

**THE LAKE ERIE NATURE AND
SCIENCE CENTER**
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

THE LAKE ERIE NATURE AND SCIENCE CENTER
FINANCIAL STATEMENTS
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Lake Erie Nature and Science Center
Bay Village, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of The Lake Erie Nature and Science Center (an Ohio nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lake Erie Nature and Science Center as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Lake Erie Nature and Science Center's June 30, 2017, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in net asset is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Card, Palmer, Sibbison and Co.

Cleveland, Ohio
October 18, 2018

FINANCIAL STATEMENTS

THE LAKE ERIE NATURE AND SCIENCE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(With Comparative Totals as of June 30, 2017)

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 502,757	\$ 287,634
Accounts receivable	3,375	3,260
Unconditional promises to give	-	16,400
Total current assets	<u>506,132</u>	<u>307,294</u>
FIXED ASSETS:		
Vehicle	27,443	27,443
Furniture and equipment	74,645	74,645
	<u>102,088</u>	<u>102,088</u>
Less: Accumulated depreciation	98,881	93,579
Net fixed assets	<u>3,207</u>	<u>8,509</u>
OTHER ASSETS:		
Marketable securities	2,750,387	2,609,762
Beneficial interest in split-interest trusts	1,471,411	1,503,978
Total other assets	<u>4,221,798</u>	<u>4,113,740</u>
TOTAL ASSETS	<u>\$4,731,137</u>	<u>\$4,429,543</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 36,066	\$ 14,847
Deferred program and class fees	122,864	74,201
Total current liabilities	<u>158,930</u>	<u>89,048</u>
ANNUITY LIABILITY PAYABLE	<u>1,290</u>	<u>1,659</u>
NET ASSETS:		
Unrestricted	901,027	809,577
Temporarily restricted	3,649,890	3,509,259
Permanently restricted	20,000	20,000
Total net assets	<u>4,570,917</u>	<u>4,338,836</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,731,137</u>	<u>\$4,429,543</u>

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

THE LAKE ERIE NATURE AND SCIENCE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals as of June 30, 2017)

	2018			Total	2017
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUE:					
Program and class fees	\$ 473,949	\$ -	\$ -	\$ 473,949	\$ 456,763
Government grants	162,248	-	-	162,248	175,772
Contributions and grants	441,310	175,729	-	617,039	463,634
Special events	62,116	-	-	62,116	79,019
Membership	22,829	-	-	22,829	20,905
Donated services and supplies	39,380	-	-	39,380	19,230
Facility rent in-kind	324,000	-	-	324,000	324,000
Miscellaneous income	11,796	-	-	11,796	11,520
Investment income for current operations	120,134	47,070	-	167,204	145,993
	<u>1,657,762</u>	<u>222,799</u>	<u>-</u>	<u>1,880,561</u>	<u>1,696,836</u>
Net assets released from restrictions	113,554	(113,554)	-	-	-
Total support and revenue	<u>1,771,316</u>	<u>109,245</u>	<u>-</u>	<u>1,880,561</u>	<u>1,696,836</u>
EXPENSES:					
Salaries, payroll taxes and benefits	866,737	-	-	866,737	858,873
Other employee costs	43,295	-	-	43,295	17,024
Fundraising	38,197	-	-	38,197	33,597
Educational programs and services	55,490	-	-	55,490	54,872
Campaign funded capital renovations	8,233	-	-	8,233	122,531
Wildlife rehabilitation and animal care	51,465	-	-	51,465	45,892
Building maintenance and utilities	133,922	-	-	133,922	188,219
Depreciation	5,301	-	-	5,301	6,447
Insurance	14,234	-	-	14,234	15,713
Technology	66,189	-	-	66,189	63,651
Marketing	36,037	-	-	36,037	33,015
Professional fees	27,084	-	-	27,084	15,188
Facility rent in-kind	324,000	-	-	324,000	324,000
Total expenses	<u>1,670,184</u>	<u>-</u>	<u>-</u>	<u>1,670,184</u>	<u>1,779,022</u>
CHANGE IN NET ASSETS FROM OPERATIONS	101,132	109,245	-	210,377	(82,186)
OTHER CHANGES:					
Investment return (loss) in excess of amounts designated for current operations	(9,682)	31,386	-	21,704	167,710
CHANGES IN NET ASSETS	91,450	140,631	-	232,081	85,524
NET ASSETS, BEGINNING OF YEAR	<u>809,577</u>	<u>3,509,259</u>	<u>20,000</u>	<u>4,338,836</u>	<u>4,253,312</u>
NET ASSETS, END OF YEAR	<u>\$ 901,027</u>	<u>\$3,649,890</u>	<u>\$ 20,000</u>	<u>\$4,570,917</u>	<u>\$4,338,836</u>

