POWERHOUSE SCIENCE CENTER
DBA: MUSEUM OF SCIENCE AND CURIOSITY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2024 AND 2023

POWERHOUSE SCIENCE CENTER
DBA: MUSEUM OF SCIENCE AND CURIOSITY

TABLE OF CONTENTS
JUNE 30, 2024 AND 2023

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

To Board of Directors of
Powerhouse Science Center
dba: Museum of Science and Curiosity
Sacramento, California

Opinion

We have audited the accompanying financial statements of the Powerhouse Science Center (the Organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and of 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 the Organization as of June 30, 2024 and 2023, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the financial reports but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connections with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 18, 2024

POWERHOUSE SCIENCE CENTER
DBA: MUSEUM OF SCIENCE AND CURIOSITY

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 405,651	$ 468,365
Restricted cash and cash equivalents	1,107,488	1,107,788
Accounts receivable	44,895	82,473
Grants receivable, current	210,097	448,782
Promises to give, current	243,111	335,772
Gift shop inventory	70,962	101,290
Contributed use of property, current	1,990,691	1,990,691
Prepaid expenses and deposits	149,075	117,777
Total current assets	4,221,970	4,652,938
RESTRICTED CASH AND CASH EQUIVALENTS	6,735,561	5,693,223
GRANTS RECEIVABLE, NET	148,208	127,025
PROMISES TO GIVE, NET	809,255	1,214,343
CONTRIBUTED USE OF PROPERTY, NET	44,624,646	46,615,338
PROPERTY AND EQUIPMENT, NET	6,446,863	6,258,273
TOTAL ASSETS	$ 62,986,503	$ 64,561,140
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 305,010	$ 150,307
Accrued expenses	533,435	513,755
Deferred revenue, current	1,191,606	1,131,634
Long-term debt, current	2,022,436	1,953,918
Total current liabilities	4,052,487	3,749,614
DEFERRED REVENUE, NET	5,424,779	5,281,056
LONG-TERM DEBT, NET	37,430,525	38,412,422
Total liabilities	46,907,791	47,443,092
NET ASSETS:		
Net assets without donor restrictions	(30,771,093)	(31,849,622)
Net assets with donor restrictions	46,849,805	48,967,670
Total net assets	16,078,712	17,118,048
TOTAL LIABILITIES AND NET ASSETS	$ 62,986,503	$ 64,561,140

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

POWERHOUSE SCIENCE CENTER
DBA: MUSEUM OF SCIENCE AND CURIOSITY

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

NET ASSETS WITHOUT DONOR RESTRICTIONS:	2024	2023
REVENUES AND SUPPORT:		
Admissions	$ 1,412,007	$ 1,554,690
Educational programs and activities	1,142,103	725,470
Memberships	427,568	445,134
Event rentals	147,175	205,307
Gift shop sales, net of $227,242 and $231,739 cost of goods sold	173,348	226,283
Total revenues	3,302,201	3,156,884
Government funding	3,341,936	3,400,924
Donations and grants	236,389	203,723
Naming rights	790,076	767,635
Special event income, net of $48,563 in direct expenses in 2023		127,037
In-kind contributions	10,000	92,775
Interest income	30,445	19,138
Other income	13,100	12,703
Net assets released from restrictions	2,155,365	2,059,010
Total support	6,577,311	6,682,945
TOTAL REVENUES AND SUPPORT	9,879,512	9,839,829
EXPENSES:		
Program services	6,971,882	7,087,612
Support services:		
Fundraising	364,789	306,559
General and administrative	1,464,312	1,258,334
TOTAL EXPENSES	8,800,983	8,652,505
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,078,529	1,187,324
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	37,500	121,470
Net assets released from restrictions	(2,155,365)	(2,059,010)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(2,117,865)	(1,937,540)
DECREASE IN NET ASSETS	(1,039,336)	(750,216)
NET ASSETS, Beginning of Year	17,118,048	17,868,264
NET ASSETS, End of Year	$ 16,078,712	$ 17,118,048

