basis over the term of the sublease. Initial direct costs of approximately \$750,000 associated with the sublease have been included in the straight-line rent computation. Deferred rent from the above lease with the Port of San Francisco, along with this sublease, have been combined in the deferred rent line item on the statements of financial position.

## Exploratorium

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Contributions:** Contributions are recognized at fair value as revenue when received or unconditionally promised. An additional discount is added to the present value of contributions, which represents an additional factor in the fair value measurements and are based on management's estimates. The discounts on those pledges are computed using an interest rate for the year in which the promise was received and considers market and credit risk as applicable. Amortization of the discount is included in contributed income. Gifts of cash and other assets are reported as restricted support if received with donor stipulations that limit the use, either for time and/or purpose, of the donated assets. Donor-restricted contributions, whose restrictions are met in the same reporting period as the contribution is recorded, are reported contributions with donor restrictions with a corresponding release of restrictions. Conditional promises to give are not recognized as revenue until the donor conditions are substantially met. The Exploratorium also receives corporate sponsorships, where revenue is recognized as both an exchange transaction and a contribution. In these cases, the Exploratorium determines the value or benefit the sponsor is receiving, and records that portion to earned revenue, with the remaining portion recorded as a contribution. If multiple deliverables span a period of years, then portions of the exchange transaction could be recorded as deferred revenue until the benefit takes place.

The Exploratorium has been conducting a multi-year, multipurpose capital campaign (the Campaign) for the purpose of the construction of its site located on the San Francisco Waterfront (i.e., the San Francisco Historic Port District) (see Note 9). The Campaign has been designed not only to encompass the renovation and construction of the new facility, but also the design and creation of the exhibits housed at the facility, new program content and an increase in the Exploratorium's endowment. Campaign contributions without a specific purpose restriction are expendable on both capitalizable and noncapitalizable expenditures, including debt repayment.

Pursuant to Board of Trustees policy, contributions received from donors through the Campaign are released once costs are incurred; however, to the extent costs are capitalized as either construction in progress (leasehold improvements) or exhibit costs in progress, such donations are maintained in net assets with donor restrictions through the completion of the construction phase. The Exploratorium has ongoing exhibit construction as a regular part of its activities. Contributions receivable from the Campaign were released once the new facility was placed into service.

**Revenue recognition:** The museum recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Exploratorium recognizes revenues from store sales at a point-in-time upon sale of the merchandise.

Admission revenues are recognized at a point-in-time upon sale of admission tickets unless purchased in advance of use, in which case revenue is deferred until use.

## Exploratorium

### Notes to Financial Statements

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#### **Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Membership revenues are considered to be part contribution without donor restriction and part exchange transaction. The contribution element is recorded in the period received. The exchange element is recorded as deferred revenue when received and recognized as membership revenue over time ratably during the duration of the membership period. Any additional benefits of museum memberships (such as store discounts) are considered immaterial and are not separated out from museum membership revenue.

Revenue from Global Collaborations contracts is for complex integrated and related services and the Exploratorium evaluates whether a contract should be accounted for as more than one performance obligation. This evaluation requires judgment and the decision to combine a group of phases within a contract into a single performance obligation could change the amount of revenue recorded in a given period. For all of these types of contracts, the customer, often other foreign or domestic nonprofit organizations, contracts with the Exploratorium to provide a significant service of integrating a complex set of tasks and phases such as consulting, design, and fabrication into a single project or capability (even if that single project results in the delivery of multiple units). Hence, the entire contract is accounted for as one performance obligation. Revenue is recognized based upon the cost input method over a period of time. Payments received in advance of the Exploratorium satisfying its performance obligations, typically according to defined payment schedules included within the contract, are contract liabilities and are recorded as deferred revenue. As of June 30, 2022, 2021 and 2020, contract liabilities of \$5,631,282, \$7,743,259 and \$2,720,117, respectively, are recorded as deferred revenue on the statements of financial position related to Global Collaborations contracts. As of June 30, 2022, 2021 and 2020, contract receivables of \$12,500, \$2,450,000 and \$498,800, respectively, are recorded as accounts receivable on the statements of financial position related to Global Collaborations contracts. These contracts often include an assurance-type warranty provision, and these warranties are accounted for outside of ASC 606.

Government grants are analyzed to determine if they represent an exchange transaction or a contribution. Grants determined to represent exchange transactions are recognized as the related services are provided. Payments under such transactions are generally received on a cost-reimbursement basis. Grants determined to represent contributions are accounted for as contributions as discussed previously in this note.

For the years ended June 30, 2022 and 2021, \$16,110,711 and \$9,271,246 of revenue was recognized from revenue streams where recognition occurs over time and \$14,173,067 and \$3,211,735, respectively, was recognized from revenue streams at a point in time.

**Deferred revenue:** Deferred revenue consists of annual or multi-year memberships, sponsorships, rental revenue, sublease space rental and global collaborations.

As noted above, membership revenue is deferred and recognized over the duration of the membership period. To the extent that sponsorships contain earned revenue components as a result of specific events, etc., those are deferred until the events take place or the benefits are no longer available to the sponsor. Rental revenue that is paid in advance is considered deferred until it becomes earned.

