Exploratorium

Financial Report
June 30, 2023

RSM US LLP

Independent Auditor's Report

Board of Trustees
Exploratorium

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Exploratorium (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RSM US LLP

San Jose, California
October 23, 2023

Exploratorium

Statements of Financial Position
June 30, 2023 and 2022

Assets	**2023**	2022
Cash and cash equivalents	**$ 8,481,183**	$ 8,150,478
Restricted cash (Note 9)	**233,419**	289,338
Operating investments (Note 5)	**7,129,472**	11,972,224
Contributions receivable, net (Notes 3)	**6,059,881**	8,736,483
Government receivables	**1,208,818**	1,796,027
Accounts receivable	**750,856**	1,306,027
Inventories	**1,166,538**	1,142,756
Other assets and prepaid expenses	**1,893,273**	1,538,859
Investments, at fair value (Note 5)	**81,926,798**	73,966,261
Exhibits, leasehold improvements and equipment (Note 4)	**161,747,342**	165,708,862
Construction in progress, exhibits	**576,698**	434,787
Operating lease right-of-use assets (Note 9)	**13,558,336**	-
Total assets	**$ 284,732,614**	$ 275,042,102
Liabilities and Net Assets		
Liabilities:		
Line of credit (Note 8)	**$ -**	$ -
Trade payables	**424,780**	841,076
Accrued expenses	**6,595,572**	6,312,073
Deferred revenue	**5,269,365**	7,594,606
Refundable advances	**498,579**	-
Deferred rent	**-**	743,086
Operating lease liabilities (Note 9)	**14,929,798**	-
Term debt, net (Note 8)	**21,149,096**	21,889,992
Total liabilities	**48,867,190**	37,380,833
Commitments and contingencies (Notes 10 and 11)		
Net assets:		
Without donor restrictions	**141,859,290**	142,415,524
With donor restrictions (Note 6)	**94,006,134**	95,245,745
Total net assets	**235,865,424**	237,661,269
Total liabilities and net assets	**$ 284,732,614**	$ 275,042,102

See notes to financial statements.

Exploratorium

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:			
Private contributions	$ 4,531,313	$ 8,912,193	$ 13,443,506
In-kind contributions (Note 14)	1,227,668	-	1,227,668
Government grants	5,358,839	-	5,358,839
Global Studios—domestic	11,075,003	-	11,075,003
Global Studios—foreign	4,068,174	-	4,068,174
Admissions	7,634,329	-	7,634,329
Membership	2,026,483	-	2,026,483
Rentals and other revenue	8,961,468	-	8,961,468
Store sales	1,576,184	-	1,576,184
Net assets released from restrictions	15,615,390	(15,615,390)	-
Total revenues and support	62,074,851	(6,703,197)	55,371,654
Operating expenses:			
Program services:			
Visitor experience	30,608,388	-	30,608,388
Educator engagement	10,079,272	-	10,079,272
Global collaborations	13,108,889	-	13,108,889
Support services:			
General and administrative	9,779,040	-	9,779,040
Fundraising and membership	3,699,949	-	3,699,949
Total operating expenses	67,275,538	-	67,275,538
Change in net assets from operating activities	(5,200,687)	(6,703,197)	(11,903,884)
Nonoperating revenue:			
Private campaign contributions	5,616,340	6,408	5,622,748
Net assets released from restrictions	6,408	(6,408)	-
Total nonoperating revenues	5,622,748	-	5,622,748
Financing expense:			
Long-term debt interest expense (Note 8)	1,550,483	-	1,550,483
Total nonoperating expenses	1,550,483	-	1,550,483
Investment activity:			
Investment return, net	572,188	5,463,586	6,035,774
Total investment activity	572,188	5,463,586	6,035,774
Change in net assets	(556,234)	(1,239,611)	(1,795,845)
Net assets, beginning of year	142,415,524	95,245,745	237,661,269
Net assets, end of year	$ 141,859,290	$ 94,006,134	$ 235,865,424

See notes to financial statements.