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

POWERHOUSE SCIENCE CENTER
DBA: MUSEUM OF SCIENCE AND CURIOSITY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services	Fundraising Support	General and Administrative Services	Total
Salaries and employee benefits	$ 2,473,142	$ 234,121	$ 461,918	$ 3,169,181
Facilities	1,755,331	43,197	388,770	2,187,298
Depreciation and amortization	1,034,941	25,874	232,861	1,293,676
Interest and fees	820,485	25,877	181,460	1,027,822
Insurance	239,958	5,999	53,991	299,948
Exhibits and programs	213,836	3,943	35,484	253,263
Communications	110,114	9,532	18,014	137,660
Contract services	79,487	3,030	52,308	134,825
Advertising	84,807	8,206	15,508	108,521
Supplies	83,133	1,419	12,776	97,328
Travel	24,894	1,112	2,102	28,108
Subscriptions	24,969	236	2,121	27,326
Postage and printing	21,399	1,727	3,078	26,204
Adjustment to allowance for doubtful accounts			2,955	2,955
Other	5,386	516	966	6,868
Total	$ 6,971,882	$ 364,789	$ 1,464,312	$ 8,800,983

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

POWERHOUSE SCIENCE CENTER
DBA: MUSEUM OF SCIENCE AND CURIOSITY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Fundraising Support	General and Administrative Services	Total
Salaries and employee benefits	$ 2,239,853	$ 173,092	$ 322,226	$ 2,735,171
Facilities	1,766,461	43,233	389,105	2,198,799
Depreciation and amortization	987,807	24,695	238,423	1,250,925
Interest and fees	839,311	24,571	183,307	1,047,189
Insurance	191,533	4,788	43,095	239,416
Exhibits and programs	268,866	4,370	39,330	312,566
Communications	103,642	6,779	12,759	123,180
Contract services	438,821	11,097	20,760	470,678
Advertising	49,902	3,840	7,228	60,970
Supplies	94,842	1,213	10,924	106,979
Travel	43,415	1,165	2,192	46,772
Subscriptions	23,908	436	820	25,164
Postage and printing	36,988	7,109	2,374	46,471
Adjustment to allowance for doubtful accounts			(14,520)	(14,520)
Other	2,263	171	311	2,745
Total	$ 7,087,612	$ 306,559	$ 1,258,334	$ 8,652,505

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

POWERHOUSE SCIENCE CENTER
DBA: MUSEUM OF SCIENCE AND CURIOSITY

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (1,039,336)	$ (750,216)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,293,676	1,234,759
Allowance for uncollectable promises to give	2,955	(14,520)
Amortization of debt issuance costs	38,858	38,860
Loss on disposal of property and equipment		4,856
Change in operating accounts:		
Accounts receivable	37,578	29,787
Grants receivable	217,502	(64,939)
Promises to give	494,794	330,201
Gift shop inventory	30,328	(34,738)
Contributed use of property	1,990,692	1,990,692
Prepaid expenses and deposits	(31,298)	(44,514)
Accounts payable	942	16,670
Accrued expenses	19,680	32,548
Deferred revenue	203,695	143,621
Net cash provided by operating activities	3,260,066	2,913,067
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,328,505)	(768,463)
Net cash used by investing activities	(1,328,505)	(768,463)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on advance from City		(249,000)
Payments on bonds payable	(360,000)	(345,000)
Payments on notes payable	(592,237)	(581,293)
Net cash used by financing activities	(952,237)	(1,175,293)
NET CHANGE IN CASH AND CASH EQUIVALENTS	979,324	969,311
CASH AND CASH EQUIVALENTS, Beginning of Year	7,269,376	6,300,065
CASH AND CASH EQUIVALENTS, End of Year	$ 8,248,700	$ 7,269,376
CASH AND CASH EQUIVALENTS - UNRESTRICTED	$ 405,651	$ 468,365
CASH AND CASH EQUIVALENTS - RESTRICTED	7,843,049	6,801,011
TOTAL CASH AND CASH EQUIVALENTS	$ 8,248,700	$ 7,269,376
NONCASH INVESTING AND FINANCING ACTIVITIES		
Construction in progress financed through payables	$ 153,761	$

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Powerhouse Science Center, dba Museum of Science and Curiosity (the Organization) was incorporated as a California not-for-profit corporation in 1993. The Organization is a family-focused educational institute dedicated to enriching the lives of local residents, students, and visitors to the Sacramento region by encouraging the exploration of science and space. Until March 2020, Powerhouse operated the Discovery Museum - a Science and Space Center located in northeast Sacramento, including a public planetarium, animal and nature discovery room, an amphitheater, nature trails, and the Challenger Learning Center. In 2005, the board of directors and the staff of the Powerhouse teamed up with preservation architects, construction managers, engineers, and other experts to develop a comprehensive plan for the adaptive reuse of the historic power station and bring it back to life.

