



FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



Leaf & Cole, LLP
Certified Public Accountants

**REUBEN H. FLEET SCIENCE CENTER
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Trustees
Reuben H. Fleet Science Center

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Reuben H. Fleet Science Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and 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 financial statements referred to above present fairly, in all material respects, the financial position of Reuben H. Fleet Science Center as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Reuben H. Fleet Science Center, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Reuben H. Fleet Science Center's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards 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 Reuben H. Fleet Science Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Reuben H. Fleet Science Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, on our consideration of Reuben H. Fleet Science Center'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 Reuben H. Fleet Science Center'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 Reuben H. Fleet Science Center's internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
December 1, 2022

**REUBEN H. FLEET SCIENCE CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current Assets:</u> (Notes 2, 4, 5 and 6)		
Cash and cash equivalents	\$ 3,207,328	\$ 3,520,888
Investments	2,508,764	926,335
Accounts receivable, net	1,210,284	435,526
Pledges receivable	99,732	124,407
Inventory	81,459	73,749
Prepaid expenses	242,010	291,688
Total Current Assets	7,349,577	5,372,593
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 7, 8, 9 and 10)		
Property and equipment, net	6,762,150	5,786,960
Endowment Assets:		
Investments	314,870	335,035
Beneficial interest in endowment funds	1,227,604	1,221,584
Beneficial interest in perpetual trust	656,304	807,063
Total Noncurrent Assets	8,960,928	8,150,642
TOTAL ASSETS	\$ 16,310,505	\$ 13,523,235

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2, 10 and 14)		
Accounts payable and accrued expenses	\$ 492,108	\$ 419,841
Deferred revenue	95,459	581,684
Current portion of notes payable	289,892	183,052
Total Current Liabilities	877,459	1,184,577
<u>Noncurrent Liabilities:</u> (Notes 2 and 10)		
Notes payable, net	2,998,598	3,233,969
Total Noncurrent Liabilities	2,998,598	3,233,969
Total Liabilities	3,876,057	4,418,546
<u>Commitments and Contingencies</u> (Note 14)		
<u>Net Assets:</u> (Notes 2, 11, 12 and 13)		
Without Donor Restrictions:		
Undesignated	6,264,128	2,247,780
Board designated reserves	2,581,071	1,712,687
Total Without Donor Restrictions	8,845,199	3,960,467
With Donor Restrictions	3,589,249	5,144,222
Total Net Assets	12,434,448	9,104,689
TOTAL LIABILITIES AND NET ASSETS	\$ 16,310,505	\$ 13,523,235

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

**REUBEN H. FLEET SCIENCE CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Contributions:						
Revenues:						
Fleet admissions	\$ 2,713,785	\$ -	\$ 2,713,785	\$ 435,386	\$ -	\$ 435,386
Retail operations	1,439,071	-	1,439,071	265,967	-	265,967
Membership dues	605,427	-	605,427	115,649	-	115,649
Education program fees	444,831	-	444,831	311,217	-	311,217
Other	171,301	-	171,301	29,760	-	29,760
Investment income (loss)	(226,981)	(215,992)	(442,973)	281,409	527,079	808,488
Total Revenues	<u>5,147,434</u>	<u>(215,992)</u>	<u>4,931,442</u>	<u>1,439,388</u>	<u>527,079</u>	<u>1,966,467</u>
Contributions:						
Contributions and grants	6,220,083	1,173,233	7,393,316	2,710,896	1,972,118	4,683,014
In-kind contributions	1,000	-	1,000	44,067	-	44,067
Net assets released from restrictions	2,512,214	(2,512,214)	-	901,377	(901,377)	-
Total Contributions	<u>8,733,297</u>	<u>(1,338,981)</u>	<u>7,394,316</u>	<u>3,656,340</u>	<u>1,070,741</u>	<u>4,727,081</u>
Total Revenues and Contributions	<u>13,880,731</u>	<u>(1,554,973)</u>	<u>12,325,758</u>	<u>5,095,728</u>	<u>1,597,820</u>	<u>6,693,548</u>
Expenses:						
Programs and exhibits	6,677,211	-	6,677,211	3,832,195	-	3,832,195
Management and general	1,621,702	-	1,621,702	1,204,264	-	1,204,264
Fundraising	697,086	-	697,086	567,980	-	567,980
Total Expenses	<u>8,995,999</u>	<u>-</u>	<u>8,995,999</u>	<u>5,604,439</u>	<u>-</u>	<u>5,604,439</u>
Change in Net Assets	4,884,732	(1,554,973)	3,329,759	(508,711)	1,597,820	1,089,109
Net Assets at Beginning of Year	<u>3,960,467</u>	<u>5,144,222</u>	<u>9,104,689</u>	<u>4,469,178</u>	<u>3,546,402</u>	<u>8,015,580</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 8,845,199</u></u>	<u><u>\$ 3,589,249</u></u>	<u><u>\$ 12,434,448</u></u>	<u><u>\$ 3,960,467</u></u>	<u><u>\$ 5,144,222</u></u>	<u><u>\$ 9,104,689</u></u>