**Contribution of services:** The Exploratorium has a substantial number of unpaid volunteers performing various functions who contributed over 3,781 hours (unaudited) and 1,281 hours (unaudited) for the years ended June 30, 2022 and 2021, respectively. The value of this contributed time is not reflected in the financial statements as it does not meet the criteria for recognition. The Exploratorium also evaluates and records in-kind gifts of professional services as necessary.

## Exploratorium

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Income tax status:** The Exploratorium has received rulings from the Internal Revenue Service (IRS) and the California Franchise Tax Board granting it exemption from income taxes.

The Exploratorium files exempt organization returns and, if applicable, unrelated business income tax returns in the U.S. and California jurisdictions. The subsidiaries are required to file corporate or partnership tax returns in the U.S. federal and California jurisdictions. To date, the Exploratorium has not been notified by either taxing authority of any pending examination.

The Exploratorium follows the provisions of ASC 740-10, Income Taxes, relating to accounting for uncertain tax positions. Management evaluated the Exploratorium's tax positions and concluded that there were no material uncertainties in income taxes as of June 30, 2022 and 2021.

**Functional expense allocations:** The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of activities and statements of functional expenses. Expenses that apply to more than one functional category have been allocated between program services and support services based on the time spent on these functions by specific employees as estimated by management. Cost allocations are performed for certain cost categories such as interest and accumulated depreciation, based upon administrative vs. program square footage use of the facility. Indirect expenses are allocated based on the overall number of staff in the various functional categories. Certain marketing material costs are allocated based on the percentage of the publication devoted to each functional area. All other costs are charged directly to the appropriate functional category.

**Long-lived assets:** The Exploratorium regularly evaluates whether circumstances have occurred that would indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, the Exploratorium uses an estimate of the undiscounted cash flows over the remaining life of the assets in measuring whether the assets are recoverable. In the opinion of management, no impairment adjustments were required at June 30, 2022 and 2021, and for the years then ended.

**Advertising:** Advertising costs generally consist of media and print advertising and are charged to expense as incurred. Advertising costs recognized during the years ended June 30, 2022 and 2021, were \$1,828,852 and \$1,226,426, respectively. As of June 30, 2022 and 2021, contributed advertising included in advertising costs amounted to \$907,023 and \$401,974, respectively.

**Use of estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Concentrations of risk:** The Exploratorium recognizes there are inherent risks associated with publicly and nonpublicly traded securities. Risk is managed through rigorous evaluation before an investment is made, quarterly monitoring of valuations and regular communication with investment managers. To address market risk of investments, the Exploratorium maintains a formal investment policy that sets out performance criteria and investment guidelines, and requires review of the investment managers' performances. Investments are managed by investment managers, who have responsibility for investing the funds in various investment alternatives.



## Exploratorium

### Notes to Financial Statements

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#### **Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

The Exploratorium does transact some activities with organizations located outside the United States. For the years ended June 30, 2022 and 2021, revenues from such activities amounted to \$9,079,695 and \$7,055,975, respectively, which is recorded in Global Collaborations—foreign on the statements of activities.

In the regular course of business, the Exploratorium may maintain operating cash balances at a bank in excess of federally insured limits. Management does not believe it is exposed to any significant credit risk on uninsured amounts.

**Issued and adopted accounting pronouncement:** In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021, and was adopted in the year ended June 30, 2022. The adoption of ASU 2020-07 did not have a significant impact on the Organization's financial statements.

**Issued but not adopted accounting pronouncements:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition on the statements of activities. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, and ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, that amend certain aspects of ASC Topic 842. In June 2020, the FASB issued ASU 2020-5 which delays the effective date of adopting Topic 842. ASU 2016-02, 2018-10, 2018-11 and 2020-5 are effective for fiscal years beginning after December 15, 2021. The Exploratorium believes this will have a significant impact on the statements of financial position once adopted.

## Exploratorium

### Notes to Financial Statements

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#### Note 2. Liquidity and Availability

The following represents the Exploratorium's financial assets available for general expenditure within one year as of June 30:

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| Financial assets at year-end:                                      |                      |                      |
| Cash and cash equivalents  | \$ 8,150,478         | \$ 5,937,479         |
| Restricted cash  | 289,338              | 289,338              |
| Contributions receivable, net                                      | 8,736,483            | 15,546,401           |
| Government receivables   | 1,796,027            | 5,686,243            |
| Accounts receivable  | 1,306,027            | 2,810,909            |
| Investments  | 85,938,485           | 81,154,672           |
| Total financial assets   | <u>106,216,838</u>   | <u>111,425,042</u>   |
| Less amounts not available to be used within one year:             |                      |                      |
| Cash designated for debt service                                   | (1,105,894)          | (467,060)            |
| Restricted cash  | (289,338)            | (289,338)            |
| Contributions receivable, net, to be collected in over a year      | (3,813,134)          | (7,440,000)          |
| Investments restricted for endowment                               | (71,455,789)         | (78,444,840)         |
| Financial assets not available to be used within one year          | <u>(76,664,155)</u>  | <u>(86,641,238)</u>  |
| Financial assets available for general expenditure within one year | <u>\$ 29,552,683</u> | <u>\$ 24,783,804</u> |

The Exploratorium has certain board-designated and donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year. The Exploratorium has other assets limited to use for donor-restricted purposes, and debt service. These assets are limited to use, and are more fully described in Notes 1 and 7. Accordingly, these assets have been excluded from the financial assets available for general expenditures within one year shown above as they are not available for general expenditure within one year. However, the board-designated amounts could be made available if necessary.