In a lauded public-private partnership spanning 15-plus years between the Powerhouse Science Center, the City of Sacramento, the Sacramento County Office of Education, the Sacramento Municipal Utility District (SMUD), and a range of corporate partners and individual donors, construction on the new science center was finally completed in 2021 and opened to the public on November 13, 2021.

The Powerhouse Science Center was renamed and rebranded in 2020 as the SMUD Museum of Science and Curiosity, or simply MOSAC. MOSAC's mission is to serve as a dynamic regional hub that engages and inspires people of all ages to explore the wonders, possibilities, and responsibilities of science. One of MOSAC's major directives is to bring K-12 schools, colleges, universities, libraries, museums, and other community resources together to remove barriers and build a Science, Technology, Engineering, Arts and Math (STEAM) learning ecosystem that broadens and enriches each learner's personal journey, with the ultimate goal of inspiring more students to enter STEAM careers.

Basis of accounting and financial statement presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and cash equivalents – For financial statement purposes, the Organization considers all investments with a maturity at purchase of three months or less to be cash equivalents, unless held for long term purposes.

The balance at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization's deposits held within financial institutions exceeded the federal depository insurance limits by $7,750,197 and $6,624,995 as of June 30, 2024 and 2023, respectively.

Accounts and grants receivable represent amounts of which the Organization has an unconditional right to receive. The receivables are stated at the amount management expects to be collected from the outstanding balance.

Promises to give receivables – Unconditional promises to give that are expected to be collected in one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which are measured as the present value of

their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. In subsequent years, amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Management determines the allowance for uncollectible promise to give receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections and are written off when deemed uncollectable. As of June 30, 2024 and 2023 the allowance was $153,936 and $163,856, respectively.

Inventory – Inventory consists of gift store merchandise and is stated at the lower of cost or market using the average unit cost method. Market value is determined by comparison with recent purchases or net realizable value.

Property and equipment – Property and equipment in excess of $700 (IT assets) or $2,500 (all other assets) are capitalized at cost for purchased assets and fair market value for donated assets. Assets are depreciated/amortized using the straight-line method over the estimated service life of the assets.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability):

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

Revenue recognition – Revenues from admissions, educational programs, event rentals, and activities are recorded on the day the museum is visited. Revenue from memberships are recorded over the life of the membership period of one year. Revenues for naming rights and exclusivity are recognized over the life of the agreement with the sponsor, if it is determined that the rights are substantial and the sponsor is receiving commensurate value. Funds received in advance of the service date are recorded as deferred revenue. Refer to Note 8 for accounting policies and additional details regarding revenue from contracts with customers.

Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional contributions are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the condition. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets

with donor restrictions. Net assets with donor restrictions become net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Donor-restricted contributions that are also conditional, and for which the condition and restriction are released in the same period, are reported at revenue without donor restrictions.

Prior to 2019, sponsorship opportunities for exhibits in the new science center were recorded as receivables once signed agreements and down payments were received. The portion of the sponsorship allocated to the estimated cost of constructing an exhibit in the new center was recognized as donor-restricted revenue which was released from restriction when the science center was completed and placed in operation during the year ended June 30, 2021. The remaining balances were allocated to naming rights and other future benefits that the donor is to receive and is reported as deferred revenue to be recognized over the life of the future benefit.

Contributed goods and services – Contributions of in-kind (noncash) goods and used in the Organization's operations are recorded at their estimated fair value as both support and expense in the period received, which approximates the time when such goods are distributed or placed into service. Contributions of in-kind services that create or enhance nonfinancial assets or that require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donation, are recorded at their estimated fair value in the period received. Refer to Note 9 for additional disclosures related to in-kind contributions.

In addition, there are a considerable number of volunteers who donate significant amounts of time to the Organization. The value of such services, which is substantial, is not included in the accompanying financial statements as it does not meet the criteria for revenue recognition.

Functional allocation of expenses – The costs related to various programs and activities are summarized on a functional basis in the accompanying statement of activities. The statements of functional expenses present the natural classification detail of expenses by function.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and employee-related expenses (staffing costs) are allocated based on employees' direct time spent on program or support activities or management's best estimate of time spent. Facility costs are allocated based upon management's best estimate of square footage used for the various functions. Expenses, other than facility and salaries/employee-related expenses which are not directly identifiable by program or support services, are allocated based upon the staffing cost allocation.