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

**REUBEN H. FLEET SCIENCE CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022					2021				
	Supporting Services				Total	Supporting Services				Total
	Programs and Exhibits	Management and General	Fundraising	Supporting Services		Programs and Exhibits	Management and General	Fundraising	Supporting Services	
Personnel	\$ 3,286,320	\$ 997,897	\$ 419,164	\$ 1,417,061	\$ 4,703,381	\$ 2,360,033	\$ 894,470	\$ 402,358	\$ 1,296,828	\$ 3,656,861
Cost of sales - Retail operations	547,217	-	-	-	547,217	110,507	-	-	-	110,507
Building equipment and maintenance	415,164	71,016	29,563	100,579	515,743	210,816	43,047	20,588	63,635	274,451
Office expenses	172,355	173,685	15,311	188,996	361,351	71,271	122,618	17,866	140,484	211,755
Exhibits	323,828	47	40	87	323,915	113,440	-	-	-	113,440
Miscellaneous	185,736	86,594	21,680	108,274	294,010	59,083	9,515	10,543	20,058	79,141
Contract services	200,899	58,656	14,420	73,076	273,975	54,356	5,827	2,648	8,475	62,831
Film lease expense	266,684	-	-	-	266,684	37,514	-	-	-	37,514
Professional fees	47,021	119,332	66,724	186,056	233,077	30,760	24,475	4,250	28,725	59,485
Advertising, printing and graphics	211,557	-	9,403	9,403	220,960	66,177	115	568	683	66,860
Interest	116,493	30,625	12,793	43,418	159,911	106,666	31,793	15,206	46,999	153,665
Insurance	105,880	27,558	11,603	39,161	145,041	87,371	30,447	14,562	45,009	132,380
Membership	97,425	22,342	6,613	28,955	126,380	15,679	19,509	5,594	25,103	40,782
Special events - development	679	-	88,620	88,620	89,299	-	-	59,797	59,797	59,797
Education programs	42,652	-	1,000	1,000	43,652	8,746	-	14,000	14,000	22,746
Travel, training and conferences	6,915	4,995	152	5,147	12,062	746	(149)	-	(149)	597
Special events - non-development	11,586	-	-	-	11,586	642	-	-	-	642
Retail supplies	7,490	-	-	-	7,490	757	-	-	-	757
Total Expenses Before Depreciation	6,045,901	1,592,747	697,086	2,289,833	8,335,734	3,334,564	1,181,667	567,980	1,749,647	5,084,211
Depreciation	631,310	28,955	-	28,955	660,265	497,631	22,597	-	22,597	520,228
Total Expenses	\$ 6,677,211	\$ 1,621,702	\$ 697,086	\$ 2,318,788	\$ 8,995,999	\$ 3,832,195	\$ 1,204,264	\$ 567,980	\$ 1,772,244	\$ 5,604,439

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

**REUBEN H. FLEET SCIENCE CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 3,329,759	\$ 1,089,109
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	660,265	520,228
Amortization of debt issuance costs	20,877	15,433
Realized and unrealized losses (gains) on investments	360,911	(608,705)
Endowment contributions	(200,000)	(30,178)
Endowment investment losses (gains)	150,759	(143,226)
(Increase) Decrease in:		
Accounts receivable, net	(774,758)	(316,043)
Pledges receivable	24,675	587,674
Inventory	(7,710)	25,137
Prepaid expenses	49,678	(35,721)
Increase (Decrease) in:		
Accounts payable and accrued expenses	72,267	(28,724)
Deferred revenue	(486,225)	306,168
Net Cash Provided by Operating Activities	<u>3,200,498</u>	<u>1,381,152</u>
<u>Cash Flows From Investing Activities:</u>		
Investment sales/maturities/(purchases), net	(1,874,647)	1,117,243
Purchases of property and equipment	(1,635,455)	(949,297)
Change in beneficial interest in endowment funds	(54,548)	39,913
Change in beneficial interest in perpetual trust	150,759	(143,226)
Net Cash (Used in) Provided by Investing Activities	<u>(3,413,891)</u>	<u>64,633</u>
<u>Cash Flows From Financing Activities:</u>		
Principal payments on notes payable	(149,408)	(77,983)
Payments for debt issuance costs	-	(28,964)
Proceeds from notes payable	-	87,079
Endowment contributions	200,000	30,178
Endowment investment (losses) gains	(150,759)	143,226
Net Cash (Used in) Provided by Financing Activities	<u>(100,167)</u>	<u>153,536</u>
Net (Decrease) Increase in Cash and Cash Equivalents and Restricted Cash	(313,560)	1,599,321
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>3,520,888</u>	<u>1,921,567</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 3,207,328</u>	<u>\$ 3,520,888</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 142,969</u>	<u>\$ 134,671</u>

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

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 1 - Organization:

The Reuben H. Fleet Science Center (“the Fleet”) is a California Non-profit Public Benefit Corporation organized on August 9, 1957, and is dedicated to realizing a San Diego where everyone is connected to the power of science.