Exploratorium

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:			
Private contributions	$ 5,673,913	$ 10,481,104	$ 16,155,017
In-kind contributions (Note 14)	1,114,077	-	1,114,077
Government grants	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)	-
Total revenues and support	58,052,017	(575,987)	57,476,030
Operating expenses:			
Program services:			
Visitor experience	26,053,559	-	26,053,559
Educator engagement	8,997,285	-	8,997,285
Global collaborations	11,789,184	-	11,789,184
Support services:			
General and administrative	9,311,934	-	9,311,934
Fundraising and membership	3,015,093	-	3,015,093
Total operating expenses	59,167,055	-	59,167,055
Change in net assets from operating activities	(1,115,038)	(575,987)	(1,691,025)
Nonoperating revenue:			
Private campaign contributions	-	22,524,247	22,524,247
Net assets released from restrictions	22,524,247	(22,524,247)	-
Total nonoperating revenues	22,524,247	-	22,524,247
Financing expense:			
Long-term debt interest expense (Note 8)	2,985,509	-	2,985,509
Total nonoperating expenses	2,985,509	-	2,985,509
Investment activity:			
Investment return, net	(204,499)	(6,186,485)	(6,390,984)
Total investment activity	(204,499)	(6,186,485)	(6,390,984)
Change in net assets	18,219,201	(6,762,472)	11,456,729
Net assets, beginning of year	124,196,323	102,008,217	226,204,540
Net assets, end of year	$ 142,415,524	$ 95,245,745	$ 237,661,269

See notes to financial statements.

Exploratorium

Statements of Functional Expenses
Years Ended June 30, 2023 and 2022

	2023					
	Program Expenses			Support Services		
	Visitor Experience	Educator Engagement	Global Collaborations	General and Administrative	Fundraising and Membership	Total Expenses
Compensation and benefits	$ 16,728,958	$ 7,196,888	$ 5,479,157	$ 6,137,339	$ 2,201,684	$ 37,744,026
Occupancy	1,288,491	377,768	498,099	236,496	17,765	2,418,619
Depreciation and amortization	4,979,222	48,041	7,391	419,958	25,809	5,480,421
Consulting and professional services	2,267,351	818,431	4,162,163	243,439	71,860	7,563,244
Production supplies	1,275,469	175,838	1,494,439	273,810	7,350	3,226,906
Other outside services, advertising, other	4,068,897	1,462,306	1,467,640	2,467,998	1,375,481	10,842,322
	30,608,388	10,079,272	13,108,889	9,779,040	3,699,949	67,275,538
Interest expense	859,588	291,646	383,745	7,752	7,752	1,550,483
	$ 31,467,976	$ 10,370,918	$ 13,492,634	$ 9,786,792	$ 3,707,701	$ 68,826,021

	2022					
	Program Expenses			Support Services		
	Visitor Experience	Educator Engagement	Global Collaborations	General and Administrative	Fundraising and Membership	Total Expenses
Compensation and benefits	$ 13,799,238	$ 6,071,090	$ 5,512,072	$ 5,743,965	$ 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	777,050	172,412	1,641,123	267,377	7,472	2,865,434
Other outside services, advertising, other	2,507,445	1,156,429	533,672	2,108,972	872,112	7,178,630
	26,053,559	8,997,285	11,789,184	9,311,934	3,015,093	59,167,055
Interest expense	1,546,156	624,422	785,077	14,927	14,927	2,985,509
	$ 27,599,715	$ 9,621,707	$ 12,574,261	$ 9,326,861	$ 3,030,020	$ 62,152,564

See notes to financial statements.

