



**FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**



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

**REUBEN H. FLEET SCIENCE CENTER  
FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

## **Independent Auditor's Report**

To the Board of Trustees  
Reuben H. Fleet Science Center

### **Report on the 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, 2019 and 2018, and the related statements of activities, functional expenses 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.

To the Board of Trustees  
Reuben H. Fleet Science Center

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*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, 2019 and 2018, 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.

Leaf & Cole LLP

San Diego, California  
November 20, 2019

**REUBEN H. FLEET SCIENCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b><u>Current Assets:</u></b> (Notes 2 and 6)		
Cash and cash equivalents	\$ 1,390,865	\$ 1,188,149
Accounts receivable, net	227,179	249,843
Pledges receivable	266,580	-
Inventory	98,576	103,014
Prepaid expenses	160,754	223,563
Total Current Assets	2,143,954	1,764,569
<b><u>Noncurrent Assets:</u></b> (Notes 2, 4, 5, 6, 7, 8 and 9)		
Property and equipment, net	5,711,963	5,996,361
Pledges receivable	32,774	-
Endowment Assets:		
Cash and cash equivalents	605,068	8,475
Investments	2,104,438	2,814,517
Pledges receivable, net	669,822	749,398
Beneficial interest in endowment funds	1,002,458	901,975
Beneficial interest in perpetual trust	676,550	713,277
Total Noncurrent Assets	10,803,073	11,184,003
<b>TOTAL ASSETS</b>	<b>\$ 12,947,027</b>	<b>\$ 12,948,572</b>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Notes 2 and 11)		
Accounts payable and accrued expenses	\$ 558,617	\$ 592,307
Deferred revenues	98,249	115,122
Current portion of notes payable	266,799	256,985
Total Current Liabilities	923,665	964,414
<b><u>Noncurrent Liabilities:</u></b> (Notes 2 and 11)		
Notes payable, net	3,259,091	3,513,766
Total Liabilities	4,182,756	4,478,180
<b><u>Commitments and Contingencies</u></b> (Notes 10 and 15)		
<b><u>Net Assets:</u></b> (Notes 2, 12, 13 and 14)		
Without Donor Restrictions:		
Undesignated	2,377,726	2,205,793
Board designated	282,975	282,975
Total Without Donor Restrictions	2,660,701	2,488,768
With Donor Restrictions	6,103,570	5,981,624
Total Net Assets	8,764,271	8,470,392
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,947,027</b>	<b>\$ 12,948,572</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, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Contributions:</b>						
<b>Revenues:</b>						
Fleet admissions	\$ 3,600,324	\$ -	\$ 3,600,324	\$ 3,382,579	\$ -	\$ 3,382,579
Retail operations	1,692,982	-	1,692,982	1,584,430	-	1,584,430
Membership dues	782,860	-	782,860	764,510	-	764,510
Education program fees	394,758	-	394,758	382,994	-	382,994
Investment income	10,366	63,335	73,701	2,482	218,439	220,921
Other	25,712	-	25,712	46,368	-	46,368
Total Revenues	<u>6,507,002</u>	<u>63,335</u>	<u>6,570,337</u>	<u>6,163,363</u>	<u>218,439</u>	<u>6,381,802</u>
<b>Contributions:</b>						
Contributions and grants	1,959,666	939,829	2,899,495	1,508,130	377,639	1,885,769
Net assets released from restrictions	881,218	(881,218)	-	1,055,381	(1,055,381)	-
Total Contributions	<u>2,840,884</u>	<u>58,611</u>	<u>2,899,495</u>	<u>2,563,511</u>	<u>(677,742)</u>	<u>1,885,769</u>
Total Revenues and Contributions	<u>9,347,886</u>	<u>121,946</u>	<u>9,469,832</u>	<u>8,726,874</u>	<u>(459,303)</u>	<u>8,267,571</u>
<b>Expenses:</b>						
Programs and exhibits	7,143,298	-	7,143,298	7,886,843	-	7,886,843
Management and general	1,384,659	-	1,384,659	1,077,394	-	1,077,394
Fundraising	647,996	-	647,996	553,877	-	553,877
Total Expenses	<u>9,175,953</u>	<u>-</u>	<u>9,175,953</u>	<u>9,518,114</u>	<u>-</u>	<u>9,518,114</u>
Change in Net Assets	171,933	121,946	293,879	(791,240)	(459,303)	(1,250,543)
Net Assets at Beginning of Year	2,488,768	5,981,624	8,470,392	3,280,008	6,440,927	9,720,935
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,660,701</u>	<u>\$ 6,103,570</u>	<u>\$ 8,764,271</u>	<u>\$ 2,488,768</u>	<u>\$ 5,981,624</u>	<u>\$ 8,470,392</u>

