



**FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**



**Leaf & Cole, LLP**  
*Certified Public Accountants*

**REUBEN H. FLEET SCIENCE CENTER  
FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 23
Supplementary Information: Schedules of Functional Expenses	24



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 Financial Statements**

We have audited the accompanying financial statements of Reuben H. Fleet Science Center, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reuben H. Fleet Science Center as of June 30, 2017 and 2016, 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.

***Other Matters***

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of functional expenses for the years ended June 30, 2017 and 2016 are presented for purposes of additional analysis and are 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.

Leaf & Cole LLP

San Diego, California  
November 27, 2017

**REUBEN H. FLEET SCIENCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b><u>Current Assets:</u></b> (Notes 2 and 5)		
Cash and cash equivalents	\$ 1,904,701	\$ 1,975,999
Accounts receivable, net	280,560	213,996
Pledges receivable	-	900
Inventory	97,756	94,563
Prepaid expenses	270,905	168,307
Total Current Assets	2,553,922	2,453,765
<b><u>Noncurrent Assets:</u></b> (Notes 2, 3, 4, 5, 6, 7 and 8)		
Investments in joint ventures	10,514	11,308
Property and equipment, net	6,554,107	7,390,222
Endowment Assets:		
Cash and cash equivalents	6,304	3,847
Investments	2,763,423	2,532,113
Pledges receivable, net	912,883	1,083,843
Beneficial interest in endowment funds	803,737	654,381
Beneficial interest in perpetual trust	710,727	650,180
Total Noncurrent Assets	11,761,695	12,325,894
<b>TOTAL ASSETS</b>	<b>\$ 14,315,617</b>	<b>\$ 14,779,659</b>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Notes 2 and 10)		
Accounts payable and accrued expenses	\$ 446,378	\$ 370,694
Deferred revenues	142,255	90,284
Current portion of notes payable	247,840	247,658
Total Current Liabilities	836,473	708,636
<b><u>Noncurrent Liabilities:</u></b> (Notes 2 and 10)		
Notes payable, net	3,758,209	3,984,516
Total Liabilities	4,594,682	4,693,152
<b><u>Commitments and Contingencies</u></b> (Notes 9 and 14)		
<b><u>Net Assets:</u></b> (Notes 2, 11, 12 and 13)		
Unrestricted	3,280,008	4,452,342
Temporarily restricted	1,770,340	1,053,164
Permanently restricted	4,670,587	4,581,001
Total Net Assets	9,720,935	10,086,507
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 14,315,617</b>	<b>\$ 14,779,659</b>

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, 2017 AND 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
<b>Revenues and Contributions:</b>								
<b>Revenues:</b>								
Fleet admissions	\$ 3,778,284	\$ -	\$ -	\$ 3,778,284	\$ 3,844,325	\$ -	\$ -	\$ 3,844,325
Retail operations	1,480,076	-	-	1,480,076	1,243,578	-	-	1,243,578
Membership dues	891,099	-	-	891,099	850,865	-	-	850,865
Education program fees	316,034	-	-	316,034	479,145	-	-	479,145
Other	120,559	-	-	120,559	30,340	-	-	30,340
Investment income (loss)	79	356,895	60,547	417,521	(5,709)	(44,488)	(47,401)	(97,598)
<b>Total Revenues</b>	<b><u>6,586,131</u></b>	<b><u>356,895</u></b>	<b><u>60,547</u></b>	<b><u>7,003,573</u></b>	<b><u>6,442,544</u></b>	<b><u>(44,488)</u></b>	<b><u>(47,401)</u></b>	<b><u>6,350,655</u></b>
<b>Contributions:</b>								
Contributions and grants	874,075	1,611,371	29,039	2,514,485	1,292,665	761,495	86,537	2,140,697
Net assets released from restrictions	1,251,090	(1,251,090)	-	-	930,221	(930,221)	-	-
<b>Total Contributions</b>	<b><u>2,125,165</u></b>	<b><u>360,281</u></b>	<b><u>29,039</u></b>	<b><u>2,514,485</u></b>	<b><u>2,222,886</u></b>	<b><u>(168,726)</u></b>	<b><u>86,537</u></b>	<b><u>2,140,697</u></b>
<b>Total Revenues and Contributions</b>	<b><u>8,711,296</u></b>	<b><u>717,176</u></b>	<b><u>89,586</u></b>	<b><u>9,518,058</u></b>	<b><u>8,665,430</u></b>	<b><u>(213,214)</u></b>	<b><u>39,136</u></b>	<b><u>8,491,352</u></b>
<b>Expenses:</b>								
Program services	8,442,480	-	-	8,442,480	7,508,992	-	-	7,508,992
Management and general	881,717	-	-	881,717	1,233,131	-	-	1,233,131
Fundraising	559,433	-	-	559,433	314,512	-	-	314,512
<b>Total Expenses</b>	<b><u>9,883,630</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>9,883,630</u></b>	<b><u>9,056,635</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>9,056,635</u></b>
Change in Net Assets	(1,172,334)	717,176	89,586	(365,572)	(391,205)	(213,214)	39,136	(565,283)
Net Assets at Beginning of Year	4,452,342	1,053,164	4,581,001	10,086,507	4,843,547	1,266,378	4,541,865	10,651,790
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 3,280,008</u></b>	<b><u>\$ 1,770,340</u></b>	<b><u>\$ 4,670,587</u></b>	<b><u>\$ 9,720,935</u></b>	<b><u>\$ 4,452,342</u></b>	<b><u>\$ 1,053,164</u></b>	<b><u>\$ 4,581,001</u></b>	<b><u>\$ 10,086,507</u></b>