The Exploratorium also maintains a \$6.5 million revolving line of credit as discussed in more detail in Note 8. As of both June 30, 2022 and 2021, \$6.5 million remained available on the Exploratorium's revolving line of credit.

#### Note 3. Contributions Receivable

Contributions receivable represent unconditional promises to give by donors. Contributions that are expected to be collected after one year have been discounted at rates between 0.07% and 4.00% as of June 30, 2022 and 2021, and are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable to the number of years the contribution is expected to remain outstanding.

## Exploratorium

### Notes to Financial Statements

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#### Note 3. Contributions Receivable (Continued)

Contributions receivable are due as follows as of June 30:

|   | 2022                | 2021                 |
|---|---------------------|----------------------|
| Contributions receivable (other than Capital Campaign): |                     |                      |
| Less than one year                                      | \$ 2,964,320        | \$ 6,428,876         |
| One to five years                                       | 1,713,134           | 3,240,000            |
| Discount on receivables due in more than one year       | (48,159)            | (42,051)             |
| Allowance for uncollectible contributions               | (2,000)             | (2,000)              |
|   | <u>4,627,295</u>    | <u>9,624,825</u>     |
| Contributions receivable (Capital Campaign):            |                     |                      |
| Less than one year                                      | 2,126,741           | 2,029,602            |
| One to five years                                       | 2,100,000           | 4,200,000            |
| Discount on receivables due in more than one year       | (116,553)           | (307,026)            |
| Allowance for uncollectible contributions               | (1,000)             | (1,000)              |
|   | <u>4,109,188</u>    | <u>5,921,576</u>     |
| Total   | <u>\$ 8,736,483</u> | <u>\$ 15,546,401</u> |

As of June 30, 2022 and 2021, contributions receivable from one donor represented 45% and 41%, respectively, of the total contributions receivable amount.

The Exploratorium has received notification from various donors or agencies regarding their intention to give gifts or grants to the Exploratorium upon certain conditions being met, such as government grants and the obligation to raise matching gift amounts. As of June 30, 2022 and 2021, these amounts total \$23,668,810 and \$15,708,898, respectively, and have not been recognized within the financial statements due to the conditions not being met at this time. Such amounts will be recorded as revenue when the relevant conditions have been met.

#### Note 4. Exhibits, Leasehold Improvements and Equipment

|  | 2022                  | 2021                  |
|--|-----------------------|-----------------------|
| Leasehold improvements, exhibits and equipment at cost | \$ 37,661,740         | \$ 38,097,899         |
| Less accumulated depreciation                          | (31,357,937)          | (29,492,478)          |
|  | <u>6,303,803</u>      | <u>8,605,421</u>      |
| Leasehold improvements—Piers                           | 190,952,957           | 190,609,971           |
| Less accumulated depreciation                          | (31,547,898)          | (28,157,616)          |
|  | <u>159,405,059</u>    | <u>162,452,355</u>    |
| Total  | <u>\$ 165,708,862</u> | <u>\$ 171,057,776</u> |

Depreciation and amortization expense for exhibits, leasehold improvements and equipment was \$6,382,646 and \$6,380,376 for the years ended June 30, 2022 and 2021, respectively.

## Exploratorium

### Notes to Financial Statements

#### Note 5. Fair Value Measurement and Investment

A summary of the Exploratorium's investments measured at fair value on a recurring basis at June 30, and set forth by level within the fair value hierarchy, is as follows:

| Description                 | 2022                 |             |             | Total                |
|-----------------------------|----------------------|-------------|-------------|----------------------|
|                             | Level 1              | Level 2     | Level 3     |                      |
| Money market fund           | \$ 1,584,107         | \$ -        | \$ -        | \$ 1,584,107         |
| Fixed-income securities:    |                      |             |             |                      |
| Domestic                    | 14,931,869           | -           | -           | 14,931,869           |
| Equities:                   |                      |             |             |                      |
| Domestic                    | 25,423,478           | -           | -           | 25,423,478           |
| International               | 14,150,572           | -           | -           | 14,150,572           |
|                             | 56,090,026           | -           | -           | 56,090,026           |
| Investments measured at NAV | -                    | -           | -           | 29,848,459           |
|                             | <u>\$ 56,090,026</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 85,938,485</u> |

  

| Description                 | 2021                 |             |             | Total                |
|-----------------------------|----------------------|-------------|-------------|----------------------|
|                             | Level 1              | Level 2     | Level 3     |                      |
| Money market fund           | \$ 821,714           | \$ -        | \$ -        | \$ 821,714           |
| Fixed-income securities:    |                      |             |             |                      |
| Domestic                    | 4,460,122            | -           | -           | 4,460,122            |
| Equities:                   |                      |             |             |                      |
| Domestic                    | 27,690,420           | -           | -           | 27,690,420           |
| International               | 23,257,378           | -           | -           | 23,257,378           |
|                             | 56,229,634           | -           | -           | 56,229,634           |
| Investments measured at NAV | -                    | -           | -           | 24,925,038           |
|                             | <u>\$ 56,229,634</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 81,154,672</u> |

The Exploratorium's fixed-income and equity investments are composed of investments into mutual funds and exchange traded funds that each have a specific investment strategy and achieve their investment objective through investing into a variety of securities, including government issued bonds, treasury bills, corporate issued debt, domestic corporate equity securities and foreign corporate equity securities. In fiscal year 2022, the Exploratorium invested approximately \$12 million in United States Treasury Bills in three tranches of approximately \$4 million each that will mature over three, six and 12-month periods. These amounts are included as Level 1 fixed-income securities.