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

THE LAKE ERIE NATURE AND SCIENCE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals as of June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 232,081	\$ 85,524
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Noncash items included in change in net assets:		
Depreciation	5,301	6,447
Change in beneficial interest in split-interest trusts	32,567	(69,255)
(Increase) decrease in operating assets:		
Accounts receivable	(115)	(2,147)
Unconditional promises to give	16,400	294,600
Increase (decrease) in operating liabilities:		
Accounts payable	21,219	(169,913)
Deferred class revenue	48,663	(5,123)
Annuity liability payable	(369)	(3,531)
	<u>355,747</u>	<u>136,602</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in investments	<u>(140,624)</u>	<u>(380,229)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	215,123	(243,627)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>287,634</u>	<u>531,261</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 502,757</u>	<u>\$ 287,634</u>

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

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. ORGANIZATION

The mission of Lake Erie Nature and Science Center (the Center) is to educate and inspire people to understand, appreciate and take responsibility for our natural world. The Center delivers this mission by providing children and families with a living, breathing connection to the natural world through informal science education. A unique combination of resources can be found only at Lake Erie Nature & Science Center: live animal displays, wildlife rehabilitation services, a public access planetarium, a nature-based preschool, and a park setting along the shores of Lake Erie. The Center is one of the region's most affordable destinations to learn about the natural world, offering free admission and free wildlife rehabilitation services 7 days a week, 356 days a year. Learning experiences at the Center are accessible, repeatable, and sequential, and all programs meet science content standards. Return visits by families and students are one of the most important indicators of mission impact, and demonstrate ongoing learning and discovery. The Center is serving the fourth generation of families and students with an ever widening community reach. Visitors from throughout Northeast Ohio come to the Center for high-quality learning experiences such as planetarium shows, preschool classes, scout programs, school field trips, high school wildlife program, and seasonal family events. Last year the Center served nearly 160,000 preschool children, families, school age students, high school students, college interns and adults. Lake Erie Nature & Science Center is the only facility of its kind in Cuyahoga County that provides the public with wildlife rehabilitation services. Expert staff respond to more than 4,200 public inquiries about wildlife and receive from the public more than 1,500 ill or injured animals in need of treatment. The Center's newly transformed Walter R. Schuele planetarium is one of two publicly accessible domes in Cleveland and serves more than 20,000 people with engaging physics and space science presentations. Its park setting, with direct access to Lake Erie, places many Center programs in a living outdoor classroom. Since its founding in 1945 by Elberta Fleming the Center's educational model promotes long-term appreciation and interest as evidenced by four generations of family visitors with an ever-widening community reach.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Lake Erie Nature and Science Center is presented to assist in understanding the Center's financial statements.

Basis of accounting

The Center's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Credit risk

The Center maintains cash in bank deposit accounts, which at times may exceed federally insured limits. The Center has not experienced, nor does it anticipate, any losses in such accounts.

Basis of presentation

The Center has adopted guidance required by the Financial Statements of Not-for-Profit Organizations Topic of the FASB Accounting Standards Codification. Under this guidance, the Center is required to report information regarding its financial position and activities based upon the existence or absence of donor-imposed restrictions. Net assets of the Center and changes therein are classified into the following three categories, if applicable:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Center.
- Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are time restricted.
- Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently, but permit the Center to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Donated assets

Donated marketable securities are recorded as contributions at their estimated fair values on the date of donation. It is the Center's policy to liquidate donated securities when received.

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions, including unconditional promises to give, are recorded as revenues on an accrual basis. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history.