The Fleet operates the following programs and activities:

Science Exhibits

The Fleet features more than 100 interactive science exhibits in multiple galleries, as well as major traveling exhibitions. Visitors can create colored shadows, touch a tornado, examine the vibration of guitar strings, and get their hands on a variety of intriguing scientific phenomena. Permanent exhibitions include Studio X, where people can invent and create and Retro-Active Science, classic science exhibits that explore a variety of fundamental science principles. Children rule in Kid City, just for kids ages five and under. Kid City contains a factory with conveyor belts, cranes, air chutes, an interactive fire truck, several Young Explorer computers, a child-size grocery store and much more. Visitors of all ages can put their engineering skills to the test in the Dream! Design! Build! exhibition. In addition to other galleries, It’s Electric and Sun, Earth, Universe the Fleet added Illusion in 2020 to its collection of permanent exhibitions. On weekends, scheduled programs such as the Genius in the House and Weekend Science Clubs provide additional opportunities for educational fun.

IMAX Giant Dome Theater

The Fleet is also home to the world’s first IMAX® Dome Theater, presenting the biggest film and digital presentations on the planet. Its unique configuration wraps the audience in images, and provides the illusion of being suspended in space. Film topics take audiences from outer space to under water, and every place in-between. Films are generally suitable for all ages. The Eugene Heikoff and Marilyn Jacobs Heikoff Dome Theater also plays host to the monthly Sky Tonight planetarium show, which is led by an astronomer and paired with outdoor telescope viewing, courtesy of the San Diego Astronomy Association (weather permitting). The Fleet also produces large-format films as a member of the Giant Dome Theater Consortium.

Education Programs

The Fleet offers science education for students, seniors, teachers, and the public through lectures, classes, workshops, virtual programs, and more. Whether it’s a visit to the Fleet or a Science-to-Go program delivered at a school site, we offer programs accessible by everyone. The Fleet also runs half-day and full-day educational camps during school breaks. Camps are offered for grades pre-K–8, and are designed to be fun, educational, hands-on, and to incorporate the Fleet’s Science Center Exhibit Galleries. Recent summer camp themes have included: chemistry, the human body, robotics, and space. The Fleet’s Education department also facilitates a number of community initiatives, including collaborative meetings with STEM partners across San Diego County, as well as science-themed events that occur in a variety of community locations.

Craveology

Craveology is the perfect location to pick up the lunch or treat you’re craving. The casual, friendly atmosphere has a great selection of items, including salads, sandwiches, wraps, and flatbread pizzas. We can satisfy any growling stomach! And if you’re looking to rejuvenate from your busy day, order a fruit smoothie, frappé, or one of our specialty coffees and have a seat at our beautiful patio, located in front of the iconic Balboa Park Bea Evenson Fountain. Admission to the Fleet is not required for a visit to Craveology, so stop by, feed your craving, and enjoy the view.

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 1 - Organization:(Continued)

North Star Science Store

The North Star Science Store, located inside the Fleet, is the perfect place to shop for educational gifts, do-it-yourself kits, toys, and souvenirs. We offer a wonderful assortment of curious and hard-to-find items, a great selection of books, models, and more! Examine tons of science-related products to awaken the astronomer, physicist, or chemist within. Shop, learn, and enjoy!

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Fleet have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor)-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Fleet invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term, and such changes could materially affect the amounts reported in the statements of financial position.

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Fleet's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual and exchange traded funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in Jewish Community Foundation funds are considered Level 2 assets and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund manager, Jewish Community Foundation, since these funds are valued by the fund manager and are not traded in an active market.
- Beneficial interest in endowment funds held by San Diego Foundation is considered a Level 3 asset, which represents the fair value of the underlying assets as reported by San Diego Foundation. (Note 8)
- Beneficial interest in perpetual trust is considered a Level 3 asset, which represents the fair value of the underlying assets as reported by the third-party trustee. (Note 9)

Inventory

Inventory consists of retail store merchandise, restaurant paper supplies, and restaurant food. Inventory is valued at the lower of average cost or net realizable value.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method, based on management's evaluation of outstanding accounts receivable and pledges receivable. The allowance for doubtful accounts receivable totaled \$3,500 at June 30, 2022 and 2021. Management believes that all pledges receivable are fully collectible; therefore, no allowance for doubtful pledges receivable was recorded at June 30, 2022 and 2021.

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Fleet capitalizes all expenditures in excess of \$10,000 for property at cost, while donations of property are recorded at their estimated fair values. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Fleet reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Fleet reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property is depreciated using the straight-line method over the estimated useful asset lives as follows:

Leasehold improvements	29 - 33 years
Equipment and furniture	5 - 15 years
Exhibits	7 years

Depreciation totaled \$660,265 and \$520,228 for the years ended June 30, 2022 and 2021, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Compensated Absences

Accumulated unpaid vacation totaling \$243,162 and \$208,560 at June 30, 2022 and 2021, respectively, is accrued when incurred, and included in accounts payable and accrued expenses.