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

**REUBEN H. FLEET SCIENCE CENTER  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019					2018				
	Supporting Services				Total	Supporting Services				Total
	Programs and Exhibits	Management and General	Fundraising	Total Supporting Services		Programs and Exhibits	Management and General	Fundraising	Total Supporting Services	
Personnel	\$ 3,375,943	\$ 1,072,818	\$ 426,542	\$ 1,499,360	\$ 4,875,303	\$ 3,467,174	\$ 846,824	\$ 411,381	\$ 1,258,205	\$ 4,725,379
Cost of sales - Retail operations	617,837	-	-	-	617,837	609,600	-	-	-	609,600
Advertising, printing and graphics	488,849	76	32,501	32,577	521,426	522,748	196	-	196	522,944
Building equipment and maintenance	388,398	49,365	23,037	72,402	460,800	377,457	37,463	15,610	53,073	430,530
Office expenses	155,248	147,196	11,236	158,432	313,680	244,549	20,035	9,114	29,149	273,698
Film lease expense	312,816	-	-	-	312,816	185,205	-	-	-	185,205
Miscellaneous	235,386	19,867	15,029	34,896	270,282	223,891	27,281	3,274	30,555	254,446
Exhibits	240,080	-	-	-	240,080	490,655	-	-	-	490,655
Interest	127,017	22,660	10,575	33,235	160,252	142,179	19,683	7,986	27,669	169,848
Professional fees	146,800	3,204	3,843	7,047	153,847	252,829	43,332	454	43,786	296,615
Membership	128,023	8,969	5,342	14,311	142,334	124,144	10,772	59	10,831	134,975
Insurance	93,526	17,831	8,321	26,152	119,678	108,521	15,741	6,531	22,272	130,793
Special events - development	119	-	94,633	94,633	94,752	8,848	63	98,102	98,165	107,013
Contract services	56,015	5,928	2,417	8,345	64,360	82,074	4,768	915	5,683	87,757
Education programs	47,934	-	13,500	13,500	61,434	67,297	-	-	-	67,297
Travel, training and conferences	23,093	10,054	1,020	11,074	34,167	38,292	14,381	451	14,832	53,124
Special events - non-development	34,114	-	-	-	34,114	30,574	-	-	-	30,574
In-kind advertising, printing and graphics	28,230	-	-	-	28,230	117,803	-	-	-	117,803
Retail supplies	11,633	-	-	-	11,633	2,975	-	-	-	2,975
Total Expenses Before Depreciation	<u>6,511,061</u>	<u>1,357,968</u>	<u>647,996</u>	<u>2,005,964</u>	<u>8,517,025</u>	<u>7,096,815</u>	<u>1,040,539</u>	<u>553,877</u>	<u>1,594,416</u>	<u>8,691,231</u>
Depreciation	<u>632,237</u>	<u>26,691</u>	<u>-</u>	<u>26,691</u>	<u>658,928</u>	<u>790,028</u>	<u>36,855</u>	<u>-</u>	<u>36,855</u>	<u>826,883</u>
<b>Total Expenses</b>	<u>\$ 7,143,298</u>	<u>\$ 1,384,659</u>	<u>\$ 647,996</u>	<u>\$ 2,032,655</u>	<u>\$ 9,175,953</u>	<u>\$ 7,886,843</u>	<u>\$ 1,077,394</u>	<u>\$ 553,877</u>	<u>\$ 1,631,271</u>	<u>\$ 9,518,114</u>