Exploratorium

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	**$ (1,795,845)**	$ 11,456,729
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Write-off of loan guarantee	**-**	1,775,020
Depreciation and amortization	**5,480,421**	6,382,646
Amortization of financing costs	**17,104**	26,213
Amortization of capitalized software costs	**48,482**	27,561
Write-off of prior financing fees	**-**	153,421
Change in discount on long-term contributions receivable	**(189,292)**	(178,257)
Net realized and unrealized (gains) losses on investments	**(4,282,352)**	7,089,726
Donated securities	**(5,693,793)**	(1,615,379)
Proceeds from sale of donated securities	**877,453**	1,615,379
Loss on disposal of property and equipment	**21,422**	68,052
Change in deferred rent	**8,782**	752,390
Changes in assets and liabilities:		
Contributions receivable	**765,895**	4,992,384
Government and other receivables	**1,142,380**	5,395,098
Inventories	**(23,782)**	(70,110)
Other assets and prepaid expenses	**(260,579)**	(197,321)
Trade payables and accrued expenses	**(132,798)**	1,295,141
Refundable advances	**498,579**	-
Deferred revenue	**(2,325,241)**	(2,311,206)
Operating lease right-of-use assets	**1,289,874**	-
Operating lease liabilities	**(764,115)**	-
Net cash (used in) provided by operating activities	**(5,317,405)**	36,657,487
Cash flows from investing activities :		
Capital expenditures	**(1,730,718)**	(1,370,199)
Proceeds from sales of investments	**44,044,664**	27,094,586
Purchases of investments	**(38,063,755)**	(38,968,125)
Net cash provided by (used in) investing activities	**4,250,191**	(13,243,738)
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in endowment and museum improvements	**2,100,000**	2,000,000
Finance fees paid	**-**	(322,274)
Payments made on term loan	**(758,000)**	(22,878,476)
Net cash provided by (used in) financing activities	**1,342,000**	(21,200,750)
Net increase in cash and cash equivalents, and restricted cash	**274,786**	2,212,999
Cash and cash equivalents and restricted cash, beginning of year	**8,439,816**	6,226,817
Cash and cash equivalents, and restricted cash, end of year	**$ 8,714,602**	$ 8,439,816
At June 30, 2023 and 2022, the amounts included in cash and cash equivalents and restricted cash include the following:		
Cash and cash equivalents	**$ 8,481,183**	$ 8,150,478
Restricted cash	**233,419**	289,338
	$ 8,714,602	$ 8,439,816
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	**$ 892,620**	$ 1,210,489
Supplemental disclosure of noncash financing and investment activities:		
Loan guarantee write-off	**$ -**	$ 1,775,020
Supplemental schedule of noncash investing and financing activities:		
Operating lease right-of-use assets and liabilities recorded as a result of adoption of ASC 842:		
Operating lease right-of-use assets	**$ 14,848,210**	$ -
Operating right-of-use lease liabilities	**$ 15,693,913**	$ -

See notes to financial statements.

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 the Exploratorium's 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. The Exploratorium offers hands-on experiences, and encourages questions, explorations and individual discovery, the Exploratorium is 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, the Exploratorium shares deep knowledge of exhibit making, program creation and professional development with partner organizations around the world, shaping and tailoring approach and expertise to the needs and goals of other communities. The Exploratorium co-creates programs, conducts research and develops staff, thinks across disciplines, collaborates, and prototypes to generate exhibits and programs that adapt to the cultures of those communities.

Educator engagement: Through the Exploratorium's Educator Engagement programs such as the Teacher Institute, Institute for Inquiry, and the Tinkering Studio, the Exploratorium creates inquiry-based experiences and tools that spark wonder. The Exploratorium offers 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, the Exploratorium offers 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 net assets into two classes: without donor restrictions and with donor restrictions.

Without donor restrictions: Contributions and other inflows of assets that are not subject to donor-imposed stipulations but may be designated for specific purposes by action of the Board of Trustees (Board). Net assets without donor restrictions include expendable funds available to support operations as well as net assets invested in property and equipment. As of June 30, 2023 and 2022, the Board has designated $2,699,280 and $2,510,472 for purposes of a quasi-endowment fund.

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

With donor restrictions: Contributions and other inflows of assets subject to donor-imposed stipulations that may or will be met by actions of the Exploratorium or the passage of time or are permanently maintained by the Exploratorium pursuant to those donor stipulations. Upon satisfaction of such stipulations, net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions.

