

**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, 2021**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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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, 2021, and the related statements of activities, functional expenses 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, 2021, 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, 2020, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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.

*And, Palmer, Gilman & Co.*

Cleveland, Ohio  
November 8, 2021

## **FINANCIAL STATEMENTS**

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**  
(With Comparative Totals as of June 30, 2020)

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,221,937	\$ 818,694
Unconditional promises to give	49,841	80,129
Total current assets	<u>1,271,778</u>	<u>898,823</u>
<b>FIXED ASSETS:</b>		
Vehicle	27,443	27,443
Furniture and equipment	74,645	74,645
	<u>102,088</u>	<u>102,088</u>
Less: Accumulated depreciation	<u>102,088</u>	<u>102,088</u>
Net fixed assets	<u>-</u>	<u>-</u>
<b>OTHER ASSETS:</b>		
Investments	3,724,081	3,036,558
Beneficial interest in split-interest trusts	<u>1,750,260</u>	<u>1,360,601</u>
Total other assets	<u>5,474,341</u>	<u>4,397,159</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 6,746,119</b></u>	<u><b>\$ 5,295,982</b></u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 8,040	\$ 10,028
Deferred Paycheck Protection Program grant	-	74,976
Deferred program and class fees	<u>133,141</u>	<u>622</u>
Total current liabilities	<u>141,181</u>	<u>85,626</u>
<b>ANNUITY LIABILITY PAYABLE</b>	<u>184</u>	<u>553</u>
<b>NET ASSETS:</b>		
Without donor restrictions	1,383,275	1,096,813
With donor restrictions	<u>5,221,479</u>	<u>4,112,990</u>
Total net assets	<u>6,604,754</u>	<u>5,209,803</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 6,746,119</b></u>	<u><b>\$ 5,295,982</b></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, 2021**  
(With Comparative Totals as of June 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>SUPPORT AND REVENUE:</b>				
Program and class fees	\$ 93,466	\$ -	\$ 93,466	\$ 322,732
Government grants	79,013	-	79,013	116,587
Contributions and grants	454,417	140,605	595,022	805,560
Special events	-	-	-	80,884
Membership	4,028	-	4,028	15,668
Donated services and supplies	16,698	-	16,698	16,492
Facility rent in-kind	324,000	-	324,000	324,000
Miscellaneous income	-	-	-	8,037
Investment income for operations	204,184	-	204,184	187,604
	<u>1,175,806</u>	<u>140,605</u>	<u>1,316,411</u>	<u>1,877,564</u>
Net assets released from restrictions	15,500	(15,500)	-	-
Total support and revenue	<u>1,191,306</u>	<u>125,105</u>	<u>1,316,411</u>	<u>1,877,564</u>
<b>EXPENSES:</b>				
Program	833,130	-	833,130	1,140,835
Management and general	202,680	-	202,680	236,476
Fundraising	101,606	-	101,606	165,703
Total expenses	<u>1,137,416</u>	<u>-</u>	<u>1,137,416</u>	<u>1,543,014</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>53,890</b>	<b>125,105</b>	<b>178,995</b>	<b>334,550</b>
<b>OTHER CHANGES:</b>				
Paycheck Protection Program grants	224,651	-	224,651	96,124
Unrealized gain (loss) on split-interest trusts	-	389,659	389,659	(155,365)
Investment return (loss) in excess of amounts designated for operations	<u>7,921</u>	<u>593,725</u>	<u>601,646</u>	<u>(60,081)</u>
Total other changes	<u>232,572</u>	<u>983,384</u>	<u>1,215,956</u>	<u>(119,322)</u>
<b>CHANGES IN NET ASSETS</b>	<b>286,462</b>	<b>1,108,489</b>	<b>1,394,951</b>	<b>215,228</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u><b>1,096,813</b></u>	<u><b>4,112,990</b></u>	<u><b>5,209,803</b></u>	<u><b>4,994,575</b></u>
<b>NET ASSETS, END OF YEAR</b>	<u><b>\$ 1,383,275</b></u>	<u><b>\$5,221,479</b></u>	<u><b>\$ 6,604,754</b></u>	<u><b>\$ 5,209,803</b></u>

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

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(With Comparative Totals as of June 30, 2020)