Debt Issuance Costs

Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized debt issuance costs are presented as a direct reduction from the carrying value of the related obligation. Amortization of debt issuance costs is reported as a component of interest expense, and totaled \$20,877 and \$15,433 for the years ended June 30, 2022 and 2021, respectively.

Revenue Recognition

The Fleet recognizes revenue from admissions, education program fees, and other revenue upon sale or date of service, as applicable. Deferred revenues totaled \$95,459 and \$42,649 at June 30, 2022 and 2021, respectively.

Retail operations revenue is recognized as revenue when the sale transaction occurs.

The Fleet offers memberships of various categories that typically last for a term of one year. The Fleet divides fees from these memberships between contributions and exchange transactions and recognizes revenue for the contribution upon sale. The exchange portion is also recognized upon sale, since fees are non-refundable and used to fund the Fleet's mission and access programs.

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

Pledges receivable and contributions are recognized when the donor makes a promise to give to the Fleet that is in substance, unconditional. Conditional contributions are recognized as revenue when the conditions have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

On July 2021, the Fleet was awarded and received a Shuttered Venue Operators Grant (“SVOG”) from the U.S. Small Business Administration (“SBA”) in the amount of \$2,115,897. In September 2021, the Fleet was awarded a supplemental SVOG from the SBA in the amount of \$1,511,448, and received the funding in October 2021. This cost-reimbursement federal grant is eligible to cover expenses for the period of March 20, 2020 through June 30, 2022. As a condition to receiving distributions, grant recipients must agree to certain terms and conditions, including, among other things, that the funds are being used for eligible expenses as defined by the SBA. SVOG payments are recorded as deferred revenue upon receipt of the SVOG funding from the SBA. Grant revenue is recognized to the extent that eligible expenses have been incurred. The Fleet incurred \$3,627,345 of eligible expenses during the year ended June 30, 2022, and thus recognized the \$3,626,345 as grant revenue during the year ended June 30, 2022.

Donated Services and Materials

The Fleet utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2022 and 2021 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

The Fleet received the following in-kind contributions for the year ending June 30:

	<u>2022</u>	<u>2021</u>
Other items	\$ 1,000	\$ -
Auction items	-	44,067
Total In-Kind Contributions	<u>\$ 1,000</u>	<u>\$ 44,067</u>

License Agreements

The Fleet enters into license agreements for the use of films and exhibits. The costs incurred under these agreements are recognized over the terms of the license periods.

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. The Fleet allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Fleet's management.

Income Taxes

The Fleet is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Fleet believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Fleet is not a private foundation.

The Fleet's Return of Organization Exempt from Income Tax for the years ended June 30, 2022, 2021, 2020, and 2019 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Concentration of Credit Risk

The Fleet maintains its cash in bank accounts and brokerage accounts which, at times, may exceed federally insured limits. The Fleet has not experienced any losses in such accounts. The Fleet believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, The Fleet considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounting Pronouncement Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

Subsequent Events

In preparing these financial statements, the Fleet has evaluated events and transactions for potential recognition or disclosure through December 1, 2022, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 3 - Liquidity and Availability

The Fleet regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Fleet considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Fleet considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,207,328	\$ 3,520,888
Investments	2,343,860	926,335
Accounts receivable, net	1,210,284	435,526
Pledges receivable	99,732	124,407
Appropriation of endowment earnings and Board-designated reserves	192,000	487,000
Less: Board designated reserves	<u>(2,581,071)</u>	<u>(1,712,687)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,472,133</u>	<u>\$ 3,781,469</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Fleet operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The governing board (the "Board") of the Fleet has designated a portion of its resources without donor restrictions as reserves as described in Note 11. The amounts not expected to be used for operations within one year are excluded from the table above but are available for use with the approval of the Board.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy, as described in Note 13. The portion of the donor-restricted endowment funds required to be held in perpetuity are not available for general expenditure.

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30:

	2022			Balance at June 30, 2022
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual and exchange traded funds	\$ 2,817,642	\$ -	\$ -	\$ 2,817,642
Jewish Community Foundation	-	5,992	-	5,992
Beneficial interest in endowment funds (Note 8)	-	-	1,227,604	1,227,604
Beneficial interest in perpetual trust (Note 9)	-	-	656,304	656,304
	<u>\$ 2,817,642</u>	<u>\$ 5,992</u>	<u>\$ 1,883,908</u>	<u>\$ 4,707,542</u>
	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Mutual and exchange traded funds	\$ 1,254,390	\$ -	\$ -	\$ 1,254,390
Jewish Community Foundation	-	6,980	-	6,980
Beneficial interest in endowment funds (Note 8)	-	-	1,221,584	1,221,584
Beneficial interest in perpetual trust (Note 9)	-	-	807,063	807,063
	<u>\$ 1,254,390</u>	<u>\$ 6,980</u>	<u>\$ 2,028,647</u>	<u>\$ 3,290,017</u>

The reconciliation for financial instruments measured at fair value on a recurring basis, as significant unobservable inputs (Level 3), are included in the Notes, as indicated above.