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, 2023 and 2022, 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 receivables: Accounts receivable are stated at net realizable value and does not bear interest. The Exploratorium evaluates the collectability of its accounts receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. At June 30, 2023 and 2022, the Exploratorium has determined that all receivables are fully collectible and, therefore, has not recorded an allowance for doubtful accounts.

Contributions receivable: Contributions receivable due in one year or less are reported at net realizable value. Amounts due under contributions receivable over a period of more than one year at the date of donation are reported at net present value using the market discount rate in effect at the date of the unconditional promise to give. Receivables are stated less an allowance for doubtful accounts. Management's determination of an allowance is based on historical experience, knowledge of donor and other circumstances. As of June 30, 2023 and 2022, the Exploratorium has recorded an allowance for uncollectible contributions receivable in the amount of $3,000. 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.

Grants receivable: Grants receivable are stated less an allowance for doubtful accounts. Management's determination of an allowance is based on historical experience, knowledge of grantor and other circumstances. Management believes grants receivable to be fully collectible as of June 30, 2023 and 2022.

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.

Expenditure for renewals and improvements that significantly add to the productive capacity to extend the useful life of the asset are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred. Upon retirement, sale or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the statements of activities.

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

Construction in progress at the Exploratorium generally consists of exhibits and leasehold improvements that are not yet completed as of fiscal year-end. Depreciation does not begin until these assets are completed and placed in service.

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 years ended June 30, 2023 and 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, 2023 and 2022, 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 and fixed income corporate bonds are reported at fair value based on their quoted market prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

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 accompanying statements of activities.

Operating investments: Operating investments are treated consistently as noted above; however, they consist of shorter-term investments that typically can be liquidated and used for operations within a 12-month period. As of June 30, 2023, the Exploratorium's investments in this category included a mutual fund and a short-term US treasury bill.

Contributions: The Exploratorium recognizes unconditional contributions when cash, securities, promises to give or other assets, or notification of a beneficial interest, is received. Unconditional contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of restriction.

Conditional contributions are those contributions that certain donor-imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recorded as revenue when conditions are satisfied. Conditional contributions received in advance of satisfying conditions are recorded as refundable advances.

A portion of the Exploratorium's non-exchange revenue is derived from cost-reimbursable grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenditures (i.e., contain meaningful barriers and rights of return). Amounts received are recognized as revenue when the Exploratorium has provided certain services and incurred expenditures in compliance with specific contract or grant provisions. Cash received in excess of revenue recognized is recorded as refundable advances. As of June 30, 2023 and 2022, there was $498,579 and $0, respectively, in refundable advances on the accompanying statements of financial position.

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

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 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

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.

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

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, 2023, 2022 and 2021, contract liabilities of $2,390,675, $5,631,282 and $7,743,259, respectively, are recorded as deferred revenue on the statements of financial position related to Global Collaborations contracts. Contract liabilities from sales to customers outside of global collaborations are $2,878,690, $1,963,324 and $2,162,553 and are included in deferred revenue on the statements of financial position as of June 30, 2023, 2022 and 2021, respectively. As of June 30, 2023, 2022 and 2021, contract receivables of $25,000, $12,500 and $2,450,000, 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. Contract receivables from sales to customers, outside of global collaborations are $725,855, $1,293,527 and $360,909 as of June 30, 2023, 2022 and 2021, respectively.

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. Grants determined to represent contributions are accounted for as contributions as discussed previously in this note.

For the years ended June 30, 2023 and 2022, $17,169,660 and $16,110,711 of revenue was recognized from revenue streams where recognition occurs over time and $18,171,981 and $14,173,067, 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.

Donated materials and services: Donated materials are reflected in the accompanying financial statements at their estimated fair market value at date of receipt. Donations of services are recorded as support at their estimated fair value if the services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Exploratorium estimates the fair value on the basis of estimates of wholesale values that would be received from selling similar products, renting similar spaces or acquiring similar services in the United States in line with FASB Topic 820, Fair Value Measurement. The Exploratorium utilizes donated materials for their mission and does not monetize or sell the goods.