	2021				2020
	Program	Management and General	Fundraising	Total	
Salaries	\$ 269,881	\$ 92,581	\$ 75,598	\$ 438,060	\$ 680,691
Other employee benefits	42,431	11,040	8,203	61,674	67,404
Payroll taxes	9,018	2,346	1,743	13,107	36,724
Other employee costs	16,955	4,411	3,278	24,644	16,385
 Fundraising	-	-	11,638	11,638	40,174
Educational programs and services	11,103	-	-	11,103	54,626
Capital renovations	347	-	-	347	24,076
Wildlife rehabilitation and animal care	42,414	-	-	42,414	45,106
 Building maintenance and utilities	89,940	15,872	-	105,812	119,907
Depreciation	-	-	-	-	1,375
Insurance	12,280	2,167	-	14,447	14,392
 Technology	59,922	10,574	-	70,496	79,033
Marketing	3,439	-	1,146	4,585	21,395
Professional fees	-	8,735	-	8,735	15,242
Facility rent in-kind	275,400	48,600	-	324,000	324,000
Other expenses	-	6,354	-	6,354	2,484
	<u>\$ 833,130</u>	<u>\$ 202,680</u>	<u>\$ 101,606</u>	<u>\$ 1,137,416</u>	<u>\$ 1,543,014</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, 2021**  
(With Comparative Totals as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,394,951	\$ 215,228
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Noncash items included in change in net assets:		
Depreciation	-	1,375
Change in beneficial interest in split-interest trusts	(389,659)	155,365
Realized and unrealized (gain) loss on investments, net	(664,793)	17,615
(Increase) decrease in operating assets:		
Accounts receivable	-	1,036
Unconditional promises to give	30,288	(55,259)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,988)	(7,451)
Deferred Paycheck Protection Program grant	(74,976)	74,976
Deferred program and class fees	132,519	(127,489)
Annuity liability payable	<u>(369)</u>	<u>-</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>425,973</u>	<u>275,396</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of marketable securities	583,720	675,263
Purchase of marketable securities	<u>(606,450)</u>	<u>(712,953)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(22,730)</u>	<u>(37,690)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	403,243	237,706
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>818,694</u>	<u>580,988</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,221,937</u>	<u>\$ 818,694</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, 2021**

**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. Elberta Fleming started our organization in her Bay Village home in 1945 with a goal to encourage children's curiosity with hands on learning about nature. This timeless purpose has served tens of thousands of children because of her foresight. The importance of this mission to children, families, and young adults, and the community's involvement and support, makes it possible for the Center to continue serving the community throughout the global pandemic in a responsible way. The need for people to understand science, find energy in nature, and blend learning and recreation as a family has never been more needed. In the midst of uncertainty, and the rise and fall of COVID cases, our organization's commitment to accessible education remains constant. The Center's value to the community is the unique blend of resources, talented professionals, and welcoming facility. Its wildlife rehabilitation program is the only one in Cuyahoga County. Its planetarium is one of two public access domes in the Cleveland area. It is the only nature center located in a park within walking distance of Lake Erie. The Center's experienced employees have credentials in early childhood education, astronomy, physics, wildlife rehabilitation, biology and natural history. It is one of the region's most accessible destinations to learn about the natural world, offering free admission to enjoy live animals and natural history exhibits, and free wildlife rehabilitation services and information by phone. Begun in 1998, the Center has the largest full-time nature-based preschool program in the region, providing hands-on learning experiences to thousands of preschoolers, parents and grandparents each year. The Center is proud to be able to serve people's need to connect with the living world and create memorable experiences to last a lifetime.

**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.

**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.

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue and revenue recognition**

The Center recognizes contributions and grants when cash, securities, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been met.

The contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

The Center recognizes program and class fees at the point in time in which the program or class takes place. There are no performance obligations to be satisfied over time.

**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.

**Net assets**

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 therein 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. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

*Net assets with donor restrictions* – Net assets subject to donor or 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 into 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.

**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.

**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 LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**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 30<sup>th</sup> for programs occurring after June 30<sup>th</sup> 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.

Depreciation expense for the years ended June 30, 2021 and 2020 was \$-0- and \$1,375, respectively.

**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, 2021 and 2020 donated services and wildlife supplies of \$16,698 and \$16,492, 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.