## Exploratorium

### Notes to Financial Statements

#### Note 5. Fair Value Measurement and Investment (Continued)

Additional information related to the alternative investments as of June 30, is as follows:

|                     | 2022                 |                      |                      |  |                               |
|---------------------|----------------------|----------------------|----------------------|--|-------------------------------|
|                     | Fair Value           | Total Commitments    | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period      |
| Private credit      | \$ 87,828            | N/A                  | N/A                  | Quarterly                                    | 65 days' notice <sup>1</sup>  |
| Private equity      | 9,973,330            | \$ 9,250,000         | \$ 1,869,163         | N/A  | Upon Termination <sup>1</sup> |
| Private equity      | 3,943,597            | 5,000,000            | 2,375,000            | N/A  | Upon Termination <sup>1</sup> |
| Private credit      | 5,510,325            | 6,250,000            | 809,192              | N/A  | Upon Termination <sup>1</sup> |
| Global fixed income | 3,525,446            | N/A                  | N/A                  | Daily  | 1 day's notice                |
| Global equity       | 2,316,911            | N/A                  | N/A                  | Semi-Monthly                                 | 5 days' notice                |
| Private credit      | 4,491,022            | 8,000,000            | 3,520,000            | N/A  | Upon Termination <sup>1</sup> |
|                     | <u>\$ 29,848,459</u> | <u>\$ 28,500,000</u> | <u>\$ 8,573,355</u>  |  |                               |
|                     | 2021                 |                      |                      |  |                               |
|                     | Fair Value           | Total Commitments    | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period      |
| Private credit      | \$ 143,167           | N/A                  | N/A                  | Quarterly                                    | 65 days' notice <sup>1</sup>  |
| Private equity      | 7,511,610            | \$ 9,250,000         | \$ 3,675,064         | N/A  | Upon Termination <sup>1</sup> |
| Private equity      | 1,484,745            | 5,000,000            | 3,825,000            | N/A  | Upon Termination <sup>1</sup> |
| Private credit      | 5,467,581            | 6,250,000            | 934,192              | N/A  | Upon Termination <sup>1</sup> |
| Global fixed income | 4,060,663            | N/A                  | N/A                  | Daily  | 1 day's notice                |
| Global equity       | 4,857,272            | N/A                  | N/A                  | Semi-Monthly                                 | 5 days' notice                |
| Private credit      | 1,400,000            | 8,000,000            | 6,600,000            | N/A  | Upon Termination <sup>1</sup> |
|                     | <u>\$ 24,925,038</u> | <u>\$ 28,500,000</u> | <u>\$ 15,034,256</u> |  |                               |

(1) These funds are closed ended and do not allow for withdraws or redemptions. Distributions will be received as the funds terminate.

#### Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of June 30:

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| Program restrictions (purpose and time restrictions)             | \$ 23,225,955        | \$ 21,752,267        |
| Exhibits and furniture site (time restrictions)                  | 64,002               | 57,526               |
| Unappropriated endowment earnings                                | 11,408,898           | 19,850,382           |
| Total net assets with donor restrictions not generating earnings | <u>\$ 34,698,855</u> | <u>\$ 41,660,175</u> |

## Exploratorium

### Notes to Financial Statements

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#### Note 6. Net Assets With Donor Restrictions (Continued)

|   | 2022                 | 2021                  |
|---|----------------------|-----------------------|
| Permanently restricted net assets generating purpose-restricted investment earnings | \$ 58,317,118        | \$ 58,112,270         |
| Permanently restricted net assets generating earnings with no purpose restriction   | 2,229,772            | 2,235,772             |
| Total net assets with donor restrictions generating earnings                        | <u>\$ 60,546,890</u> | <u>\$ 60,348,042</u>  |
|   | 2022                 | 2021                  |
| Total net assets with donor restrictions not generating earnings                    | \$ 34,698,855        | \$ 41,660,175         |
| Total net assets with donor restrictions generating earnings                        | 60,546,890           | 60,348,042            |
| Total net assets with donor restrictions  | <u>\$ 95,245,745</u> | <u>\$ 102,008,217</u> |

Program and purpose restrictions primarily consist of gifts that are restricted for education and programs such as the Teacher's Institute, and Tinkering Studio and the Arts, among others.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction or by the passage of time during the years ended June 30:

|   | 2022                 | 2021                |
|---|----------------------|---------------------|
| Campaign operating initiatives (time and purpose restrictions)  | \$ 24,247            | \$ 125,124          |
| Capital campaign non operating initiative (purpose restriction) | 22,500,000           | -                   |
| Program restrictions (time and purpose restrictions)            | 11,057,091           | 8,258,472           |
| Total net assets released from donor restrictions               | <u>\$ 33,581,338</u> | <u>\$ 8,383,596</u> |

#### Note 7. Endowment

California enacted UPMIFA effective January 1, 2009. As a result, the Exploratorium reviewed all relevant gift instruments and its organizing documents to determine if it had funds with donor-imposed restrictions that are subject to the state-enacted version of UPMIFA. The Exploratorium continues to review all new gift instruments in relationship to the enacted law.