Advertising costs – Advertising costs are expensed as incurred, which totaled $108,521 and $60,970 during the years ended June 30, 2024 and 2023, respectively.

Income taxes – The Organization is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for income taxes.

Concentrations of risk – Commitments received for long-term promises to give (pledges) are subject to the donors' financial situation and the risk that their capacity to pay may change over time. The Organization has received several promises to give that exceed ten years. Management monitors pledges regularly.

For the years ended June 30, 2024 and 2023, the Organization had a concentrated revenue source with 43% of its total revenues and support being associated with grants and funding from the City and County of Sacramento, and the State of California. While economic conditions and annual budgeting processes may threaten the allocation of resources that the State, City and County have available to dedicate to the Organization, management does not anticipate any unexpected changes in its funding from the State, City and County. If future decreases in funding should occur, it may affect the Organization's programs.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could materially differ from those estimates under different assumptions or conditions.

Subsequent events have been reviewed through November 18, 2024, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2024 that require recognition or disclosure in the financial statements.

2. RESTRICTED CASH

Restricted cash consists of amounts that are required to be held for debt service reserves and for principal and interest payments with respect to the bond outstanding; and reserves for building maintenance. The total restricted cash at June 30, 2024 and 2023 was $7,843,049 and $6,801,011, respectively. The current portion of $1,107,488 and $1,107,788 as of June 30, 2024 and 2023, respectively, was restricted for current bond debt obligations. The noncurrent portion of $6,735,561 consisted of $6,661,561 for debt service reserves, and $74,000 for building maintenance reserves. The noncurrent portion of $5,693,223 at June 30, 2023 consisted of $5,643,223 for debt service reserves, and $50,000 for building maintenance reserves.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows as of June 30:

	2024	2023
Cash	$ 405,651	$ 468,365
Accounts receivable	44,895	82,473
Grants receivable, current	210,097	448,782
Promises to give, current	243,111	335,772
Total financial assets	903,754	1,335,392
Less:		
Net assets restricted by donors for time or purpose	(149,968)	(217,141)
Financial assets available to meet cash needs for general expenditures	$ 753,786	$ 1,118,251

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general liabilities, and other obligations, come due.

4. PROMISES TO GIVE

The Organization conducted a capital campaign to fund the expansion of and relocation to a new science center. Prior and future capital campaigns, earned revenues, on-going sponsorship opportunities, State, City and County funding assistance, and potential future financing proceeds are expected to provide the funds for promotion and ongoing operations of the science center. Promises to give associated with this project were recorded as net assets with donor restriction and were released when the new center opened to the public, unless otherwise restricted by the donor.

Some promises to give include sponsorship opportunities to finance new exhibits and obtain naming rights. Management estimated the cost of such exhibits and recorded associated sponsorship funds promised/received as contributions with donor restrictions restricted for the creation of such exhibits. If the naming rights or other benefit agreements associated with the exhibit sponsorship extend for more than five years, then any amount promised in excess of the estimated cost of the exhibit were recorded as payment for the naming rights. Naming rights are reported as deferred revenue on these financial statements until such time that the exhibit is operational or as per the donor agreement. Deferred revenues related to the naming rights are being amortized over the life of the associated naming rights, which extend up to 15 years.

Long-term promises to give are discounted to fair value using a 3% risk-adjusted rate derived by using a risk-free interest rate (yield to maturity on U.S Treasuries) and adjusted for general market (systemic) risk by adding a risk premium. Discount rates are determined in the year the long-term promise to give is received and not adjusted thereafter. During the years ended June 30, 2024 and 2023, no new long-term promises to give were received.

Promises to give to be received over more than five years include a valuation adjustment to estimate actual expected cash flows. Using the probability-weighted expected cash flow method, a valuation adjustment has been estimated equal to 10% of the long-term portion of those promises to give to be received in more than five years. Management has also determined that certain pledges are no longer collectable and have been fully reserved. Pledges that have been 100% reserved totaled $113,722 at June 30, 2024 and 2023, and the remaining pledges have been applied the 10% valuation adjustment totaling $40,214 and $45,214 as of June 30, 2024 and 2023, respectively.