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

The Exploratorium has a substantial number of unpaid volunteers performing various functions who contributed over 7,778 hours (unaudited) and 3,781 hours (unaudited) for the years ended June 30, 2023 and 2022, respectively. The value of this contributed time is not reflected in the financial statements as it does not meet the criteria for recognition.

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

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, 2023 and 2022.

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 versus 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.

Impairment of long-lived assets: The Exploratorium evaluates the carrying value of its long-lived assets whenever events or changes in circumstances indicate such value 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. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. In the opinion of management, no impairment adjustments were required at June 30, 2023 and 2022, 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, 2023 and 2022, were $2,724,791 and $1,828,852, respectively. As of June 30, 2023 and 2022, contributed advertising included in advertising costs amounted to $955,889 and $915,154, respectively. These costs are presented in the general and administrative category on the accompanying statements of functional expenses.

Operating activities: The statements of activities include subtotals for non-operating activities. Items not considered operating activities represent private campaign contributions, long-term debt interest expense, and investment return, net.

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.

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

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.

The Exploratorium does transact some activities with organizations located outside the United States. For the years ended June 30, 2023 and 2022, revenues from such activities amounted to $4,068,174 and $9,079,695, respectively, which is recorded in Global Collaborations—foreign on the accompanying 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.

Reclassifications: Certain reclassifications have been made to the 2022 consolidated financial statements in order to conform to the 2023 presentation. These reclassifications did not result in a change in previously reported change in net assets.

Issued and adopted accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations related to their leasing arrangements. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use (ROU) lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy U.S. GAAP. The Exploratorium adopted the new lease standard on July 1, 2022, using the optional transition method to the modified retrospective approach. Under this transition provision, results for reporting periods beginning on July 1, 2022, are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with the Exploratorium's historical accounting treatment under ASC Topic 840, Leases.

To reduce the burden of adoption and ongoing compliance with Topic 842, a number of practical expedients and policy elections are available under the new guidance. The Exploratorium elected the package of practical expedients permitted under the transition guidance, which among other things, did not require reassessment of whether contracts entered into prior to adoption are or contain leases, and allowed carryforward of the historical lease classification for existing leases. The Exploratorium has not elected to adopt the hindsight practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term at adoption on July 1, 2022.

The Exploratorium made an accounting policy election under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, the Exploratorium recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

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

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes to an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Exploratorium's leases may include a non-lease component representing additional services transferred to the Exploratorium, such as common area maintenance for real estate. The Exploratorium made an accounting policy election to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

A lessee that is not a public business entity is permitted to use a risk-free discount rate for its leases, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. In order to ease the accounting burden of determining incremental borrowing rates under ASC 842, the Exploratorium has made this accounting policy election for all leases. The risk-free discount rates were obtained using U.S. Treasury securities as posted on the Federal Reserve website. The Exploratorium uses the implicit rate when readily determinable.

Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to the Exploratorium's operating leases of approximately $14,848,210 and $15,693,913, respectively, on July 1, 2022. The adoption of the new lease standard did not materially impact the statement of activity or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Note 2. Liquidity and Availability

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

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	$ 8,481,183	8,150,478
Restricted cash	233,419	289,338
Contributions receivable, net	6,059,881	8,736,483
Government receivables	1,208,818	1,796,027
Accounts receivable	750,856	1,306,027
Investments	89,056,270	85,938,485
Total financial assets	105,790,427	106,216,838
Less amounts not available to be used within one year:		
Cash for debt service	(1,957,928)	(1,105,894)
Restricted cash	(233,419)	(289,338)
Contributions receivable, net, to be collected in over a year	(648,969)	(3,813,134)
Investments restricted for endowment	(74,419,373)	(71,455,789)
Financial assets not available to be used within one year	(77,259,689)	(76,664,155)
Financial assets available for general expenditure within one year	$ 28,530,738	$ 29,552,683

Note 2. Liquidity and Availability (Continued)

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.

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, 2023 and 2022, $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 0.23% and 5.4% as of June 30, 2023 and 2022, 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.