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 4 - Fair Value Measurements: (Continued)

The following table represents the Fleet's Level 3 financial instruments, the valuation techniques used to measure the fair value of the financial instruments, and the significant unobservable inputs and the range of values for those inputs for the years ended June 30:

2022				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 1,227,604	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in perpetual trust	\$ 656,304	Valuation of underlying assets as provided by third party trustee	Base price	N/A
2021				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 1,221,584	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in perpetual trust	\$ 807,063	Valuation of underlying assets as provided by third party trustee	Base price	N/A

Note 5 - Investments:

Investments consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Mutual and exchange traded funds	\$ 2,817,642	\$ 1,254,390
Jewish Community Foundation – Long Term Pool	5,992	6,980
Total Investments	<u>\$ 2,823,634</u>	<u>\$ 1,261,370</u>

Investments are classified in the statements of financial position as follows at June 30:

	<u>2022</u>	<u>2021</u>
Current assets - Investments	\$ 2,508,764	\$ 926,335
Noncurrent assets – Endowment investments	314,870	335,035
Total Investments	<u>\$ 2,823,634</u>	<u>\$ 1,261,370</u>

Investments held at Jewish Community Foundation are invested in the Long-Term Pool, which invests 66% in domestic and international equities, 31% in fixed income, and 3% in real assets consisting of REITs and/or commodities at June 30, 2022.

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NOTES TO FINANCIAL STATEMENTS
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Note 5 - Investments: (Continued)

The following schedule summarizes the investment income (loss) for the years ended June 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 48,164	\$ 42,095	\$ 90,259
Net realized and unrealized losses	(261,541)	(250,129)	(511,670)
Investment fees	(13,604)	(7,958)	(21,562)
Total Investment Loss	\$ (226,981)	\$ (215,992)	\$ (442,973)
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 36,606	\$ 39,159	\$ 75,765
Net realized and unrealized gains	256,322	495,609	751,931
Investment fees	(11,519)	(7,689)	(19,208)
Total Investment Income	\$ 281,409	\$ 527,079	\$ 808,488

Note 6 - Pledges Receivable:

Pledges receivable totaling \$99,732 and \$124,407 at June 30, 2022 and 2021, respectively, are due in less than one year.

Note 7 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2022	2021
Leasehold improvements	\$ 11,114,240	\$ 10,802,504
Equipment and furniture	5,169,481	3,011,160
Exhibits	730,898	720,898
Construction in progress - Exhibits	362,205	362,205
Construction in progress - Improvements	486,330	1,330,932
Subtotal	17,863,154	16,227,699
Less: Accumulated depreciation	(11,101,004)	(10,440,739)
Property and Equipment, Net	\$ 6,762,150	\$ 5,786,960

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 8 - Beneficial Interest in Endowment Funds:

The Fleet has a beneficial interest in endowment funds held by San Diego Foundation, which is classified as with donor restrictions. The beneficial interest in endowment funds held by San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 48% international equities, 12% private equities, 14% hedge funds, 14% fixed income, 6% real estate, and 6% real assets.

The activity in the beneficial interest in endowment funds held by San Diego Foundation consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Balance at Beginning of Year	\$ 1,221,584	\$ 979,698
Contributions	100,000	-
Investment (loss) gain, net	(53,826)	277,046
Distributions	<u>(40,154)</u>	<u>(35,160)</u>
Balance at End of Year	<u>\$ 1,227,604</u>	<u>\$ 1,221,584</u>

Note 9 - Beneficial Interest in Perpetual Trust:

The Fleet is a beneficiary of a perpetual trust (the “Trust”). A beneficial interest in a perpetual trust is an arrangement in which the donor establishes and funds a perpetual trust for the benefit of one-or-more non-profit beneficiaries. The assets are administered and managed by an independent third party, and are invested 2% in cash and cash equivalents, 35% in fixed income mutual funds, 61% in equity mutual funds, and 2% in real estate funds,. Under the terms of the arrangement, the Fleet has an irrevocable right to receive the investment income earned on the Trust in perpetuity. The Fleet’s interest in the Trust is recorded at fair value, and is classified as net assets with donor restrictions of a perpetual nature. Distributions received from the Trust, and the change in fair value of the Trust, are recorded as investment income with donor restrictions in the statements of activities.