**Interpretation of relevant law:** The Board of Trustees, with the advice of legal counsel, has determined it holds net assets that meet the definition of endowment funds under UPMIFA. As a result of this interpretation, the corpus of funds subject to UPMIFA is classified as net assets with donor restrictions. The corpus represents the fair value of the original gifts as of the gift date and all subsequent gifts where the donor has indicated the gift be retained permanently. The assets with a value greater than or less than the original gifts in donor endowment funds are classified as net assets with donor restrictions until appropriated for expenditure by the Exploratorium.

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the original corpus. At both June 30, 2022 and 2021, the Exploratorium did not have any Endowments with such deficiencies.

## Exploratorium

### Notes to Financial Statements

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#### Note 7. Endowment (Continued)

In accordance with UPMIFA, the Exploratorium considers the following factors in making a determination as to the appropriation of assets for expenditure: (1) the duration and preservation of the fund, (2) the purposes of the organization 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 organization and (7) the investment policies of the Exploratorium.

**Investment and spending policies:** The Exploratorium has adopted investment and spending policies for endowed assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowed assets. The investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

To accomplish the long-term rate of return objectives, the Exploratorium 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 Exploratorium targets a diversified asset allocation with an emphasis on equity-based investments within prudent risk parameters.

The spending policy determines the amount of money to be distributed annually from the Exploratorium's various endowed funds for operational support. The Exploratorium adopted a spending policy to address underwater funds, defined as those funds with balances below historic gift value. The original gift balance, as measured on a gift-by-gift basis within the fund, shall remain intact unless otherwise specified by the donor. The spending rate in the current year is calculated based upon 80% of the previous year's spend, adjusted for inflation, plus 20% of the market value of the portfolio multiplied by a rate of 4.5%, adhering to the Tobin Rule, as approved by the Board of Trustees. The total amounts that were appropriated from donor-restricted endowments and spent in fiscal years 2022 and 2021 were \$2,255,000 and \$3,463,000, respectively. Appropriations from the endowments that have donor restrictions are included in net assets released from restrictions on the statements of activities and in Note 6. The total amounts that were appropriated from quasi endowments in fiscal years 2022 and 2021 were zero and \$159,000, respectively.

The Exploratorium's endowment net assets changed for the years ended June 30, as follows:

|                                     | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|-------------------------------------|-------------------------------|----------------------------|----------------------|
| Endowment net assets, June 30, 2021 | \$ 2,709,832                  | \$ 80,144,841              | \$ 82,854,673        |
| Investment return:                  |                               |                            |                      |
| Investment losses                   | 22,174                        | 682,600                    | 704,774              |
| Net gains                           | (221,534)                     | (6,841,653)                | (7,063,187)          |
| Appropriations                      | -                             | (2,255,000)                | (2,255,000)          |
| Additions                           | -                             | 225,000                    | 225,000              |
| Endowment net assets, June 30, 2022 | <u>\$ 2,510,472</u>           | <u>\$ 71,955,788</u>       | <u>\$ 74,466,260</u> |

## Exploratorium

### Notes to Financial Statements

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#### Note 7. Endowment (Continued)

|                                     | Temporarily<br>Restricted     | Permanently<br>Restricted  | Total                |
|-------------------------------------|-------------------------------|----------------------------|----------------------|
|                                     | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| Endowment net assets, June 30, 2020 | \$ 2,159,891                  | \$ 63,636,272              | \$ 65,796,163        |
| Investment return:                  |                               |                            |                      |
| Investment income                   | 13,007                        | 401,568                    | 414,575              |
| Net gains                           | 695,934                       | 19,570,001                 | 20,265,935           |
| Appropriations                      | (159,000)                     | (3,463,000)                | (3,622,000)          |
| Endowment net assets, June 30, 2021 | <u>\$ 2,709,832</u>           | <u>\$ 80,144,841</u>       | <u>\$ 82,854,673</u> |

#### Note 8. Debt Obligations

**Long-term debt:** Effective August 31, 2018, the Exploratorium refinanced its long-term debt through the issuance of a tax-exempt bond of \$49.2 million. The new financing included semi-annual interest payments and annual principal payments. The loan was a 10-year loan with a fixed interest rate of 3.87% for the first seven years and then a variable interest rate for the remaining three years, with a 20-year amortization period. The debt facility had financial and nonfinancial covenants due quarterly and annually.

As a part of the previous refinance, the Exploratorium received a new guarantee from a large private foundation. As a result of this guarantee, the Exploratorium recorded a restricted contribution in the amount of \$2,476,772 in fiscal year 2019 and has cumulatively recognized \$701,752 of that as contribution revenue through the year ended June 30, 2021. In FY22, the Exploratorium received a large contribution of \$22.5 million which was utilized to repay an equivalent amount of the long term debt and resulted in the release of the guarantee. This debt paydown was handled as a refinancing with the new loan terms being generally the same, aside from its applicable rates. Half of the newly refinanced loan has a fixed interest rate of 2.675% while the other half has a variable rate equal to 154 basis points plus the applicable SOFR rate. As of June 30, 2022, the rate on the variable portion of the loan was 2.56%. The remaining loan guarantee of \$1,775,020 was written off to interest expense at the time of the refinance.