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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ (365,572)	\$ (565,283)
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	1,069,129	899,762
Amortization of debt issuance costs	9,989	9,990
Realized and unrealized (gains) losses on investments	(328,937)	123,590
Loss on disposal of property and equipment	25,000	-
Permanently restricted contributions	(29,039)	(86,537)
Permanently restricted investment (income) loss	(60,547)	47,401
<b>(Increase) Decrease in:</b>		
Accounts receivable, net	(66,564)	(7,505)
Pledges receivable, net	171,860	(82,122)
Inventory	(3,193)	(3,947)
Prepaid expenses	(102,598)	99,196
Investments in joint ventures	794	15,974
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	75,684	(64,943)
Deferred revenues	51,971	(71,399)
Net Cash Provided by Operating Activities	<u>447,977</u>	<u>314,177</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment sales/maturities/(purchases), net	17,950	55,154
Purchases of property and equipment	(258,014)	(682,588)
Change in beneficial interest in endowment funds	(72,136)	24,230
Change in beneficial interest in perpetual trust	(60,547)	47,401
Net Cash Used in Investing Activities	<u>(372,747)</u>	<u>(555,803)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Principal payments on notes payable	(236,114)	(226,830)
Permanently restricted contributions	29,039	86,537
Permanently restricted investment income (loss)	60,547	(47,401)
Net Cash Used in Financing Activities	<u>(146,528)</u>	<u>(187,694)</u>
Net Decrease in Cash and Cash Equivalents	(71,298)	(429,320)
Cash and Cash Equivalents at Beginning of Year	1,975,999	2,405,319
<b>CASH AND CASH EQUIVALENTS AT OF END OF YEAR</b>	<u>\$ 1,904,701</u>	<u>\$ 1,975,999</u>
<b><u>Supplemental Disclosure of Cash Flow Information:</u></b>		
Cash paid for interest	<u>\$ 169,806</u>	<u>\$ 179,089</u>

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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 inspiring life-long learning by furthering the public’s understanding and enjoyment of science and technology.

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 the Tinkering Studio, where people can invent and create, and Retro-Active Science, designed to explore how your senses of sight and touch work as you observe the world around you. 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 build free-form structures in the popular Block Busters! exhibition. On weekends, scheduled programs such as the Tinkerers’ Club and Saturday Science Club 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 general public through lectures, classes, workshops 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 weekly half-day education camps during school breaks. Camps are held for grades pre-K-8 and are designed to be fun, educational, hands-on and to incorporate the Fleet’s Science Center Exhibit Galleries. Summer camp themes during summer 2017 include: chemistry, the human body, robotics and DNA exploration.