The activity in the beneficial interest in perpetual trust consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Balance at Beginning of Year	\$ 807,063	\$ 663,837
Change in fair value	(150,759)	143,226
Investment income	32,700	30,750
Investment income distributed	<u>(32,700)</u>	<u>(30,750)</u>
Balance at End of Year	<u>\$ 656,304</u>	<u>\$ 807,063</u>

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 10 - Notes Payable:

Notes payable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Note payable to First Republic Bank through the issuance of tax-exempt bonds by the California Statewide Communities Development Authority, in the original amount of \$5,000,000, bears interest rate at 4%, with payments of principal and interest of \$32,663 payable monthly, due November 1, 2030. During fiscal year 2021, the loan was restructured with a 6-month moratorium on principal and interest, followed by interest-only payments through December 2021. Secured by gross pledge revenue, and leasehold interest in the deed of trust with assignment of leases and rents on the Fleet. Accrued interest payable totaled \$10,768 and \$11,219 at June 30, 2022 and 2021, respectively.	\$ 3,230,295	\$ 3,365,652
Note payable to San Diego Gas & Electric in the original amount of \$132,699. The note is noninterest-bearing, and requires a monthly payment of \$1,164, due October 2022. Unsecured. Paid in full subsequent to year end.	5,820	19,788
Note payable to U.S. Small Business Administration in the original amount of \$150,000, bears interest at 2.75% with payments of principal and interest of \$641 monthly, beginning June 2021. The note is due June 2050. Secured by property and receivables. Accrued interest payable totaled \$-0- and \$3,484 at June 30, 2022 and 2021, respectively.	<u>149,917</u>	<u>150,000</u>
Total Notes Payable	<u>3,386,032</u>	<u>3,535,440</u>
Less: Unamortized debt issuance costs	<u>(97,542)</u>	<u>(118,419)</u>
Total Notes Payable Net	<u>3,288,490</u>	<u>3,417,021</u>
Less: Current portion of notes payable	<u>(289,892)</u>	<u>(183,052)</u>
Total Notes Payable, Net, Noncurrent	<u>\$ 2,998,598</u>	<u>\$ 3,233,969</u>

Debt issuance costs total \$208,772, less accumulated amortization of \$111,230 and \$90,353 at June 30, 2022 and 2021, respectively.

Future principal payments on the notes payable are as follows:

<u>Years Ended June 30</u>	
2023	\$ 289,892
2024	295,598
2025	307,594
2026	320,076
2027	333,066
Thereafter	<u>1,839,806</u>
	<u>\$ 3,386,032</u>

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
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Note 11 - Board-Designated Reserves:

The Fleet's Board of Trustees approved the establishment of appropriations of net assets without donor restrictions totaling \$200,000 for a Capital Reserve, and \$300,000 for an Operating Reserve. In response to the COVID-19 pandemic (Note 14), the Board established a Board emergency fund. The reserve balances are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Board emergency fund	\$ 2,298,646	\$ 1,430,262
Capital reserve	157,044	157,044
Operating reserve	125,381	125,381
Total Board Designated Reserves	<u>\$ 2,581,071</u>	<u>\$ 1,712,687</u>

Note 12 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by the Fleet, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Science Starts Here Initiative	\$ 1,057,355	\$ 2,632,390
Education	284,985	115,267
Unappropriated endowment earnings	119,496	333,641
Innovation Fund	25,223	25,223
Ethics Center Programs	22,342	7,094
Other	566	566
Total Subject to Expenditure for Specified Purpose	<u>1,509,967</u>	<u>3,114,181</u>
Perpetual in Nature:		
Endowments (Note 13)	<u>2,079,282</u>	<u>2,030,041</u>
Total Net Assets with Donor Restrictions	<u>\$ 3,589,249</u>	<u>\$ 5,144,222</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donor, are as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished:		
Science Starts Here Initiative	\$ 1,966,512	\$ 31,140
Education	393,619	152,663
Unappropriated endowment earnings	148,911	68,689
Ethics Center Programs	3,172	3,433
Fleet Inquiry Education Program	-	20,452
Innovation fund	-	15,000
Science Fair Awards	-	10,000
Total Net Assets Released from Restrictions	<u>2,512,214</u>	<u>301,377</u>
Endowment Net Assets Released	<u>-</u>	<u>600,000</u>
	<u>\$ 2,512,214</u>	<u>\$ 901,377</u>

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 12 - Net Assets With Donor Restrictions: (Continued)

During 2022 and 2021, donors agreed to release endowment funds of a perpetual nature totaling \$-0- and \$600,000, respectively, for use without donor restriction. (Note 13)

Note 13 - Endowment Net Assets:

The Fleet's endowment consists of a charitable endowment fund established on June 30, 2000, with a \$1,000,000 grant from the San Diego Foundation Reuben H. Fleet Foundation Fund that was received over a four-year period. Income and gains generated from the investment are to be used for charitable, scientific, literary, or educational purposes. In addition, the Fleet has funds held and managed through a beneficial interest in a perpetual trust, and beneficial interest in endowment funds held by San Diego Foundation.

In regards to funds held and managed by the Fleet, the Fleet has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fleet classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; (3) accumulations to the permanent endowment, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets of a perpetual nature is classified as donor-restricted net assets with time restrictions, until those amounts are appropriated for expenditure by the Fleet in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Fleet considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Fleet and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Fleet
- The investment policies of the Fleet

The Fleet considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Fleet has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Fleet has no underwater endowment funds at June 30, 2022 and 2021.