Accounts receivable

Accounts receivable are customer obligations that are stated at the amount management expects to collect. As of June 30, 2018 and 2017 the Center has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Cash and cash equivalents and marketable securities

For purposes of the statement of cash flows, the Center considers bank deposits and money market accounts as cash and cash equivalents. The Center's cash and marketable securities are available for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unrestricted:		
Operating	\$ 273,465	\$ 189,637
Board designated for Endowment	687,875	696,523
Board designated for Capital	90,967	-
	<u>1,052,307</u>	<u>886,160</u>
Temporarily restricted:		
Center programs	819,795	770,249
Endowment	1,293,531	1,145,243
Capital projects	32,349	32,349
Comprehensive campaign	35,162	43,395
	<u>2,180,837</u>	<u>1,991,236</u>
Permanently restricted	<u>20,000</u>	<u>20,000</u>
	<u>\$ 3,253,144</u>	<u>\$ 2,897,396</u>
As presented on the Statement of Financial Position:		
Cash and cash equivalents	\$ 502,757	\$ 287,634
Marketable securities	<u>2,750,387</u>	<u>2,609,762</u>
	<u>\$ 3,253,144</u>	<u>\$ 2,897,396</u>

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred program and class fees

Deferred revenue results from the Center recognizing registration revenue in the period in which the related educational instruction is performed. Accordingly, registration fees received before June 30th for programs occurring after June 30th are deferred.

Gift annuity agreements

The Center has entered into gift annuity agreements that provide that the Center shall pay to the designated beneficiaries an annual amount until death of the designated beneficiaries. The payments continue even if the assets of the gift annuity fund have been exhausted. The Center records the assets received at fair value and a corresponding liability is recorded for the actuarially determined present value of payments to be made to the designated beneficiaries, with the residual amount recorded as contribution revenue. The assets of the gift annuity fund are recorded with the general assets of the Center.

Fixed assets

Purchases of property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is determined on the straight-line method. The Center capitalizes equipment in excess of \$1,000 while maintenance and repairs which neither materially add to the value of the property nor prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in revenue.

As of June 30, 2017, the Center completed Phase III of its capital renovations which was made possible by a comprehensive campaign fundraising effort. Phase III costs are reflected in the Statement of Activities as Campaign Funded Capital Renovations. Property improvements, including those associated with the campaign funded capital renovations, are expensed as incurred due to the tenancy relationship between the Center and the Cleveland Metroparks (see Note 8). Part of the Phase III renovations included improvements to the geothermal heating and cooling system, roof repairs, public restroom improvements, new carpeting and wallcoverings, and other interior refurbishments to enhance public enjoyment.

Depreciation expense for the years ended June 30, 2018 and 2017 was \$5,301 and \$6,447 respectively.

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated services

Donated services are recognized in the financial statements at the fair value of the services received if the services create or enhance non-financial assets, or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by the donation. For the years ending June 30, 2018 and 2017 donated services and wildlife supplies of \$39,380 and \$19,230, respectively were recognized in the statement of activities. No amounts have been reflected in the financial statements for services donated by volunteers that were for other than professional services. These volunteers perform a variety of tasks that assist the Center with programs, campaign solicitations and various committee assignments.

Comparative Financial Information

The financial statements contain certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

New accounting pronouncement

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities, (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The objective of this ASU is to improve the current net asset classification requirements and information presented in the financial statements and notes about not-for-profit entities' liquidity, financial performance, and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017, and therefore, the Center will be required to adopt and implement this standard for the year ending June 30, 2019. Management has not assessed the effect of this ASU on their financial statements.

3. NET ASSETS RELEASED FROM RESTRICTION

Assets released from restriction for the year ended June 30, 2018 were for the following purposes:

Campaign Funded Capital Renovations	\$ 8,233
Center Programs	<u>105,321</u>
	<u>\$ 113,554</u>

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

4. INVESTMENT EARNINGS

The Center carries investments in marketable securities with readily determinable fair values in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets in the accompanying statement of activities. The Center designates only a portion of endowment investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the Center's spending policy and operating interest income are used to support current operations.

The following summarizes the investment return and its classification in the statement of activities for the years ending June 30, 2018 and 2017:

	2018	2017
Split-interest trust distributions	\$ 72,281	\$ 62,906
Operating interest income	783	587
Net investment return	148,411	180,955
Unrealized gain (loss) on split-interest trusts	(32,567)	69,255
 Total investment earnings	 \$ 188,908	 \$ 313,703
 As displayed on the Statement of Activities:		
Investment income for current operations:		
Endowment distributions	\$ 94,140	\$ 82,500
Interest income	783	587
Split-interest trust distributions	72,281	62,906
	167,204	145,993
Investment income in excess of amounts designated for current operations	21,704	167,710
 Total investment earnings	 \$ 188,908	 \$ 313,703

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

5. FAIR VALUE MEASUREMENTS

The Center follows guidance, as required by the Fair Value Measurement Topic of the FASB Accounting Standards Codification, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. The guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The guidance expands disclosures about instruments measured at fair value. The guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, the guidance does not require any new fair value measurements.