**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, 2017 AND 2016**

**Note 1 - Organization:(Continued)**

**North Star Science Store**

The North Star Science Store, located inside the Fleet Science Center, 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.

**Accounting Change**

During 2017, the Fleet adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). Under this new accounting policy, the Fleet has retrospectively presented all debt issuance costs as a direct deduction from the carrying amount of the related obligation in the balance sheet. Amortization of the debt issuance costs is calculated using the interest method and is included as a component of interest expense. The effects of the retrospective application of the accounting change on the year ended June 30, 2016 is to decrease total assets and liabilities by \$144,845 in the statement of financial position.

**Financial Statement Presentation**

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of the Fleet and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Fleet. The income from these assets is available for either general operations or specific programs as specified by the donor.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 2 - Significant Accounting Policies: (Continued)**

**Financial Statement Presentation (Continued)**

The FASB has issued reporting standards for endowments of not-for-profit Organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

**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.

**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.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 2 - Significant Accounting Policies: (Continued)**

**Fair Value Measurements (Continued)**

The Fleet's statements of financial position includes 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 at San Diego Foundation is considered a Level 3 asset which represents the fair value of the underlying assets as reported by San Diego Foundation.
- 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.

**Inventory**

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

**Investments in Joint Ventures**

Joint ventures for the production and licensing of films are carried under either the cost or equity method of accounting, based on the Fleet's degree of influence over the joint venture. The Fleet annually reviews the investments in joint ventures for impairment of carrying value. The investments in joint ventures totaled \$10,514 and \$11,308 at June 30, 2017 and 2016, respectively.

**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 and \$18,911 at June 30, 2017 and 2016, respectively. The allowance for doubtful pledges receivable totaled \$-0- and \$7,266 at June 30, 2017 and 2016, respectively.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 2 - Significant Accounting Policies: (Continued)**

**Capitalization and Depreciation**

The Fleet capitalizes all expenditures in excess of \$1,000 for property at cost, while donations of property are recorded at their estimated fair values. Such donations are reported as unrestricted support 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 are reported as restricted support. Absent donor stipulations regarding how long 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 temporarily restricted net assets to unrestricted net assets 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 \$1,069,129 and \$899,762 for the years ended June 30, 2017 and 2016, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale of any resultant gain or loss is credited or charged to earnings.

**Compensated Absences**

Accumulated unpaid vacation totaling \$162,253 and \$132,488 at June 30, 2017 and 2016, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

**Debt Issuance Costs**

Debt issuance costs are incurred in order to obtain financing for the Fleet. Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized deferred financing costs are presented as a direct reduction from the carrying value of the related obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and totaled \$9,989 and \$9,990 for the years ended June 30, 2017 and 2016, respectively.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 2 - Significant Accounting Policies: (Continued)**

**Revenue Recognition**

Income received in advance is deferred and recognized over the periods to which the income relates. Deferred revenues totaled \$142,255 and \$90,284 at June 30, 2017 and 2016, respectively.

Pledges receivable and contributions are recognized when the donor makes a promise to give to the Fleet that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. 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.

**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, 2017 and 2016, did not meet the requirements above, therefore no amounts were recognized in the financial statements.

In-kind contributions, which consist primarily of donated advertising used for program services with an estimated fair value of \$366,090 and \$500,055 for the years ended June 30, 2017 and 2016, respectively, are included in unrestricted contributions and grants and also included in expenses in the accompanying statements of activities.

**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.

**Allocated Expenses**

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.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 2 - Significant Accounting Policies: (Continued)**

**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, 2017, 2016, 2015 and 2014 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**

For purposes of the statements of cash flows, the Fleet considers all highly-liquid investment instruments purchased with a maturity of three months or less to be cash equivalents. Not included in cash and cash equivalents are funds restricted as to their use, regardless of liquidity.