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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 293,879	\$ (1,250,543)
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
Depreciation	658,928	826,883
Amortization of debt issuance costs	9,990	9,989
Realized and unrealized gains on investments	(10,328)	(129,217)
Endowment contributions	(36,425)	(20,515)
Endowment investment income	36,727	(2,550)
<b>(Increase) Decrease in:</b>		
Accounts receivable, net	22,664	30,717
Pledges receivable, net	(219,778)	163,485
Inventory	4,438	(5,258)
Prepaid expenses	62,809	47,342
Investments in joint ventures	-	10,514
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	(33,690)	145,929
Deferred revenues	(16,873)	(27,133)
Net Cash Provided by (Used in) Operating Activities	<u>772,341</u>	<u>(200,357)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment sales/maturities/(purchases), net	686,637	32,801
Purchases of property and equipment	(374,530)	(269,137)
Change in beneficial interest in endowment funds	(66,713)	(52,916)
Change in beneficial interest in perpetual trust	36,727	(2,550)
Net Cash Provided by (Used in) Investing Activities	<u>282,121</u>	<u>(291,802)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Principal payments on notes payable	(254,851)	(245,287)
Endowment contributions	36,425	20,515
Endowment investment income	(36,727)	2,550
Net Cash Used in Financing Activities	<u>(255,153)</u>	<u>(222,222)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	799,309	(714,381)
Cash and Cash Equivalents at Beginning of Year	<u>1,196,624</u>	<u>1,911,005</u>
<b>CASH AND CASH EQUIVALENTS AT OF END OF YEAR</b>	<u><u>\$ 1,995,933</u></u>	<u><u>\$ 1,196,624</u></u>
<b><u>Supplemental Disclosure of Cash Flow Information:</u></b>		
Cash paid for interest	<u><u>\$ 151,067</u></u>	<u><u>\$ 160,632</u></u>

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



**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**Note 1 - Organization:**

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

The Fleet operates the following programs and activities:

**Science Exhibits**

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

**IMAX Giant Dome Theater**

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

**Education Programs**

The Fleet offers science education for students, seniors, teachers and the 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 and full-day educational camps during school breaks. Camps are offered for grades pre-K–8 and are designed to be fun, educational, hands-on and to incorporate the Fleet’s Science Center Exhibit Galleries. Recent summer camp themes have included: chemistry, the human body, robotics and space. The Fleet’s Education department also facilitates a number of community initiatives, including collaborative meetings with STEM partners across San Diego County, as well as science-themed events that occur in a variety of community locations.

**Craveology**

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

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

**North Star Science Store**

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

**Note 2 - Significant Accounting Policies:**

**Accounting Method**

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

**Financial Statement Presentation**

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

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

**Estimates**

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

**Risks and Uncertainties**

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

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

**Fair Value Measurements**

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

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

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

- Investments in mutual and exchange traded funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in Jewish Community Foundation funds are considered Level 2 assets and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund manager, Jewish Community Foundation, since these funds are valued by the fund manager and are not traded in an active market.
- Beneficial interest in endowment funds held by San Diego Foundation is considered a Level 3 asset which represents the fair value of the underlying assets as reported by San Diego Foundation. (Note 8)
- Beneficial interest in perpetual trust is considered a Level 3 asset which represents the fair value of the underlying assets as reported by the third-party trustee. (Note9)

**Inventory**

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

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

**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 \$3,500 at June 30, 2019 and 2018, respectively. Management believes that all pledges receivable are fully collectible; therefore, no allowance for doubtful pledges receivable was recorded at June 30, 2019 and 2018.

**Capitalization and Depreciation**

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

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

Depreciation totaled \$658,928 and \$826,883 for the years ended June 30, 2019 and 2018, respectively.

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

**Compensated Absences**

Accumulated unpaid vacation totaling \$187,712 and \$174,077 at June 30, 2019 and 2018, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

**Debt Issuance Costs**

Debt issuance costs are amortized on a straight-line basis over the term of the related loan, which approximates the interest method. Unamortized debt issuance costs are presented as a direct reduction from the carrying value of the related obligation. Amortization of debt issuance costs is reported as a component of interest expense and totaled \$9,990 and \$9,989 for the years ended June 30, 2019 and 2018, respectively.

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

**Revenue Recognition**

Income received in advance for program fees and admissions is deferred and recognized over the periods to which the income relates. Deferred revenues totaled \$98,249 and \$115,122 at June 30, 2019 and 2018, 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**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, 2019 and 2018, 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 \$38,338 and \$134,055 for the years ended June 30, 2019 and 2018, respectively, are included in 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.

**Functional Allocation of Expenses**

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

**REUBEN H. FLEET SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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, 2019, 2018, 2017 and 2016 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 investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity. The following is a composition of the combined amounts appearing in the statements of cash flows at June 30:

	<u>2019</u>	<u>2018</u>
Cash and money market funds	\$ 1,445,933	\$ 1,196,624
Certificates of deposit	550,000	-
Total Cash and Cash Equivalents	<u>\$ 1,995,933</u>	<u>\$ 1,196,624</u>

The certificate of deposit included in cash and cash equivalents bears interest at 2.47% 2.30% and matures October 8, 2019.