The Fleet has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives, while keeping risk at a minimal level
- Comply with applicable laws

**REUBEN H. FLEET SCIENCE CENTER
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Note 13 - Endowment Net Assets: (Continued)

The Fleet's endowment funds are invested in debt and other securities that are structured to satisfy its long-term rate-of-return objectives. The Fleet 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 Fleet's spending policy provides that distributions may be made from the cumulative total return (capital gains and current income), rather than being limited to interest and dividend income. The current distribution authorized by the Fleet's Board of Trustees is 4.5% of the average twelve quarters' ending investment balances and is determined as of March 31st each year.

The Fleet has endowment funds that are held and managed through a beneficial interest in a perpetual trust ("Trust") (Note 9), and beneficial interest in endowment funds held by San Diego Foundation ("SDF") (Note 8). The Trust and SDF manage these funds in accordance with UPMIFA. The objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require the Fleet to retain as a fund of perpetual duration. The Fleet classifies donor-restricted net assets of a perpetual nature held by the Trust and SDF as:

- The original value of gifts donated to the fund
- The original value of the Fleet funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income, and realized and unrealized gains and losses on investments
- Distributions from the fund in accordance with the spending policy

The Trust and SDF have adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives, while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

The Trust endowment funds are invested in a diversified mutual fund portfolio managed by the Trustee, Wells Fargo Bank. The Trust's spending policy is to disburse 5% annually, based upon the "5% Rule" that applies to Private Foundations. The Trust is now classified as a "Non-Functionally Integrated Supporting Organization" which follows the rules for Private Foundations. If the net income disbursed to beneficiaries during the year does not equal 5% (as determined on the tax return), the trustee is required to take that difference from the trust's principal.

SDF's endowment funds are invested in a diversified portfolio which is structured for long-term total return. SDF's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

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Note 13 - Endowment Net Assets: (Continued)

Endowment composition by type of fund at June 30:

	2022		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions – Perpetual</u>	<u>Total</u>
Donor-restricted endowment funds:			
Fleet endowments	\$ (44,108)	\$ 358,978	\$ 314,870
Beneficial interest in endowment funds held by San Diego Foundation	163,604	1,064,000	1,227,604
Beneficial interest in perpetual trust	-	656,304	656,304
Total Endowment Funds	\$ 119,496	\$ 2,079,282	\$ 2,198,778
	2021		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions – Perpetual</u>	<u>Total</u>
Donor-restricted endowment funds:			
Fleet endowments	\$ 76,057	\$ 258,978	\$ 335,035
Beneficial interest in endowment funds held by San Diego Foundation	257,584	964,000	1,221,584
Beneficial interest in perpetual trust	-	807,063	807,063
Total Endowment Funds	\$ 333,641	\$ 2,030,041	\$ 2,363,682

Changes in endowment net assets for the years ended June 30:

	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Endowment Net Assets at June 30, 2020	\$ 18,477	\$ 2,456,638	\$ 2,475,115
Investment income	353,103	143,225	496,328
Contributions	30,750	30,178	60,928
Donor approved release of endowment funds	-	(600,000)	(600,000)
Appropriation of endowment assets for expenditure	(68,689)	-	(68,689)
Endowment Net Assets at June 30, 2021	333,641	2,030,041	2,363,682
Investment (Loss)	(97,933)	(150,759)	(248,692)
Contributions	32,700	200,000	232,700
Appropriation of endowment assets for expenditure	(148,912)	-	(148,912)
Endowment Net Assets at June 30, 2022	\$ 119,496	\$ 2,079,282	\$ 2,198,778

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 14 - Commitments and Contingencies:

Equipment Lease

The Fleet has an equipment lease through June 2022. Equipment rent expense totaled \$16,137 for each of the years ended June 30, 2022 and 2021.

Pension Plan

The Fleet has established a 401(k) salary deferral plan covering substantially all employees who are at least 21 years of age, and who elect to participate in the Plan. An employee becomes a participant in the Plan on the first day of the month immediately following the employee's hire date. Participants may make elective deferral contributions up to the maximum dollar amount established by the Internal Revenue Code (IRC) of pretax annual compensation, as defined by the Plan. Participants age 50 and older may make catch-up contributions to a maximum dollar amount established by the IRC. The Plan allows participants to elect to designate all or any portion of their elective deferral contributions as Roth elective deferrals. Participants may also contribute amounts representing distributions from other tax qualified plans (rollovers).

The Fleet provides matching contributions to participants who are age 21 years or older, have been employed for at least one year, and have completed a minimum of 1,000 hours of service. Participants eligible for employer matching contributions are entitled to receive 100% of the participant's salary reduction contributions, up to 2% of the participant's compensation. The employer matching contributions totaled \$34,782 and \$31,043 for the years ended June 30, 2022 and 2021, respectively.