Total promises to give as of June 30, consist of:

	2024	2023
Due in less than one year	$ 243,111	$ 335,772
Due in one to five years	668,008	1,016,270
Due in more than five years	401,777	501,377
Gross promises to give	1,312,896	1,853,419
Unamortized discounts	(106,594)	(139,448)
Allowance for doubtful accounts	(153,936)	(163,856)
Promises to give, net	$ 1,052,366	$ 1,550,115

Conditional promises to give are not recorded or recognized until the applicable condition has been met. As of June 30, 2024 and 2023, the Organization had $694,757 and $2,478,511, respectively, of conditional promises to give that will be received, and recognized, after certain milestones associated with the construction of exhibits and operation of the new science center are met. These are not included on these financial statements.

Contributed use of property

The Organization has a 30-year lease agreement with the City of Sacramento (Note 10) for the land upon which the new science center was built, as well as the original building and all improvements. This agreement provides for a base rent of $1 per year plus an additional monthly payment of $2,000 to a Capital Reserve Account, which became effective beginning on the date the City issued a certificate of occupancy. The fair value of the lease was estimated to be the cost basis of the newly constructed science center as of the date it was placed into service, June 1, 2021. Accordingly, in-kind revenue and a related contributed use of property asset were recognized in the year ended June 30, 2021, for the value of the 30-year lease. This donor-restricted asset will be released from restrictions, and recognized in rent expense on straight-line basis over the life of the agreement, as follows as of June 30:

	2024	2023
Recognized in less than one year	$ 1,990,691	$ 1,990,691
Recognized in one to five years	7,962,764	7,962,764
Recognized in more than five years	36,661,882	38,652,574
Total contributed use of property	$ 46,615,337	$ 48,606,029

5. PROPERTY AND EQUIPMENT

As of June 30, property and equipment consisted of:

	2024	2023
Displays and exhibits	$ 6,563,448	$ 5,053,511
Furniture and equipment	1,998,292	1,968,524
Leasehold improvements	844,350	738,034
Vehicles	52,050	52,050
Construction in progress		163,755
	9,458,140	7,975,874
Less accumulated depreciation and amortization	(3,011,277)	(1,717,601)
Net total	$ 6,446,863	$ 6,258,273

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 was $1,293,676 and $1,234,759, respectively.

6. LONG-TERM DEBT

The Organization's long-term debt consists of the following as of June 30:

	2024	2023
2017 Series A Qualified Zone Academy Bonds (QZAB) in the amount of $22,000,000 issued December 29, 2017. Bonds are interest free. Proceeds are to be used for the construction of the new science center. Associated with these bonds are debt issuance costs of $438,275, which are being amortized over the term of the bonds. Annual payments of $1,000,000 are to be paid into a QZAB sinking fund through the date of maturity on January 1, 2040. The bonds are secured by the revenue of the Organization.	$ 22,000,000	$ 22,000,000
2018 Series B Tax-Exempt Bonds in the amount of $18,500,000 issued March 14, 2018. Bonds bear interest at 4.25% annually. Proceeds are to be used for the construction of the new science center. Associated with these bonds are debt issuance costs of $568,125, which are being amortized over the term of the bonds. Interest only payments are due beginning July 2018, with principal payments beginning July 2020. Final maturity is on July 1, 2047. The bonds are secured by the revenue of the Organization.	17,235,000	17,595,000
Loan payable in the amount of $2,000,000 with an inception date of June 28, 2022. The loan bears interest at the bank's prime rate plus 1.5%, with a 6.5% floor. Principal and interest payments are due monthly beginning July 2022, with final maturity on December 28, 2025. The loan is secured by all business assets which are not already secured by other debt.	938,316	1,489,716
Note payable issued in the amount of $164,801 on April 7, 2021, for the purchase of furniture. The note bears interest at 5.5%. Principal and interest payments are due monthly beginning July 2021, with final maturity in June 2025.	38,195	79,032
Subtotal	40,211,511	41,163,748
Unamortized debt issuance costs	(758,550)	(797,408)
Less current portion	(2,022,436)	(1,953,918)
Long-term debt, net	$ 37,430,525	$ 38,412,422

Future minimum payments of long-term debt and sinking fund deposits are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 2,022,436	$ 733,778	$ 2,756,214
2026	1,719,075	716,550	2,435,625
2027	1,425,000	699,975	2,124,975
2028	1,425,000	681,913	2,106,913
2029	1,440,000	663,850	2,103,850
Thereafter	32,180,000	9,189,563	41,369,563
Total	$ 40,211,511	$ 12,685,629	$ 52,897,140

$932,158 and $962,788 of debt interest was incurred during the fiscal years ended June 30, 2024 and 2023, respectively.