Contributions receivable are due as follows as of June 30:

	2023	2022
Contributions receivable (other than Capital Campaign):		
Less than one year	$ 3,310,750	$ 2,964,320
One to five years	648,969	1,713,134
Discount on receivables due in more than one year	(23,579)	(48,159)
Allowance for uncollectible contributions	(2,000)	(2,000)
	3,934,140	4,627,295
Contributions receivable (Capital Campaign):		
Less than one year	2,126,741	2,126,741
One to five years	-	2,100,000
Discount on receivables due in more than one year	-	(116,553)
Allowance for uncollectible contributions	(1,000)	(1,000)
	2,125,741	4,109,188
Total	$ 6,059,881	$ 8,736,483

As of June 30, 2023 and 2022, contributions receivable from one donor represented 33% and 45%, 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, 2023 and 2022, these amounts total $17,064,216 and $23,668,810, 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

	2023	2022
Leasehold improvements, exhibits and equipment at cost	$ 39,040,209	$ 37,661,740
Less accumulated depreciation	(33,468,661)	(31,357,937)
	5,571,548	6,303,803
Leasehold improvements—Piers	191,122,413	190,952,957
Less accumulated depreciation	(34,946,619)	(31,547,898)
	156,175,794	159,405,059
Total	$ 161,747,342	$ 165,708,862

Depreciation and amortization expense for exhibits, leasehold improvements and equipment was $5,480,421 and $6,382,646 for the years ended June 30, 2023 and 2022, respectively.

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:

	2023			
Description	Level 1	Level 2	Level 3	Total
Operating investments:				
Money market fund	$ 4,133,548	$ -	$ -	$ 4,133,548
U.S. treasury bill	2,995,924	-	-	2,995,924
	7,129,472	-	-	7,129,472
Money market fund	610,579	-	-	610,579
Fixed-income securities:				
Domestic	7,094,183	-	-	7,094,183
Equities:				
Domestic	26,836,814	-	-	26,836,814
International	14,891,429	-	-	14,891,429
	49,433,005	-	-	49,433,005
Investments measured at NAV	-	-	-	32,493,793
	$ 56,562,477	$ -	$ -	$ 89,056,270

Note 5. Fair Value Measurement and Investment (Continued)

	2022			
Description	Level 1	Level 2	Level 3	Total
Operating investments:				
U.S. treasury bill	$ 11,972,224	$ -	$ -	$ 11,972,224
	11,972,224	-	-	11,972,224
Money market fund	1,584,107	-	-	1,584,107
Fixed-income securities:				
Domestic	2,959,645	-	-	2,959,645
Equities:				
Domestic	25,423,478	-	-	25,423,478
International	14,150,572	-	-	14,150,572
	44,117,802	-	-	44,117,802
Investments measured at NAV	-	-	-	29,848,459
	$ 56,090,026	$ -	$ -	$ 85,938,485

The Exploratorium's fixed-income and equity investments are composed of investments in 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. As of June 30, 2023, the Exploratorium had invested in short term investments for operations of approximately $7.1 million which includes a United States Treasury Bill that will mature over a six-month period and mutual fund investments. As of June 30, 2022, the Exploratorium had invested for operations of approximately $11.9 million in United States Treasury Bills in three tranches of approximately $4 million each that mature over three, six and 12-month periods.

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

	2023				
	Fair Value	Total Commitments	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private credit	$ 71,293	N/A	N/A	Quarterly	65 days' notice [1]
Private equity	9,538,737	$ 9,250,000	$ 1,409,620	N/A	Upon Termination [1]
Private equity	4,675,789	5,000,000	1,703,069	N/A	Upon Termination [1]
Private credit	5,730,442	6,250,000	590,442	N/A	Upon Termination [1]
Global fixed income	3,594,271	N/A	N/A	Daily	1 day's notice
Global equity	2,132,617	N/A	N/A	Semi-Monthly	5 days' notice
Private credit	6,750,644	8,000,000	1,280,000	N/A	Upon Termination [1]
	$ 32,493,793	$ 28,500,000	$ 4,983,131		

Note 5. Fair Value Measurement and Investment (Continued)