As of June 30, 2022 and 2021, the amount outstanding against this facility was \$22,361,001 and \$45,239,477, respectively. Total interest on this loan was \$1,026,699 and \$1,809,316 during the years ended June 30, 2022 and 2021, respectively. Under the terms of this facility, the Exploratorium is not allowed to borrow additional funding after principal payments are made. This debt is secured by Exploratorium assets such as campaign pledges and exhibits and equipment. The Exploratorium also has a separate line of credit facility which it can borrow on as discussed further below. The facility has a maturity date of November 23, 2026, though this may be extended at the lender's discretion.

Breakdown of the tax-exempt bonds as shown on the statements of financial position is as follows:

|                              | <u>2022</u>          |
|------------------------------|----------------------|
| Long-term debt               | \$ 22,361,001        |
| Less deferred financing fees | (471,009)            |
|                              | <u>\$ 21,889,992</u> |



## Exploratorium

### Notes to Financial Statements

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#### Note 8. Debt Obligations (Continued)

Future principal payments due under the tax-exempt bond are as follows:

|                       |                      |
|-----------------------|----------------------|
| Years ending June 30: |                      |
| 2023                  | \$ 758,000           |
| 2024                  | 758,000              |
| 2025                  | 758,000              |
| 2026                  | 758,000              |
| 2027                  | 19,329,001           |
|                       | <u>\$ 22,361,001</u> |

**Line of credit:** Effective November 19, 2013, the Exploratorium entered into a revolving line of credit debt facility of \$5 million, which was subsequently amended in a prior period to have a maximum borrowing capacity of \$6.5 million. The Exploratorium again renewed this revolving line of credit agreement at \$6.5 million effective January 17, 2021, and extended the agreement's expiration date an additional two years to January 17, 2023. Interest is currently payable at a variable rate equal to LIBOR plus 325 basis points and due monthly. As of June 30, 2022 and 2021, the Exploratorium had no outstanding borrowings against this facility and the rate, if we were borrowing on the line of credit, would have been 3.69% as of June 30, 2022. The Exploratorium has a 30-day clearance requirement on this line of credit, and for both fiscal years 2022 and 2021 that clearance period has been met.

#### Note 9. Lease Commitments

Effective November 3, 2010, the Exploratorium entered into a 66-year lease with the City and County of San Francisco operating by and through the San Francisco Port Commission (the Port). The lease provides for the Exploratorium to lease Pier 15 and a portion of Pier 17, both located in the Historic Port District of the Port of San Francisco. The Exploratorium moved both the museum and corporate offices to the Piers in early 2013 upon completion of the renovations. Key provisions of the lease are as follows:

##### Pier 15:

**Initial minimum monthly rent:** \$66,107. Upon Bay Delta (a tenant of the Port) relocating from Pier 15 to Pier 17, the monthly rent increased to \$78,805. Bay Delta relocated on May 1, 2011.

**Rent escalation:** The monthly minimum lease payment is subject to consumer price index (CPI) increases every fifth year beginning on the fifth anniversary of the lease commencement. The minimum CPI increase is 10%, with a maximum of 20%.

**Rent incentives:** In consideration of the tenant improvements to be constructed by the Exploratorium, the Port is providing the Exploratorium rent incentives equal to the minimum monthly rent from lease commencement through the 50th anniversary of the lease.

**Percentage rent:** The Exploratorium is obligated to pay a monthly percentage rent (6%) based on gross revenues generated on Pier 15 once museum operations commence. If the total computed percentage rent on a quarterly basis exceeds the minimum monthly rent computed before the application of the rent incentives, the Exploratorium will be obligated to pay the Port the differential. For the years ended June 30, 2022 and 2021, the Exploratorium was not obligated for any percentage rent.

## Exploratorium

### Notes to Financial Statements

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#### Note 9. Lease Commitments (Continued)

##### Pier 17:

**Initial minimum monthly rent:** \$66,961. Such initial minimum monthly rent was reduced to \$42,032 for the first six months of the lease.

**Rent escalation:** The monthly minimum lease payment is subject to a CPI increase of 3% each year, effective January 1, 2012, until the application of the rent incentive applicable for Pier 17, on or about January 2024. Upon entering the rent incentive period, the minimum lease payments will increase by the existing CPI every fifth anniversary. The increase will be no less than 10% and no more than 20%. Pier 17 rent increases are also subject to a prevailing rental clause.

**Rent incentive:** In consideration for tenant improvements, which may be made to Pier 17 by the Exploratorium, the Port will provide the Exploratorium a rent incentive to be negotiated prior to the beginning of Pier 17 improvements.

**Percentage rent:** The Exploratorium will be obligated to pay percentage rent on certain revenues generated on Pier 17 and then, if the Exploratorium expands the museum to Pier 17, on all revenues. Payment provisions are and will be similar to Pier 15. For the years ended June 30, 2022 and 2021, the Exploratorium was not obligated for any percentage rent.