Cash and cash equivalents are classified in the statements of financial position as follows at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents – current assets	\$ 1,390,865	\$ 1,188,149
Cash and cash equivalents – noncurrent endowment assets	605,068	8,475
Total Cash and Cash Equivalents	<u>\$ 1,995,933</u>	<u>\$ 1,196,624</u>

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

**Accounting Pronouncements Adopted**

In August 2016, the FASB issued ASU 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (f) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Fleet has adopted this ASU as of and for the year ended June 30, 2019.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2018. There was no effect of adopting the new accounting principles on contributions in 2019.

**Subsequent Events**

In preparing these financial statements, the Fleet has evaluated events and transactions for potential recognition or disclosure through November 20, 2019, the date the financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed.

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**Note 3 - Liquidity and Availability**

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

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Cash and cash equivalents	\$ 1,390,865
Accounts receivable, net	227,179
Pledges receivable	266,580
Appropriation of endowment earnings	464,000
Financial assets available to meet general expenditures within one year	\$ 2,348,624

In addition to financial assets available to meet general expenditures over the next 12 months, the Fleet operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy as described in Note 14. The portion of the donor restricted endowment funds required to be held in perpetuity are not available for general expenditure.

**Note 4 - Fair Value Measurements:**

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

	2019			Balance at June 30, 2019
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual and exchange traded funds	\$ 2,034,110	\$ -	\$ -	\$ 2,034,110
Jewish Community Foundation	-	70,328	-	70,328
Beneficial interest in endowment funds (Note 8)	-	-	1,002,458	1,002,458
Beneficial interest in perpetual trust (Note 9)	-	-	676,550	676,550
	\$ 2,034,110	\$ 70,328	\$ 1,679,008	\$ 3,783,446



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**Note 4 - Fair Value Measurements: (Continued)**

	2018			
	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, 2018
Mutual and exchange traded funds	\$ 2,106,480	\$ -	\$ -	\$ 2,106,480
Jewish Community Foundation	-	708,037	-	708,037
Beneficial interest in endowment funds (Note 8)	-	-	901,975	901,975
Beneficial interest in perpetual trust (Note 9)	-	-	713,277	713,277
	\$ 2,106,480	\$ 708,037	\$ 1,615,252	\$ 4,429,769

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.

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:

2019				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 1,002,458	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in perpetual trust	\$ 676,550	Valuation of underlying assets as provided by third party trustee	Base price	N/A

  

2018				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 901,975	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
Beneficial interest in perpetual trust	\$ 713,277	Valuation of underlying assets as provided by third party trustee	Base price	N/A

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**Note 5 - Investments:**

Investments consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Mutual and exchange traded funds	\$ 2,034,110	\$ 2,106,480
Jewish Community Foundation – Long Term Pool	70,328	708,037
Total Investments	<u>\$ 2,104,438</u>	<u>\$ 2,814,517</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 at June 30, 2019.

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 7,584	\$ 116,827	\$ 124,411
Net realized and unrealized gains (losses)	2,782	(29,181)	(26,399)
Investment fees	-	(24,311)	(24,311)
Total Investment Income	<u>\$ 10,366</u>	<u>\$ 63,335</u>	<u>\$ 73,701</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 3,151	\$ 112,573	\$ 115,724
Net realized and unrealized gains (losses)	(590)	122,357	131,767
Investment fees	(79)	(26,491)	(26,570)
Total Investment Income	<u>\$ 2,482</u>	<u>\$ 218,439</u>	<u>\$ 220,921</u>

**Note 6 - Pledges Receivable:**

Pledges receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Due in less than one year - operating	\$ 266,580	\$ -
Due in one to five years - operating	32,774	-
Due in less than one year - endowment	300,000	216,000
Due in one to five years - endowment	400,000	600,000
Less: Discounts to present value	(30,178)	(66,602)
Total Pledges Receivable, Net	<u>\$ 969,176</u>	<u>\$ 749,398</u>

The pledges receivable have been discounted to their present value using a discount rate ranging from 2% to 4% at June 30, 2019 and 2018.