	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 [1]
Private equity	9,973,330	$ 9,250,000	$ 1,869,163	N/A	Upon Termination [1]
Private equity	3,943,597	5,000,000	2,375,000	N/A	Upon Termination [1]
Private credit	5,510,325	6,250,000	809,192	N/A	Upon Termination [1]
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 [1]
	$ 29,848,459	$ 28,500,000	$ 8,573,355		

(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 include net assts restricted in perpetuity—endowment, and net assets with donor restrictions for time and specified purposes. Net assets with donor restrictions consist of the following at June 30:

	2023	2022
Program restrictions (purpose and time restrictions)	$ 19,265,406	$ 23,225,955
Exhibits and furniture site (time restrictions)	21,355	64,002
Endowment earnings subject to spending policy and appropriation (purpose and time restricted)	14,172,483	11,408,898
	$ 33,459,244	$ 34,698,855

	2023	2022
Endowment corpus—held in perpetuity		
Endowment corpus held in perpetuity and purpose restricted	$ 58,317,118	$ 58,317,118
Endowment corpus held in perpetuity and no purpose restriction	2,229,772	2,229,772
Total net assets with donor restrictions—held in perpetuity	60,546,890	60,546,890
Total net assets with donor restrictions	$ 94,006,134	$ 95,245,745

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.

Note 6. Net Assets With Donor Restrictions (Continued)

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:

	2023	2022
Campaign operating initiatives (time and purpose restrictions)	$ 6,408	$ 24,247
Capital campaign non operating initiative (purpose restriction)	-	22,500,000
Program restrictions (time and purpose restrictions)	15,615,390	11,057,091
Total net assets released from donor restrictions	$ 15,621,798	$ 33,581,338

Note 7. Endowment

California enacted Uniform Prudent Management of Institutional Funds Act (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, with the advice of legal counsel, has determined it holds net assets that meet the definition of endowment funds under UPMIFA. 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. 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.

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, 2023 and 2022, the Exploratorium did not have any endowments that were underwater.

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.

Note 7. Endowment (Continued)

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. The total amounts that were appropriated from donor-restricted endowments and spent in fiscal years 2023 and 2022 were $2,700,000 and $2,255,000, 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. There were no amounts appropriated from quasi-endowments in each of the years ended June 30, 2023 and 2022.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	$ 2,510,472	$ 71,955,788	$ 74,466,260
Investment return:			
Investment income	47,164	1,338,449	1,385,613
Net gains	141,644	4,125,136	4,266,780
Appropriations	-	(2,700,000)	(2,700,000)
Endowment net assets, June 30, 2023	$ 2,699,280	$ 74,719,373	$ 77,418,653

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	$ 2,709,832	$ 80,144,841	$ 82,854,673
Investment return:			
Investment income	22,174	682,600	704,774
Net losses	(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	$ 2,510,472	$ 71,955,788	$ 74,466,260

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.

Note 8. Debt Obligations (Continued)

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, 2023 and 2022, the rate on the variable portion of the loan was 6.65% and 2.56%, respectively. During the year ended June 30, 2022, the remaining loan guarantee of $1,775,020 was written off to interest expense at the time of the refinance.

As of June 30, 2023 and 2022, the amount outstanding against this facility was $21,603,001 and $22,361,001, respectively. Total interest on this loan was $892,065 and $1,026,699 during the years ended June 30, 2023 and 2022, 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:

Long-term debt	$ 21,603,001
Less deferred financing fees	(453,905)
	$ 21,149,096

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

Years ending June 30:	
2024	$ 758,000
2025	758,000
2026	758,000
2027	758,000
2028	18,571,001
	$ 21,603,001

Line of credit: The Exploratorium has a revolving line of credit debt facility with a maximum borrowing capacity of $6.5 million that expires on November 23, 2026. Interest is payable monthly at a variable rate equal to LIBOR plus 325 basis points . As of June 30, 2023 and 2022, the Exploratorium had no outstanding borrowings against this facility. The Exploratorium has a 30-day clearance requirement on this line of credit, and for both fiscal years 2023 and 2022 that clearance period has been met.