**General provisions:** The Exploratorium is obligated to pay the Port's transaction costs directly associated with the lease. Such payments are due quarterly in advance. The transaction costs, estimated to be approximately \$1.5 million, were substantially paid by June 30, 2013, and have been included in minimum rent for purposes of the deferred rent computation.

The Exploratorium, at its sole expense, was obligated to improve a portion of Pier 17 to allow Bay Delta to relocate its maritime facility from Pier 15 to Pier 17. Substantially, all of these improvements, which totaled approximately \$7.9 million, were incurred by June 30, 2011, and have been included in minimum rent for purposes of computation of deferred rent.

The Exploratorium, at its sole expense, did construct the Dock for the exclusive use of the Port. The Exploratorium estimated the Dock to cost \$700,000 to construct. Since the Exploratorium is obligated under the lease to incur this expense, the construction costs have been included in minimum rent for purposes of computation of deferred rent. The Exploratorium completed the construction of the Dock in fiscal year 2016.

The Exploratorium is potentially obligated to pay, and is required to segregate in a separate account, \$50,000 annually on the second through fifth anniversaries of the lease for a substructure reserve. On the sixth anniversary of the lease and every fifth year thereafter, the Exploratorium is to increase the balance in the account to an amount based on the most recent substructure condition report. Interest on the fund shall accrue to the reserve account. The funds reserved are to be used only for the maintenance, repair and replacement of the substructure, if necessary. As of both June 30, 2022 and 2021, this reserve totaled \$289,338.

The Port leased the Piers to the Exploratorium on an as is basis. The cost of any hazardous waste cleanup was the sole expense of the Exploratorium. The Exploratorium, as part of construction, removed all the hazardous waste as required by the lease and current law. Since completion of this project, there have been no hazardous waste costs to date and management does not anticipate any more significant costs.

## Exploratorium

### Notes to Financial Statements

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#### Note 9. Lease Commitments (Continued)

The lease calls for the Exploratorium to expand the museum's footprint to encompass substantially all of Pier 17 under the Phase II construction section of the lease. In order to accomplish this expansion, three events must occur:

1. Bay Delta must vacate the space it currently leases at Pier 17 directly from the Port.
2. The Port Commission must determine that the portion of Pier 17 currently occupied by Bay Delta is no longer needed for maritime use. This determination cannot occur until a maritime use study has been conducted after Bay Delta has vacated the space.
3. The Exploratorium must start construction on the planned Pier 17 renovations by the 16th anniversary of the lease (November 2026).

It is the Exploratorium's intention to expand to Pier 17, even if Bay Delta does not vacate their current space. The Exploratorium may still renovate and expand the museum's footprint to the rest of Pier 17 not currently occupied by Bay Delta, assuming item three is achieved.

Future minimum commitments under this agreement are as follows:

|                       |                       |
|-----------------------|-----------------------|
| Years ending June 30: |                       |
| 2023                  | \$ 2,359,282          |
| 2024                  | 2,395,733             |
| 2025                  | 2,433,278             |
| 2026                  | 2,548,232             |
| 2027                  | 1,932,334             |
| 2028-2077             | <u>101,467,252</u>    |
|                       | 113,136,111           |
| Less sublease revenue | <u>(6,707,562)</u>    |
|                       | <u>\$ 106,428,549</u> |

The above lease schedule includes the future minimum rents for Pier 17 only through the 17th anniversary of the lease. While it is the intention of the Exploratorium to expand to the portion of Pier 17 to which it is allowed (see above), the possibility does exist that the lease for substantially all of Pier 17 could terminate in either 2026 or 2027.

As described in Note 1, the Exploratorium recognizes both lease expense and rent incentives on the straight-line method over the term of the lease. As a result, \$9,304 was recognized as deferred rent assets in 2021 and \$743,086 was recognized as a deferred rent liability in 2022. Total lease expense, associated with the Port lease, amounted to approximately \$1.9 million for both of the years ended June 30, 2022 and 2021. These amounts are net of approximately \$1.2 million for each of the years ended June 30, 2022 and 2021, in recognized rent incentives provided by the Port through the rent credit clause of the lease.

## Exploratorium

### Notes to Financial Statements

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#### Note 9. Lease Commitments (Continued)

The Exploratorium currently has one subtenant resident to Pier 17. The lease was originally entered into on July 1, 2014, and was set to expire June 30, 2024. However, in January 1, 2021, an amendment to the lease extended the lease to June 30, 2026. An important provision of this sublease is as follows:

- Approximately \$173,000 in initial direct costs have been included in the deferred rent calculation, the result of which creates an additional deferred rent asset of \$100,695 that has been combined with the deferred rent asset created under the Port lease (as noted above) on the statements of financial position.

#### Note 10. Contingencies and Management's Plans

**Contingencies:** The Exploratorium receives funds from and administers to various federal and state government-funded programs that are subject to audit by the cognizant governmental agencies. Some of these grants also contain provisions that subject certain assets purchased with governmental funds to be subject to reversion. To date, the Exploratorium has not been required to either refund any grant funding or return any assets purchased with government funding.