**Subsequent Events**

The Fleet has evaluated subsequent events through November 27, 2017, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

**Reclassification**

The Fleet has reclassified certain prior year information to conform with the current year presentation.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 3 - Fair Value Measurements:**

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

	2017			Balance at June 30, 2017
	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:				
Fixed Income – Emerging Markets	\$ 62,442	\$ -	\$ -	\$ 62,442
Fixed Income	508,416	-	-	508,416
Infrastructure Securities	125,831	-	-	125,831
International Emerging Markets	147,658	-	-	147,658
International Securities	107,088	-	-	107,088
Large Cap Equity	520,849	-	-	520,849
Large Cap – Risk Premium	105,803	-	-	105,803
Multi-Strategy	161,882	-	-	161,882
Small/Mid Cap Equity	361,157	-	-	361,157
Jewish Community Foundation	-	662,297	-	662,297
Beneficial interest in endowment funds (Note 7)	-	-	803,737	803,737
Beneficial interest in perpetual trust (Note 8)	-	-	710,727	710,727
	<u>\$ 2,101,126</u>	<u>\$ 662,297</u>	<u>\$ 1,514,464</u>	<u>\$ 4,277,887</u>
	2016			
	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, 2016
Mutual and Exchange Traded Funds:				
Fixed Income – Emerging Markets	\$ 58,741	\$ -	\$ -	\$ 58,741
Fixed Income	399,362	-	-	399,362
Infrastructure Securities	133,679	-	-	133,679
International Emerging Markets	144,460	-	-	144,460
International Securities	264,454	-	-	264,454
Large Cap Equity	374,945	-	-	374,945
Large Cap – Risk Premium	96,223	-	-	96,223
Multi-Strategy – Commodities	76,208	-	-	76,208
Multi-Strategy	230,444	-	-	230,444
Small/Mid Cap Equity	137,062	-	-	137,062
Jewish Community Foundation	-	616,535	-	616,535
Beneficial interest in endowment funds (Note 7)	-	-	654,381	654,381
Beneficial interest in perpetual trust (Note 8)	-	-	650,180	650,180
	<u>\$ 1,915,578</u>	<u>\$ 616,535</u>	<u>\$ 1,304,561</u>	<u>\$ 3,836,674</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, 2017 AND 2016**

**Note 3 - 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:

		2017		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 803,737	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in perpetual trust	\$ 710,727	Valuation of underlying assets as provided by third party trustee	Base price	N/A
		2016		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 654,381	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in perpetual trust	\$ 650,180	Valuation of underlying assets as provided by third party trustee	Base price	N/A

**Note 4 - Investments:**

Investments consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Mutual and exchange traded funds	\$ 2,101,126	\$ 1,915,578
Jewish Community Foundation – Long Term Pool	662,297	616,535
Total Investments	<u>\$ 2,763,423</u>	<u>\$ 2,532,113</u>

Investments held at Jewish Community Foundation are invested in the Long Term Pool, which invests 59% in domestic and international equities, 38% in fixed income and 3% in real assets consisting of REITs and/or commodities.



**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 4 - Investments: (Continued)**

The following schedule summarizes the investment return for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>
Interest and dividend income	\$ 247	\$ 52,102	\$ -	\$ 52,349
Net realized and unrealized gains (losses) on investments	(168)	329,105	60,547	389,484
Investment fees	-	(24,312)	-	(24,312)
Investment Income	<u>\$ 79</u>	<u>\$ 356,895</u>	<u>\$ 60,547</u>	<u>\$ 417,521</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Interest and dividend income	\$ 301	\$ 97,104	\$ -	\$ 97,405
Net realized and unrealized losses on investments	(6,000)	(117,590)	(47,401)	(170,991)
Investment fees	(10)	(24,002)	-	(24,012)
Investment Loss	<u>\$ (5,709)</u>	<u>\$ (44,488)</u>	<u>\$ (47,401)</u>	<u>\$ (97,598)</u>

**Note 5 - Pledges Receivable:**

Pledges receivable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Current:		
Due in less than one year	\$ -	\$ 8,166
Less: Allowance for doubtful accounts	-	(7,266)
Total Current, Net	<u>-</u>	<u>900</u>
Noncurrent – Endowment Pledges:		
Due in less than one year	400,000	400,000
Due in one to five years	600,000	800,000
Less: Discounts to present value	(87,117)	(116,157)
Total Noncurrent, Net	<u>912,883</u>	<u>1,083,843</u>
Total Pledges Receivable, Net	<u>\$ 912,883</u>	<u>\$ 1,084,743</u>