Note 9. Leases

The Exploratorium determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Exploratorium also considers whether its service arrangements include the right to control the use of an asset.

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, 2023 and 2022, the Exploratorium was not obligated for any percentage rent.

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.

Note 9. Leases (Continued)

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, 2023 and 2022, the Exploratorium was not obligated for any percentage rent.

General provisions: 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 June 30, 2023 and 2022, this reserve totaled $233,419 and $289,338, respectively and is presented as restricted cash on the accompanying statement of financial position.

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.

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.

The below 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 of June 30, 2023, supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 1,162,831

The Exploratorium did not enter into any new lease obligations during the year ended June 30, 2023.

Note 9. Leases (Continued)

Operating lease cost is recognized on a straight-line basis over the lease term. Rent expense was approximately $1,048,000 and $1,883,000 for the years ended June 30, 2023 and 2022, respectively. The Exploratorium did not have any material short-term lease costs during the years ended June 30, 2023 and 2022.

Future undiscounted cash flow for each of the next five years and thereafter, and reconciliation to the lease liabilities recognized on the statement of financial position as of June 30, 2023, is as follows:

	Pier 15	Pier 17	Total
Years ending June 30:			
2024	$ -	$ 1,227,004	$ 1,227,004
2025	-	1,263,814	1,263,814
2026	-	1,301,729	1,301,729
2027	-	667,120	667,120
2028	-	-	-
Thereafter	43,858,490	-	43,858,490
Total	43,858,490	4,459,667	48,318,157
Less amounts representing interest	(33,162,410)	(225,949)	(33,388,359)
Lease liability at June 30, 2023	$ 10,696,080	$ 4,233,718	$ 14,929,798

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	June 30, 2023
Weighted-average lease term:	
Operating leases	40.15 years
Weighted-average discount rate:	
Operating leases	3.08%

Future minimum lease commitments as determined under Topic 840 under the above-mentioned operating lease are as follows as of June 30, 2022:

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	101,467,252
	113,136,111
Less sublease revenue	(6,707,562)
	$ 106,428,549

Note 9. Leases (Continued)

The Exploratorium has one subtenant resident to Pier 17 which expires June 30, 2026. Minimum future rentals under this sublease at June 30, 2023, totaled approximately $5,048,000. Total rental income recognized during the years ended June 30, 2023 and 2022, totaled approximately $1,660,000 and $1,649,000, respectively. 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 $93,385 and $102,617 as of June 30, 2023 and 2022 respectively, that is included in other assets and prepaid expenses on the accompanying statements of financial position.

Note 10. Contingencies

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.

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, 2023 and 2022, the Exploratorium contributed $1,097,380 and $544,908 to the plan, respectively, and is included in compensation and benefits expense on the accompanying statements of functional expenses.

Note 12. Related Party Transactions

Contributions receivable from members of the Board of the Exploratorium or companies or individuals with which the Board are affiliated were $4,867,013 and $7,825,079 as of June 30, 2023 and 2022, respectively. Recorded contribution revenue from members of the Board of the Exploratorium or companies or individuals with which the Board are affiliated were $8,082,685 and $31,231,569 for the years ended June 30, 2023 and 2022, respectively, and are reflected in private contributions on the accompanying statements of activities.

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. 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 had until June 30, 2022, to fully expend this grant. For the years ended June 30, 2023 and 2022, the Exploratorium has utilized $0 and $4,907,371, respectively. The Exploratorium has completed the closeout of this program with the SBA.

Note 14. In-Kind Contributions

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

	2023	2022
Advertising	$ 955,889	$ 915,154
Legal services	149,303	198,923
Contract development and other	122,476	-
	$ 1,227,668	$ 1,114,077

No contributed nonfinancial assets were restricted for use during the years ended June 30, 2023 and 2022. The Exploratorium estimates the fair value of its in-kind donated professional services based on current rates for similar services.

Note 15. Subsequent Events

The Exploratorium evaluated subsequent events through October 23, 2023, the date on which the financial statements were available to be issued.