**COVID-19 and management's plan:** On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Exploratorium operates. The Exploratorium closed to the public on March 12, 2020, for an extended amount of time, and further required closures could have negative impact on the museum's operations.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The Exploratorium applied for and received a Paycheck Protection Program (PPP) loan under this program (see Note 13). The Exploratorium also applied for and received a Shuttered Venue Operators Grant (SVOG) and was also able to apply certain federal tax credits. See Note 13 for further discussion.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Exploratorium. The impact of this on the Exploratorium, its customers, grantors, funding sources and other constituents cannot be determined at this time. These impacts may include, but are not limited to, the ability lenders, investors, grantors or grantees in any of the sectors in which the Exploratorium operates to honor their commitments. Depending on how long COVID-19 concerns last, the Exploratorium could see in the future increased delinquencies and decreased funding, which could have negative implications over net income but does not expect to. Prolonged closure of the museum could have a significant impact on the Exploratorium, including decreases to key revenue streams, including attendance, memberships, rental events and retail store sales.

Additionally, it is reasonably possible that estimates and the investment valuations made in the financial statements may materially differ in the near term as a result of these conditions.

## Exploratorium

### Notes to Financial Statements

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#### **Note 10. Contingencies and Management's Plans (Continued)**

Management evaluated the significance of these conditions in relation to the Exploratorium's ability to meet its obligations as they become due and meet debt covenant requirements. The museum's ability to continue current operations and execute management's plans is dependent on its ability to generate sufficient cash flows from operations and recognize positive changes in net assets without donor restrictions. As discussed in Note 2, the Exploratorium has \$29,552,683 of financial instruments available for general expenditures and has \$6,500,000 potentially available under its line of credit to support operations.

The Exploratorium reopened to the public in July 2021, but attendance may not return to pre-pandemic levels for some time. The Exploratorium generally recognizes a significant amount of revenues from membership, admissions and store sales, and its ability to earn these revenues is dependent on the Exploratorium opening to the public. Management has taken steps to minimize expenses while the museum is closed to the public and still generates revenues through contributions; Global Collaborations projects and investment earnings and the board of trustees can also appropriate additional monies from the endowment to cover its expenses. Based on the Exploratorium's current operating plan, management anticipates that, given current working capital levels, current financial projections and the availability of liquidity noted above, the Exploratorium will be able to meet its obligations as they become due and meet debt covenant requirements. It is unknown how long the adverse conditions associated with the coronavirus will last. The Exploratorium continues to make adjustments to its operations to adapt to the changing environment.

#### **Note 11. Retirement Plan**

The Exploratorium has a defined contribution plan that is a qualified plan under Section 403(b) of the Internal Revenue Code. The plan covers employees who have reached the age of 21, completed one year of service and worked at least 975 hours during any plan year. The plan allows for the Exploratorium, as plan sponsor, to make elective matching contributions to the plan.

During the years ended June 30, 2022 and 2021, the Exploratorium contributed \$544,908 and \$567,471 to the plan, respectively, and is included in compensation and benefits expense on the statements of functional expenses.

#### **Note 12. Related-Party Transactions**

Contributions receivable from members of the Board of Trustees of the Exploratorium or companies or individuals with which the Board of Trustees are affiliated were \$7,825,079 and \$13,178,498 as of June 30, 2022 and 2021, respectively. Recorded contribution revenue from members of the Board of Trustees of the Exploratorium or companies or individuals with which the Board of Trustees are affiliated were \$31,231,569 and \$12,550,523 for the years ended June 30, 2022 and 2021, respectively, are reflected in private contributions on the statements of activities.

## Exploratorium

### Notes to Financial Statements

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#### Note 13. CARES Act Funding

**Shuttered Venue Operators Grant:** On June 30, 2021, the Exploratorium was awarded a \$10,000,000 Shuttered Venue Operators Grant (SVOG) from the Small Business Administration. The 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 SVOG grant is considered a federal award and is included on the Exploratorium's Schedule of Federal Expenditures and Awards. The purpose of the program is to provide emergency disaster assistance to venues affected by the COVID-19 pandemic. The program objective is to specifically cover allowable expenses that include payroll expenses and other administrative in nature costs. These costs can be applied retroactively. The Exploratorium has until June 30, 2022, to fully expend this grant. For the years ended June 30, 2022 and 2021, the Exploratorium has utilized \$4,907,371 and \$5,092,629, respectively. The Exploratorium is in the process of and has initiated the closeout of this program with the SBA.

**Employee Retention Tax Credit:** The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, made a number of changes to the employee retention tax credits previously made available under the CARES Act. As a result of these changes the Exploratorium became eligible to apply for and receive the Employee Retention Credit (ERC), for at least six months through June 30, 2021.

As a result of the new legislation, the Exploratorium could claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after December 31, 2020 through June 30, 2021. Qualified wages were limited to \$10,000 per employee per calendar quarter in 2021. Thus, the maximum ERC amount available is \$7,000 per employee per calendar quarter, for a total of \$14,000 in 2021. As of June 30, 2021, the Exploratorium claimed \$3,981,063 in employee retention tax credits for the year then ended and this amount is recorded as a contribution on the Exploratorium's statement of activities.

#### Note 14. Subsequent Events

The Exploratorium evaluated subsequent events through October 21, 2022, the date on which the financial statements were available to be issued.