Advance from the City of Sacramento

On July 12, 2021, the State of California's Budget Act of 2021 was amended. Included in the amendments, the State of California appropriated $3,000,000 from the state's general fund to the Organization for a public health program and educational exhibit. In August 2021 the City of Sacramento advanced the Organization $249,000 interest-free, which was repaid once the general funds were received from the State of California during the year ended June 30, 2023.

7. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, net assets with donor restrictions consisted of the following:

	2024	2023
Contributed use of property	$ 46,615,337	$ 48,606,029
Time restricted only	84,500	144,500
Science programs	50,000	116,566
Inspire Scholarship Fund	46,673	37,947
Whale dome show	6,306	12,139
In-kind IT services	41,989	41,989
School field trip scholarships	5,000	5,000
Equipment		3,500
Total	$ 46,849,805	$ 48,967,670

8. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization's revenue from contracts with customers consists of admission tickets sales, programs, events, member fees, gift shop and café sales, and certain agreements with sponsors for branding, exclusivity and naming rights.

Revenues from admission ticket sales are recognized at the time the customer is granted rights to visit the science center. Revenues from events and programs are recognized when the related events occur. Event rental income is recognized when the facility is used. Membership fees are recognized over the membership period as the related performance obligation occurs (access to the science center granted for one year). Revenues from gift shop sales and café sales are recognized at the time the goods are provided to the customer. Revenues from sponsors are recognized over the contract period that the related benefit is provided to the sponsor.

Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability.

A contract asset is recorded when the Organization satisfies a performance obligation of a contract but is not yet entitled to payment. When the Organization becomes entitled to payment, the contract asset is classified as a receivable, whether invoiced or not.

The performance obligations which are satisfied over time, such as science center access and exclusivity and naming rights, are recognized evenly over the membership period and contract period, respectively. Other performance obligations are satisfied at a point in time, including admission to the science center, event rentals, delivery of goods at the gift shop, and certain lessee rights per agreements with the City.

For the year ended June 30, 2024, revenue recognized for goods and services transferred at a point in time and for services transferred over time totaled $2,888,633 and $1,217,644, respectively. For the year ended June 30, 2023, revenue recognized for goods and services transferred at a point in time and for services transferred over time totaled $2,838,787 and $1,212,769, respectively.

The balances of receivables and contract liabilities from contracts with customers are as follows as of June 30:

	2024	2023	2022
Receivables	$ 44,895	$ 82,473	$ 112,260
Contract liabilities:			
Deferred naming rights revenue	$ 6,214,330	$ 6,048,691	$ 5,870,613
Deferred membership revenue	203,561	197,167	228,367
Deferred educational program revenue	163,744	166,832	140,089
Total contract liabilities	$ 6,581,635	$ 6,412,690	$ 6,239,069

The deferred naming rights revenue is being recognized, beginning at the opening of the new science center, over a period of time based on contract terms ranging between five and seventeen years. Deferred membership revenue is recognized ratably over the membership period, which is typically one year. The deferred educational program revenue is for funds received in advance for educational programs and is expected be recognized in the next fiscal period.

9. IN-KIND CONTRIBUTIONS

The Organization received the following In-kind contributions for the years ended June 30:

	2024	2023
Executive Director services		$ 78,000
Supplies		1,925
Other professional services	$ 10,000	12,850
Total In-kind contributions	$ 10,000	$ 92,775

Executive director services were valued at estimated market value for the position, less amounts paid in cash. Contributed professional services are valued at the amount the provider would normally charge. These in-kind services were considered without donor restrictions and able to be used by the Organization as determined by the Board of Directors and management.

The Organization's policy related to in-kind contributions is to utilize the assets and services given to carry out their mission.

10. AGREEMENTS WITH THE CITY AND COUNTY OF SACRAMENTO

In December 2017, as an amendment to previous agreements with the City, the Organization entered into three separate lease agreements. The first agreement is a Site lease agreement with the City, in which the City leases the Jibboom St. premises to the Organization. Annual rent is $1 per year. The term is 30 years, ending November 30, 2046.