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**Note 7 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 10,759,476	\$ 10,759,476
Equipment and furniture	2,927,070	2,913,015
Exhibits	1,080,208	836,564
Construction in progress - Exhibits	353,755	250,000
Construction in progress - Improvements	405,094	392,018
Subtotal	<u>15,525,603</u>	<u>15,151,073</u>
Less: Accumulated depreciation	<u>(9,813,640)</u>	<u>(9,154,712)</u>
Property and Equipment, Net	<u>\$ 5,711,963</u>	<u>\$ 5,996,361</u>

**Note 8 - Beneficial Interest in Endowment Funds:**

The Fleet has a beneficial interest in endowment funds held by San Diego Foundation, which are classified as with donor restrictions. The beneficial interest in endowment funds held by San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 27% international equities, 28% domestic equities, 20% alternative investments, 17% fixed income, 6% real estate and 2% commodities.

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

	<u>2019</u>	<u>2018</u>
Balance at Beginning of Year	\$ 901,975	\$ 803,737
Contributions	100,000	184,000
Investment gain, net	29,494	41,654
Distributions	<u>(29,011)</u>	<u>(127,416)</u>
Balance at End of Year	<u>\$ 1,002,458</u>	<u>\$ 901,975</u>

**Note 9 - Beneficial Interest in Perpetual Trust:**

The Fleet is a beneficiary of a perpetual trust (the "Trust"). A beneficial interest in a perpetual trust is an arrangement in which the donor establishes and funds a perpetual trust for the benefit of one or more non-profit beneficiaries. The assets are administered and managed by an independent third party, and are invested 3% in cash and cash equivalents, 24% in fixed income mutual funds, 53% in equity mutual funds, 4% in real estate funds and 16% in diversified mutual funds. Under the terms of the arrangement, the Fleet has an irrevocable right to receive the investment income earned on the Trust in perpetuity. The Fleet's interest in the Trust is recorded at fair value and is classified as net assets with donor restrictions of a perpetual nature. Distributions received from the Trust and the change in fair value of the Trust are recorded as investment income with donor restrictions in the statements of activities.

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**Note 9 - 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>2019</u>	<u>2018</u>
Balance at Beginning of Year	\$ 713,277	\$ 710,727
Change in fair value	(36,727)	2,550
Investment income	61,500	28,500
Investment income distributed	<u>(61,500)</u>	<u>(28,500)</u>
Balance at End of Year	<u>\$ 676,550</u>	<u>\$ 713,277</u>

**Note 10 - Line-of-Credit:**

The Fleet had a line-of-credit with First Republic Bank in the amount of \$500,000 with interest at the bank's prime rate. The line-of-credit matured on February 1, 2019 and was not renewed.

**Note 11 - Notes Payable:**

Notes payable consist of the following at June 30:

	<u>2019</u>	<u>2018</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 \$11,977 and \$12,782 at June 30, 2019 and 2018, respectively.	\$ 3,593,042	\$ 3,833,925
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.	<u>47,725</u>	<u>61,693</u>
Total Notes Payable	3,640,767	3,895,618
Less: Unamortized debt issuance costs	<u>(114,877)</u>	<u>(124,867)</u>
Total Notes Payable Net	<u>\$ 3,525,890</u>	<u>\$ 3,770,751</u>

Debt issuance costs total \$179,808, less accumulated amortization of \$64,931 and \$54,941 at June 30, 2019 and 2018, respectively.

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**Note 11 - Notes Payable: (Continued)**

Future principal payments on the notes payable are as follows:

<u>Years Ended June 30</u>	
2020	\$ 266,799
2021	277,099
2022	287,820
2023	290,830
2024	296,621
Thereafter	<u>2,221,598</u>
	<u>\$ 3,640,767</u>

**Note 12 - Unrestricted Net Assets - Board Designated Funds:**

The Fleet's Board of Trustees approved the establishment of appropriations of net assets without donor restrictions totaling \$200,000 for a Capital Reserve and \$300,000 for an Operating Reserve. The reserve balances are as follows at June 30:

	<u>2019</u>	<u>2018</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 13 - Net Assets With Donor Restrictions:**

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

	<u>2019</u>	<u>2018</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Science Starts Here Initiative	\$ 740,943	\$ 428,472
Unappropriated endowment earnings	280,985	493,989
Education	174,734	134,738
Fleet Inquiry Education Program	51,210	18,326
Innovation Fund	40,223	40,223
Science Fair Awards	34,501	39,501
Fleet Exhibits & Equipment	2,900	2,900
Ethics Center Programs	723	292
Other	-	129,531
Total Subject to Expenditure for Specified Purpose	<u>1,326,219</u>	<u>1,287,972</u>
<b>Perpetual in Nature:</b>		
Endowments (Note 14)	<u>4,777,351</u>	<u>4,693,652</u>
Total Net Assets with Donor Restrictions	<u>\$ 6,103,570</u>	<u>\$ 5,981,624</u>