The FASB Accounting Standards Codification guidance on the Fair Value Option for Financial Assets and Financial Liabilities Topic, among other things, provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. The Center did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

The three levels of hierarchy are defined as follows:

- **Level 1** – unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Center has the ability to access at the measurement date.
- **Level 2** – quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability.
- **Level 3** – significant unobservable prices or inputs (including the Center's own assumptions in determining the fair value of assets or liabilities) where there is little or no market activity for the asset or liability at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The carrying values of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments.

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

14. INCOME TAXES

The Internal Revenue Service has ruled that the Center is a publicly supported organization and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the State of Ohio has also granted the Center tax-exempt status. As of June 30, 2018 the Center has no uncertain income tax positions. The Center records related interest expenses and penalties, if any, as a tax expense, consistent with this guidance. The Center's open audit periods are for the tax years ended December 31, 2015 through June 30, 2018. In evaluating the Center's tax provisions and accruals, future taxable income and tax planning strategies are considered. The Center believes its estimates are appropriate based on the current facts and circumstances.

15. PRIOR PERIOD RECLASSIFICATION

Certain items from the June 30, 2017 financial statements have been reclassified for presentation at June 30, 2018. These changes do not impact net asset classification totals.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 18, 2018, which is the date the financial statements were available to be issued.

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

5. FAIR VALUE MEASUREMENTS (Continued)

Assets at Fair Value as of June 30, 2018

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 2,750,387	\$ -	\$ -	\$2,750,387
Beneficial interest in trusts	-	-	1,471,411	1,471,411
	\$ 2,750,387	\$ -	\$ 1,471,411	\$4,221,798

Assets at Fair Value as of June 30, 2017

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 2,609,762	\$ -	\$ -	\$2,609,762
Beneficial interest in trusts	-	-	1,503,978	1,503,978
	\$ 2,609,762	\$ -	\$ 1,503,978	\$4,113,740

The following table sets forth a summary of changes in the fair value of the Center's level 3 asset - Beneficial Interest in Split-Interest Trusts for the years ended June 30, 2018 and 2017:

	2018	2017
Beginning of the year	\$1,503,978	\$1,434,723
Change in value in beneficial interest	39,714	132,161
Distributions received from the trusts	(72,281)	(62,906)
End of the year	\$1,471,411	\$1,503,978

6. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Center is the beneficiary of two irrevocable split-interest trusts created by donors, the assets of which are not in the possession of the Center. The Center is one of six beneficiaries of the Vivian H. Schulze Trust and one of four beneficiaries of the Dorothy J. Morris Trust. The Center has legally enforceable rights and claims to such assets. Initial recording and net unrealized gains (losses) related to the beneficial interests are reported as changes in temporarily restricted net assets because of the implied time restriction. The trust distributions are reported as unrestricted investment income in the statement of activities. The Center's share of the trusts is reported at fair market value on the statement of financial position as there are presently no facts or circumstances which indicate that the fair value of the assets in the trusts would be significantly different from the present value of the estimated future distributions.

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

7. FUNCTIONAL EXPENSES

The following is a summary of expenses by function for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Program	\$1,277,789	\$1,431,142
Management and general	244,042	217,293
Fundraising	<u>148,353</u>	<u>130,587</u>
	<u>\$1,670,184</u>	<u>\$1,779,022</u>

8. RELATED PARTY TRANSACTION

The Center is an affiliate of Cleveland Metroparks and is located on the Huntington Reservation. This relationship provides increased public benefit for both Center visitors and enhances mutual educational opportunities for both the Cleveland Metroparks and the Center. The Center's facility is leased at no charge from the Board of Park Commissioners of the Cleveland Metropolitan Park District. The agreement between the Cleveland Metroparks and the Center expires on December 31, 2026 and is renewable for successive two year periods. The Center applies FASB ASC Topic 958-605-55-24, which requires the Center to recognize as revenue and expense the donated property at fair value.

Based upon a property lease appraisal performed by an unrelated party the Center has recognized \$324,000 in facility rent in-kind revenue on the Statement of Activities.

The Center requested a grant from the Cleveland Metroparks to support programs and services. During the years ended June 30, 2018 and 2017, the Center was awarded grants totaling \$70,000 which is reported under Government grants.