The pledges receivable have been discounted to their present value using a discount rate ranging from 2% to 4% at June 30, 2017 and 2016.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 6 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 10,806,363	\$ 10,720,037
Equipment and furniture	2,800,610	5,548,814
Exhibits	776,414	1,817,106
Construction in progress - Exhibits	116,000	-
Construction in progress	382,549	378,950
Subtotal	<u>14,881,936</u>	<u>18,464,907</u>
Less: Accumulated depreciation	<u>(8,327,829)</u>	<u>(11,074,685)</u>
Property and Equipment, Net	<u>\$ 6,554,107</u>	<u>\$ 7,390,222</u>

**Note 7 - Beneficial Interest in Endowment Funds:**

The Fleet has a beneficial interest in endowment funds held at San Diego Foundation, which are classified as restricted. The beneficial interest in endowment funds held at San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 26% domestic equities, 28% international equities, 16% alternative investments, 17% fixed income, 4% commodities, 8% real estate and 1% cash and cash equivalents.

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

	<u>2017</u>	<u>2016</u>
Balance at Beginning of Year	\$ 654,381	\$ 689,261
Contributions	100,000	-
Investment gain (loss), net	73,929	(13,805)
Distributions	<u>(24,573)</u>	<u>(21,075)</u>
Balance at End of Year	<u>\$ 803,737</u>	<u>\$ 654,381</u>

**Note 8 - Beneficial Interest in Perpetual Trust:**

The Fleet is a beneficiary of a perpetual 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 5% in cash and cash equivalents, 20% in fixed income mutual funds, 48% in equity mutual funds, 9% in real estate funds and 18% in diversified mutual funds. Under the terms of the arrangement, the Fleet has an irrevocable right to receive the investment income earned on the trusts in perpetuity. The Fleet's interest in the trust is recorded at fair value and is classified as permanently restricted net assets. Distributions received from the trust are recorded as temporarily restricted investment income, and the change in fair value is recorded as permanently restricted investment income in the statement of activities.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 8 - Beneficial Interest in Perpetual Trust: (Continued)**

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

	<u>2017</u>	<u>2016</u>
Balance at Beginning of Year	\$ 650,180	\$ 697,581
Change in fair value	60,547	(47,401)
Investment income	9,000	27,599
Investment income distributed	(9,000)	(27,599)
Balance at End of Year	<u>\$ 710,727</u>	<u>\$ 650,180</u>

**Note 9 - Line-of-Credit:**

The Fleet has a line-of-credit with First Republic Bank in the amount of \$500,000 with interest at the bank's prime rate (4.25% at June 30, 2017). The line-of-credit matures on February 1, 2018, and is secured by gross pledge revenue and leasehold interest in the deed of trust with assignment of leases and rents on the Fleet. There was no outstanding balance at June 30, 2017 and 2016.

**Note 10 - Notes Payable:**

Notes payable consist of the following at June 30:

	<u>2017</u>	<u>2016</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. 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 \$13,555 and \$14,291 at June 30, 2017 and 2016, respectively.	\$ 4,065,244	\$ 4,287,389
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.	75,661	89,630
Total	<u>4,140,905</u>	<u>4,377,019</u>
Less: Unamortized debt issuance costs	(134,856)	(144,845)
Total, Net	<u>\$ 4,006,049</u>	<u>\$ 4,232,174</u>

Debt issuance costs total \$179,808, less accumulated amortization of \$44,952 and \$34,963 at June 30, 2017 and 2016, respectively.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 10 - Notes Payable: (Continued)**

Future principal payments on the notes payable are as follows:

<u>Years Ended June 30</u>		
2018	\$	247,840
2019		257,089
2020		266,994
2021		277,303
2022		288,031
Thereafter		<u>2,803,648</u>
	\$	<u><u>4,140,905</u></u>

**Note 11 - Unrestricted Net Assets - Board Designated Funds:**

The Fleet's Board of Trustees approved the establishment of appropriations of unrestricted net assets totaling \$200,000 for a Capital Reserve and \$300,000 for an Operating Reserve. The reserve balances are as follows at June 30:

	<u>2017</u>	<u>2016</u>
Capital reserve	\$ 157,044	\$ 157,044
Operating reserve	<u>125,931</u>	<u>125,931</u>
	<u>\$ 282,975</u>	<u>\$ 282,975</u>

**Note 12 - Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Science Starts Here Initiative	\$ 855,589	\$ 334,345
Unappropriated endowment earnings	526,487	343,363
Education	112,051	59,367
Other	70,000	7,541
Science Fair Awards	46,501	42,001
Innovation Fund	40,223	40,223
Fleet Inquiry Education Program	33,394	21,687
Ethics Center Programs	29,149	40,802
Education Special Programs	25,703	40,315
Family Science Nights	16,119	22
Fleet Exhibits & Equipment	15,000	99,735
Employee Activity Fund	124	2,753
Capital Campaign	-	19,447
Time Restrictions - Grants	-	1,100
Volunteer Program	-	463
Total Temporarily Restricted Net Assets	<u>\$ 1,770,340</u>	<u>\$ 1,053,164</u>

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 12 - Temporarily Restricted Net Assets: (Continued)**

Net assets in the amount of \$1,251,090 and \$930,221 were released from donor restrictions for the years ended June 30, 2017 and 2016, respectively, by incurring expenses satisfying the purpose or time restrictions specified by donors.

**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 (Note 8) and beneficial interest in endowment funds held at San Diego Foundation ("SDF") (Note 7).

In regards to the funds held and managed by the Fleet, the Fleet has interpreted the enacted version of the 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 as permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation 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

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Fleet to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2017 and 2016.

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  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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 Directors is 4.5% of the average twelve quarters' ending investment balances and is determined as of March 31<sup>st</sup> each year.

The Fleet has endowment funds that are held and managed through a beneficial interest in a perpetual trust ("Trust") and beneficial interest in endowment funds held at San Diego Foundation ("SDF"). 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 permanently restricted net assets 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 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 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 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.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 13 - Endowment Net Assets: (Continued)**

Endowment composition by type of fund at June 30:

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds:			
Fleet endowments	\$ 402,750	\$ 3,279,860	\$ 3,682,610
Beneficial interest in endowment funds held at San Diego Foundation	123,737	680,000	803,737
Beneficial interest in perpetual trust	-	710,727	710,727
Total Endowment Funds	\$ 526,487	\$ 4,670,587	\$ 5,197,074

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds:			
Fleet endowments	\$ 268,982	\$ 3,350,821	\$ 3,619,803
Beneficial interest in endowment funds held at San Diego Foundation	74,381	580,000	654,381
Beneficial interest in perpetual trust	-	650,180	650,180
Total Endowment Funds	\$ 343,363	\$ 4,581,001	\$ 4,924,364

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

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at June 30, 2015	\$ 547,644	\$ 4,541,865	\$ 5,089,509
Investment return:			
Interest and dividends	97,104	-	97,104
Net realized and unrealized losses	(117,590)	(47,401)	(164,991)
Investment fees	(24,002)	-	(24,002)
Total Investment Return	(44,488)	(47,401)	(91,889)
Contributions	-	86,537	86,537
Appropriation of endowment assets for expenditure	(159,793)	-	(159,793)
Endowment Net Assets at June 30, 2016	343,363	4,581,001	4,924,364
Investment return:			
Interest and dividends	52,102	-	52,102
Net realized and unrealized gains	329,105	60,547	389,652
Investment fees	(24,312)	-	(24,312)
Total Investment Return	356,895	60,547	417,442
Contributions	-	29,039	29,039
Appropriation of endowment assets for expenditure	(173,771)	-	(173,771)
Endowment Net Assets at June 30, 2017	\$ 526,487	\$ 4,670,587	\$ 5,197,074

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**Note 14 - Commitments and Contingencies:**

**Exhibit Lease Agreements**

The Fleet has entered into exhibit lease agreements with various vendors for future exhibits.