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**Note 13 - Net Assets With Donor Restrictions: (Continued)**

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

	<u>2019</u>	<u>2018</u>
<b>Purpose Restrictions Accomplished:</b>		
Unappropriated endowment earnings	\$ 313,066	\$ 248,387
Science Starts Here Initiative	235,521	458,367
Education	188,128	136,673
Other	129,531	93,969
Science Fair Awards	13,500	15,500
Fleet Inquiry Education Program	928	19,068
Ethics Center Programs	544	29,371
Fleet Exhibits & Equipment	-	12,100
Education Special Programs	-	25,703
Family Science Nights	-	16,119
Employee Activity Fund	-	124
Total Net Assets Released from Restrictions	\$ 881,218	\$ 1,055,381

**Note 14 - Endowment Net Assets:**

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

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

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

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

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**Note 14 - Endowment Net Assets: (Continued)**

The Fleet considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Fleet has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Fleet has no underwater endowment funds at June 30, 2019 and 2018.

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

The Fleet's endowment funds are invested in debt and other securities that are structured to satisfy its long-term rate-of-return objectives. The Fleet relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Fleet's spending policy provides that distributions may be made from the cumulative total return (capital gains and current income) rather than being limited to interest and dividend income. The current distribution authorized by the Fleet's Board of Trustees is 4.5% of the average twelve quarters' ending investment balances and is determined as of March 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") (Note 9) and beneficial interest in endowment funds held by San Diego Foundation ("SDF") (Note 8). The Trust and SDF manage these funds in accordance with UPMIFA. The objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require the Fleet to retain as a fund of perpetual duration. The Fleet classifies donor restricted net assets of a perpetual nature held by the Trust and SDF as:

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

The Trust and SDF have 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

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**Note 14 - Endowment Net Assets: (Continued)**

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.

Endowment composition by type of fund at June 30:

	2019		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions – Perpetual</u>	<u>Total</u>
Donor restricted endowment funds:			
Fleet endowments	\$ 242,527	\$ 3,136,801	\$ 3,379,328
Beneficial interest in endowment funds held by San Diego Foundation	38,458	964,000	1,002,458
Beneficial interest in perpetual trust	-	676,550	676,550
Total Endowment Funds	\$ 280,985	\$ 4,777,351	\$ 5,058,336
	2018		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Donor restricted endowment funds:			
Fleet endowments	\$ 456,014	\$ 3,116,375	\$ 3,572,389
Beneficial interest in endowment funds held by San Diego Foundation	37,975	864,000	901,975
Beneficial interest in perpetual trust	-	713,277	713,277
Total Endowment Funds	\$ 493,989	\$ 4,693,652	\$ 5,187,641



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**Note 14 - Endowment Net Assets: (Continued)**

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

	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Endowment Net Assets at June 30, 2017	\$ 526,487	\$ 4,670,587	\$ 5,197,074
Total investment income	215,889	2,550	218,439
Contributions	-	20,515	20,515
Appropriation of endowment assets for expenditure	<u>(248,387)</u>	<u>-</u>	<u>(248,387)</u>
Endowment Net Assets at June 30, 2018	493,989	4,693,652	5,187,641
Total investment income (loss)	100,062	(36,727)	63,335
Contributions	-	120,426	120,426
Appropriation of endowment assets for expenditure	<u>(313,066)</u>	<u>-</u>	<u>(313,066)</u>
Endowment Net Assets at June 30, 2019	<u>\$ 280,985</u>	<u>\$ 4,777,351</u>	<u>\$ 5,038,336</u>

**Note 15 - 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>	
2020	\$ <u>82,000</u>

**Equipment Lease**

The Fleet has an equipment lease through June 2023. Equipment rent expense totaled \$16,137 for each of the years ended June 30, 2019 and 2018.

The following is a schedule of future minimum lease payments under the lease:

<u>Years Ended June 30</u>	
2020	\$ 16,137
2021	16,137
2022	<u>16,137</u>
Total	<u>\$ 48,411</u>

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**Note 15 - Commitments and Contingencies: (Continued)**

**Pension Plan**

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

The Fleet provides matching contributions to participants who are age 21 years or older, have been employed for at least one year and have completed a minimum of 1,000 hours of service. Participants eligible for employer matching contributions are entitled to receive 100% of the participant's salary reduction contributions up to 2% of the participant's compensation. The employer matching contributions totaled \$43,662 and \$43,965 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

**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.

**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.