9. CONCENTRATION

The Center receives a significant portion of its support from individuals and foundations. The Center does not expect any significant decrease in contributions in the future. During the years ended June 30, 2018 and 2017 no one contributor was greater than 10% of the Center's unrestricted total contributions and grants.

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

10. NET ASSETS

Net assets are available for the following purposes:

	2018	2017
Unrestricted:		
Operating fund	\$ 122,185	\$ 113,054
Board designated for Endowment	687,875	696,523
Board designated for Capital	90,967	-
	901,027	809,577
Temporarily restricted:		
Center programs	1,539,867	1,540,276
Endowment - Planetarium	748,981	747,996
Endowment	1,293,531	1,145,243
Capital Projects	32,349	32,349
Comprehensive campaign	35,162	43,395
	3,649,890	3,509,259
Permanently restricted:		
Center programs	20,000	20,000
	\$4,570,917	\$4,338,836

11. ENDOWMENT FUNDS

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Center has interpreted the Uniform Prudent Management of Institutional Funds Act (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 Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of income to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure, and in all other cases, is classified as unrestricted net assets. Such amounts recorded as temporarily restricted net assets are released from restriction when the donor-stipulated purpose has been fulfilled or the required time period has elapsed, or both.

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

11. ENDOWMENT FUNDS (Continued)

Investment Return Objectives, Risk Parameters, and Strategies: The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment policy seeks to achieve an acceptable rate of return, including investment income as well as capital appreciation, with acceptable levels of risk. Endowment assets are invested in a diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds.

Spending Policy: The Center targets an annual distribution equal to 4% to 5% of the average endowment balance over the prior 12 quarters (3 years). This policy takes into consideration the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. Except for funds maintained in perpetuity per donor restrictions, the Board of Directors may elect to change the targeted distribution to meet operational needs in any given year.

The following represents the net asset class of the Center's endowment funds as well as the changes in endowments for the years ended June 30, 2018 and 2017:

	2018			
	Temporarily		Permanently	
	Unrestricted	Restricted	Restricted	Total
Endowment net assets, July 1, 2017	\$ 696,523	\$ 1,893,239	\$ 20,000	\$2,609,762
Contributions	-	85,316	-	85,316
Investment return	38,422	111,027	-	149,449
Appropriated for Center operations	(47,070)	(47,070)	-	(94,140)
Endowment net assets, June 30, 2018	\$ 687,875	\$2,042,512	\$ 20,000	\$2,750,387

	2017			
	Temporarily		Permanently	
	Unrestricted	Restricted	Restricted	Total
Endowment net assets, July 1, 2016	\$ 714,528	\$ 1,495,005	\$ 20,000	\$2,229,533
Contributions	17,750	10,000	-	27,750
Transfer into Endowment	-	301,000	-	301,000
Investment return	50,495	128,484	-	178,979
Appropriated for Capital Projects	(45,000)	-	-	(45,000)
Appropriated for Center operations	(41,250)	(41,250)	-	(82,500)
Endowment net assets, June 30, 2017	\$ 696,523	\$ 1,893,239	\$ 20,000	\$2,609,762

THE LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

12. OPERATING LEASE COMMITMENTS

The Center leases office equipment under an operating lease that calls for monthly payments of \$1,215 and an expiration date of June 2022. Total lease expense for the years ended June 30, 2018 and 2017 were \$15,300 and \$18,000 respectively. Future minimum lease payments are as follows for the years ending June 30:

2019	\$	14,580
2020		14,580
2021		14,580
2022		14,580
		<u>58,320</u>

13. COMPREHENSIVE CAMPAIGN

Lake Erie Nature and Science Center has raised funds over previous years for a comprehensive campaign directed towards capital renovations and to increase the endowment fund. The campaign was complete as of June 30, 2017. Total campaign costs and capital improvements since the campaign started in 2006 are approximately \$2,058,000. All capital improvements since the campaign started have been expensed as incurred due to the tenancy relationship between the Center and the Cleveland Metroparks (see Note 8). Below is a more detail description of capital improvements:

- 2006 – 2011: Capital improvements and exhibit planning with capital expenditures of \$780,837. As a result of capital improvements and exhibit planning the Center mounted a public fundraising campaign for capital renovations and endowment funds.
- 2012: Wildlife rehabilitation facility upgrade and expansion including new educational space and improvements for animal treatment with capital expenditures of \$116,082. As a result of this project, wildlife education program participation has doubled, primarily serving middle school, high school and college students.
- 2013 – 2014: Planetarium transformation including the installation of a dual projection system with capital expenditures of \$705,914. As a result of the transformation, space science program offerings have tripled.
- 2014 – 2017: Renovations to the facility include improvements to the geothermal heating and cooling system, roof repairs, public restroom upgrades, new carpeting and wallcoverings, and other refurbishments to enhance public enjoyment. The capital expenditures as of June 30, 2017 are \$447,494.
- 2018: Funds remaining from a comprehensive campaign helped to provide critical building repairs, renovations, and safety measures. The roof covering the 22,500 square foot facility, divided into 10 major sections, continues to be repaired by section and assessment for replacement of each section is underway. Improvements to the communications technology for wildlife staff included new cordless phones. Proactive safety measures have been implemented with the maintenance and repairs of a large moveable wall and the addition of safety communication signals such as alarms.

SUPPLEMENTARY INFORMATION

THE LAKE ERIE NATURE AND SCIENCE CENTER
SCHEDULE I - SCHEDULE OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted Net Assets		
	Operating Fund	Board Designated	Total
SUPPORT AND REVENUE:			
Program and class fees	\$ 473,949	\$ -	\$ 473,949
Government grants	162,248	-	162,248
Contributions and grants	441,310	-	441,310
Special events	62,116	-	62,116
Membership	22,829	-	22,829
Donated services and supplies	39,380	-	39,380
Facility rent in-kind	324,000	-	324,000
Miscellaneous income	11,796	-	11,796
Investment income for current operations	73,064	47,070	120,134
	<u>1,610,692</u>	<u>47,070</u>	<u>1,657,762</u>
Net assets released from restrictions	113,554	-	113,554
Total support and revenue	<u>1,724,246</u>	<u>47,070</u>	<u>1,771,316</u>
EXPENSES:			
Salaries, payroll taxes and benefits	866,737	-	866,737
Other employee costs	43,295	-	43,295
Fundraising	38,197	-	38,197
Educational programs and services	55,490	-	55,490
Campaign funded capital renovations	8,233	-	8,233
Wildlife rehabilitation and animal care	51,465	-	51,465
Building maintenance and utilities	133,922	-	133,922
Depreciation	5,301	-	5,301
Insurance	14,234	-	14,234
Technology	66,189	-	66,189
Marketing	36,037	-	36,037
Professional fees	27,084	-	27,084
Facility rent in-kind	324,000	-	324,000
Total expenses	<u>1,670,184</u>	<u>-</u>	<u>1,670,184</u>
CHANGE IN NET ASSETS FROM OPERATIONS	54,062	47,070	101,132
OTHER CHANGES:			
Investment return (loss) in excess of amounts designated for current operations	-	(9,682)	(9,682)
CHANGES IN NET ASSETS	54,062	37,388	91,450
NET ASSETS, BEGINNING OF YEAR	125,408	684,169	809,577
Transfers	<u>(57,288)</u>	<u>57,288</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 122,182</u>	<u>\$ 778,845</u>	<u>\$ 901,027</u>

<u>Temporarily Restricted Net Assets</u>			<u>Permanently Restricted</u>	
<u>Center Programs</u>	<u>Endowment/ Capital</u>	<u>Total</u>		<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 473,949
-	-	-	-	162,248
90,413	85,316	175,729	-	617,039
-	-	-	-	62,116
-	-	-	-	22,829
-	-	-	-	39,380
-	-	-	-	324,000
-	-	-	-	11,796
47,070	-	47,070	-	167,204
137,483	85,316	222,799	-	1,880,561
(105,321)	(8,233)	(113,554)	-	-
32,162	77,083	109,245	-	1,880,561
-	-	-	-	866,737
-	-	-	-	43,295
-	-	-	-	38,197
-	-	-	-	55,490
-	-	-	-	8,233
-	-	-	-	51,465
-	-	-	-	133,922
-	-	-	-	5,301
-	-	-	-	14,234
-	-	-	-	66,189
-	-	-	-	36,037
-	-	-	-	27,084
-	-	-	-	324,000
-	-	-	-	1,670,184
32,162	77,083	109,245	-	210,377
(31,583)	62,969	31,386	-	21,704
579	140,052	140,631	-	232,081
2,290,388	1,218,871	3,509,259	20,000	4,338,836
-	-	-	-	-
<u>\$ 2,290,967</u>	<u>\$ 1,358,923</u>	<u>\$ 3,649,890</u>	<u>\$ 20,000</u>	<u>\$ 4,570,917</u>