Future annual payment requirements to fulfill the exhibit lease agreements are as follows:

<u>Year Ended June 30</u>	
2018	\$ <u>360,852</u>

**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 will become 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 \$36,375 and \$33,048 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

**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, 2017 AND 2016**

**Note 14 - Commitments and Contingencies: (Continued)**

**Museum Film Network**

The Museum Film Network (“MFN”) is an independent nonprofit educational organization that is composed of 16 member museums. The mission of the MFN is to produce and provide funding for educational/science large-format films to be shown in science museum theaters. The organization started in the 1980’s with contributions from member museums. The Fleet joined the MFN at its inception and contributed \$225,000 to join the group at its formation and acquire a 1/15.33 interest. This amount was expensed at the time of disbursement. Over the years, MFN has funded many films and the Fleet has shown these films here as a member and received either free or discounted use of the films. The MFN receives royalties from film distributors that reimburse and sometimes (but not always) exceed the MFN investment in a particular film. Investments are made for new films as funds are available. If the MFN is dissolved, any remaining assets would be divided equally, based on initial contributions, among the investors. There were no distributions from MFN for the years ended June 30, 2017 and 2016.

**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.

**REUBEN H. FLEET SCIENCE CENTER  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	Supporting Services				Total 2017	Supporting Services				Total 2016
	Programs and Exhibits	Management and General	Fundraising	Total Supporting Services		Programs and Exhibits	Management and General	Fundraising	Total Supporting Services	
Personnel	\$ 3,313,737	\$ 566,629	\$ 451,954	\$ 1,018,583	\$ 4,332,320	\$ 3,123,437	\$ 519,129	\$ 188,454	\$ 707,583	\$ 3,831,020
Cost of sales - Retail operations	571,186	-	-	-	571,186	482,417	-	-	-	482,417
Exhibits	564,581	24	-	24	564,605	441,460	54	-	54	441,514
Advertising, printing and graphics	535,913	2	-	2	535,915	602,311	11,261	8,338	19,599	621,910
Building equipment and maintenance	384,303	121,115	-	121,115	505,418	462,008	1,149	513	1,662	463,670
Miscellaneous	375,011	10,524	4,597	15,121	390,132	108,440	91,728	16,085	107,813	216,253
In-kind advertising, printing and graphics	327,618	-	-	-	327,618	465,201	-	-	-	465,201
Professional fees	272,959	16,495	-	16,495	289,454	168,756	64,603	40,925	105,528	274,284
Office expenses	270,016	16,554	-	16,554	286,570	122,355	29,920	5,034	34,954	157,309
Film lease expense	262,647	-	-	-	262,647	268,530	-	-	-	268,530
Interest	134,294	35,812	8,953	44,765	179,059	150,550	40,147	10,037	50,184	200,734
Membership	160,559	1,402	-	1,402	161,961	56,209	31,071	-	31,071	87,280
Insurance	59,093	59,093	-	59,093	118,186	46,094	71,353	-	71,353	117,447
Special events - development	474	5,237	93,929	99,166	99,640	13,302	-	10,467	10,467	23,769
Contract services	67,007	15,758	-	15,758	82,765	134,669	91,263	8,618	99,881	234,550
Education programs	48,858	-	-	-	48,858	217,982	415	3,770	4,185	222,167
Travel, training and conferences	42,516	1,941	-	1,941	44,457	31,423	10,589	4,276	14,865	46,288
Retail supplies	13,710	-	-	-	13,710	2,530	-	-	-	2,530
Total Expenses Before Depreciation	<u>7,404,482</u>	<u>850,586</u>	<u>559,433</u>	<u>1,410,019</u>	<u>8,814,501</u>	<u>6,897,674</u>	<u>962,682</u>	<u>296,517</u>	<u>1,259,199</u>	<u>8,156,873</u>
Depreciation	<u>1,037,998</u>	<u>31,131</u>	<u>-</u>	<u>31,131</u>	<u>1,069,129</u>	<u>611,318</u>	<u>270,449</u>	<u>17,995</u>	<u>288,444</u>	<u>899,762</u>
<b>Total Expenses</b>	<u>\$ 8,442,480</u>	<u>\$ 881,717</u>	<u>\$ 559,433</u>	<u>\$ 1,441,150</u>	<u>\$ 9,883,630</u>	<u>\$ 7,508,992</u>	<u>\$ 1,233,131</u>	<u>\$ 314,512</u>	<u>\$ 1,547,643</u>	<u>\$ 9,056,635</u>