In addition to the matching contributions, the Fleet may elect to make an employer base contribution. A participant is entitled to receive an allocation of the employer base contribution, whether or not he/she makes an elective deferral contribution, provided that he/she has completed a minimum of 1,000 hours of service during the Plan year and is employed on the last day of the Plan year. There was no elective deferred contribution for the years ended June 30, 2022 and 2021.

Agreement with the City of San Diego

The building and land where the Fleet is located are owned by the City of San Diego (the "City"), and leased to the Fleet, and therefore are not assets of the Fleet and are not reflected in the accompanying financial statements. Additions and renovations to the original building are assets of the Fleet and are reflected as leasehold improvements in the accompanying financial statements. The Fleet operates under a 35-year lease with the City ending in 2031. As part of this agreement, the Fleet is to make the premises available to the City, without charge, up to three times per calendar year for civic events and special programs. Under the agreement, in place of cash rent for the use of the premises, the consideration to the City from the Fleet will be the continuous operation, development, and maintenance of the premises.

**REUBEN H. FLEET SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 14 - Commitments and Contingencies: (Continued)

Giant Dome Theater Consortium

The Giant Dome Theater Consortium (“GDTC”) is an independent nonprofit educational organization that was formed in 2010 and is currently composed of 7 founding member museums. The mission of the GDTC is to produce and provide funding for educational/science large-format films to be shown in science museum theaters with giant domes. The Fleet joined the GDTC at its inception and contributed \$50,000 in 2010 as its initial contribution to join the group, which was expensed at the time of disbursement. The GDTC invests in new film projects, and the Fleet will pay film lease license fees at a lower rate than non-members. The GDTC will reinvest approximately two-thirds of these fees into new films, and the remaining one-third will go to the film producer.

Payroll Protection Program Loan

In March 2021, the Fleet received a loan totaling \$907,000 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that the Fleet meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1% and is due in March 2023. The Fleet has recognized the \$539,035 and \$367,965 as revenue for the years ended June 30, 2022 and 2021, respectively, since they believe that they have satisfied the terms and conditions of forgiveness of the PPP. The \$-0- and \$539,035 has been included in deferred revenue at June 30, 2022 and 2021, respectively. The loan was fully forgiven in November 2021.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The Fleet is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Fleet’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Fleet’s donors, customers, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Fleet’s financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**REUBEN H. FLEET SCIENCE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal Grants/Pass -Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Agency or Pass-Through Number</u>	<u>Pass Through to Subrecipient</u>	<u>Federal Expenditures</u>	<u>Total Federal Expenditures</u>
<u>U.S. Small Business Administration:</u>					
Direct Program:					
Shuttered Venue Operators Grant Program	59.075	SBAHQ21SV001544	\$ -	\$ 3,627,345	\$ 3,627,345
Total Shuttered Venue Operators Grant			-	3,627,345	3,627,345
Total Direct Program			-	3,627,345	3,627,345
Total U.S. Small Business Administration			-	3,627,345	3,627,345
Total Expenditures of Federal Awards			\$ -	\$ 3,627,345	\$ 3,627,345

REUBEN H. FLEET SCIENCE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Note 1 - Basis of Presentation:

The accompanying schedules of expenditures of federal awards (the Schedule) includes the federal award activity of Reuben H. Fleet Science Center under programs of the federal government for the year ended June 30, 2022. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedules present only a selected portion of the operations of Reuben H. Fleet Science Center, they are not intended to and do not present the financial position, changes in net assets, or cash flows of Reuben H. Fleet Science Center.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Reuben H. Fleet Science Center has elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.



Leaf & Cole, LLP

Certified Public Accountants

A Partnership of Professional Corporations

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Board of Trustees
Reuben H. Fleet Science Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Reuben H. Fleet Science Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reuben H. Fleet Science Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Reuben H. Fleet Science Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Reuben H. Fleet Science Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reuben H. Fleet Science Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
December 1, 2022



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**Independent Auditor's Report on Compliance
for the Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Trustees
Reuben H. Fleet Science Center

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Reuben H. Fleet Science Center's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Reuben H. Fleet Science Center's major federal program for the year ended June 30, 2022. Reuben H. Fleet Science Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Reuben H. Fleet Science Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Reuben H. Fleet Science Center, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Reuben H. Fleet Science Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Reuben H. Fleet Science Center's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Reuben H. Fleet Science Center's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Reuben H. Fleet Science Center's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Reuben H. Fleet Science Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Reuben H. Fleet Science Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Reuben H. Fleet Science Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above, and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the results of that testing, based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
December 1, 2022

**REUBEN H. FLEET SCIENCE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	No

Noncompliance material to financial statements noted? _____ Yes _____ X _____ No

Federal Awards

Type of auditor's report issued on compliance for the major program: Unmodified

Internal control over the major program:

Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	No

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)? _____ Yes _____ X _____ No

Identification of the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
59.075	Shuttered Venue Operators Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes _____ X _____ No

Section II - Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None