The Organization then leased the premises back to the city for the same term under a Project lease. Under this agreement, the City pays the Organization a sum of $1,000,000 per year in rent, not to exceed $30,000,000 over the term of the lease. The City and the Organization agree this annual payment equates the fair market value of the premises once completed. These payments are to be used to pay the Series A bond (Note 6).

The City then leased the premises back to the Organization for the same term under a Ground lease with the City that includes the development, construction and leasing of the new science center site. Under this agreement, the City shall provide use of the property at 400 Jibboom Street, Sacramento (former Pacific Gas & Electric Power Station site) for the construction and operation of a new science center for $1 per year. The agreement was contingent upon completion of the new science center on or before June 30, 2021. The new science center was placed into service May 31, 2021, at which point the value of the constructed asset was transferred to the City, removing it from the Organization's Statement of Financial Position, and contributed use of property was recognized for the value of the use of the building over the term of the agreement. The transfer of the building assets, and revenue from contributed use of property recognized in the year ended June 30, 2021, was $52,753,303. Collectively, under the terms of these agreements:

- The Organization shall deposit $2,000 per month into a separate FDIC-insured, interest-bearing Capital Reserve Account. Disbursements are limited to extraordinary repairs and replacements of the property above and beyond regularly-scheduled maintenance. Such costs must exceed $5,000

and have a useful life of five years or more. Disbursements in excess of $25,000 must be pre-approved by the City. A moratorium on this provision was granted by the City until commencement of construction. The current balance in this account is $74,000 and is included in restricted cash, as noted in Note 2.

- The Organization is financially responsible to maintain the remediation system installed by the California Department of Water Resources to remediate the hazardous substances located on the property. Maintenance includes inspections, repairs, grounds keeping, replanting, monitoring and submission of required reports to the City and to the California Department of Toxic Substance Control.

- The City is to give written instructions that the Organization is exempt from taxes, assessments and public charges as long as the Organization remains a tax-exempt organization. The Organization is responsible for all permits, licenses and taxes associated with construction and operation of the new science center.

- The Organization cannot carry more than $200,000 of indebtedness, including finance leases, that is not related to the new science center. In addition, the Organization has various fiscal reporting and insurance coverage requirements.

- During construction the Organization had leasehold title to the new science center and any and all improvements, repairs and modifications thereto. Upon final completion and acceptance by the City, the new science center and any other permanent improvements became the property of the City without reimbursement to the Organization, as noted above.

Prior to these agreements, the Organization had previous agreements with the City with similar terms, and other funding plans for the new science center that were superseded by the ground lease above.

11. RETIREMENT PLAN

The Organization has a 403(b) Tax Shelter Retirement Plan for employees who regularly work 30 hours or more per week. The Organization matches employee contributions 100% up to $50 per month per eligible employee. For the years ended June 30, 2024 and 2023, the Organization paid $1,488 and $1,575 in matching employer contributions, respectively.

12. COMMITMENTS AND CONTINGENCIES

Under the terms of a ground lease agreement with the City (Note 10), the Organization has responsibilities associated with the ongoing environmental remediation activities located at an old power station (the location of the new science center). Future obligations associated with this site consist of maintenance, testing and reporting costs. Such costs are anticipated to be expensed as incurred and an estimate of the total cost of such activities cannot be made.

The public and private funds received that are restricted for specific purposes and/or subject to compliance requirements are subject to review by grantors, lenders and contracting agencies. There exists a contingency that such a review would result in the disallowance of expenditures and require reimbursement. Management feels that such amounts, if any, would not materially affect present operations or the financial position of the Organization.

13. DEFICIT IN NET ASSETS WITHOUT DONOR RESTRICTIONS

As of June 30, 2024, and 2023, the Organization reported a significant deficit in net assets without donor restrictions due to the Organization's transfer of the science center constructed assets valued at $52,753,303 to the City of Sacramento. In conjunction with this transfer, the Organization entered into a long-term lease agreement with the City, allowing the Organization the use of the property for 30 years for the rental value of $1,990,691 annually. In accordance with GAAP, the benefit of this long-term use agreement was reported as restricted contribution income and will be recognized as net assets released from restrictions on a straight-line basis over the life of the agreement. The Organization does not consider the deficit in net assets without donor restrictions to raise doubt about its ability to continue as a going concern. The Organization had positive cash flow from operating activities in the years ended June 30, 2024 and 2023, and the Organization expects operations to provide positive cash flow into the future.