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional allocation of expenses**

The costs of program and supporting services activities have been detailed on both a functional and natural basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, payroll taxes and payroll expenses, which are allocated based on time and effort, building expenses, depreciation and insurance, which are allocated on a square footage basis, and other operating expenses, which are allocated based on the use of the assets.

**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, 2020, from which the summarized information was derived.

**Adoption of new accounting standard**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The Center adopted the new standard effective July 1, 2020, the first day of the it's fiscal year, using the modified retrospective method. Analysis of various provisions of this standard resulted in no significant changes in the way the Center recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosure of revenue have been enhanced in accordance with the standard.

**Recent accounting pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2021, with early adoption permitted. The Center is evaluating the impact the pronouncement may have on the financial statements.

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**3. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 750,000	\$ 410,000
Spending policy appropriation	<u>133,943</u>	<u>125,489</u>
	<u>\$ 883,943</u>	<u>\$ 535,489</u>

The Center continually monitors liquidity required to meet its capital maintenance and operating needs. To ensure adequate capital is available the Center maintains an unrestricted cash position equal to several months of general expenses. In addition to ensuring financial assets are available to meet operating expenditures, the Center operates with a balanced budget that anticipates a small operating surplus and ensures sufficient revenue is collected to cover all general expenditures.

As a nonprofit organization, the Center has various income streams to support general expenditures including private and government grants, donations from grateful visitors, and class fees. These self-funding mechanisms rely on the Center's effective delivery of mission-based programs and services.

In addition to ensuring liquidity for general expenditures, the Center raises funds for an internal capital account to cover routine building maintenance and repair. Paired with this account is a capital planning document which anticipates cash needs for short term and long term replacements and improvements. The Center also has donor restricted cash for capital purposes. Both the internal capital and donor restricted capital are excluded from the \$750,000 in liquidity cash shown above.

The Center's endowment consists of donor-restricted and board-designated funds. A board-approved spending rule ensures operational income for Center programs while providing for long term gain on investments and allows for flexibility should the Center require emergency funds. The Center continually manages and fundraises for its endowment.

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**4. NET ASSETS**

Net assets without donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Operating fund	\$ 613,161	\$ 330,337
Board designated for endowment	594,916	586,722
Board designated cash for capital	<u>175,198</u>	<u>179,754</u>
	<u>\$1,383,275</u>	<u>\$1,096,813</u>

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purposes:		
Center programs	\$ 37,626	\$ 6,625
Capital projects	294,428	285,928
Planetarium endowment	<u>935,579</u>	<u>753,477</u>
	1,267,633	1,046,030
Subject to passage of time:		
Beneficial interest in split-interest trusts	1,750,260	1,360,601
Subject to Center's spending policy and appropriation:		
Endowment	<u>2,203,586</u>	<u>1,706,359</u>
	<u>\$5,221,479</u>	<u>\$4,112,990</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Capital renovations	\$ -	\$ 21,978
Center programs	<u>15,500</u>	<u>52,004</u>
	<u>\$ 15,500</u>	<u>\$ 73,982</u>

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**5. 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 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 operations.

The following summarizes the investment return and its classification in the statement of activities for the years ending June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Split-interest trust distributions	\$ 78,417	\$ 69,876
Operating interest income	809	6,928
Net investment return	726,604	50,719
Unrealized gain (loss) on split-interest trusts	<u>389,659</u>	<u>(155,365)</u>
 Total investment earnings (loss)	 <u><u>\$1,195,489</u></u>	 <u><u>\$ (27,842)</u></u>
 As displayed on the Statement of Activities:		
<b>Investment income for operations:</b>		
Endowment distributions	\$ 125,492	\$ 114,228
Interest income	275	3,500
Split-interest trust distributions	<u>78,417</u>	<u>69,876</u>
	204,184	187,604
 <b>Unrealized gain (loss) on split-interest trusts</b>	 389,659	 (155,365)
 <b>Investment income (loss) in excess of amounts designated for operations</b>	 <u>601,646</u>	 <u>(60,081)</u>
 Total investment earnings (loss)	 <u><u>\$1,195,489</u></u>	 <u><u>\$ (27,842)</u></u>



**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**6. 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.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2021.

*Equity mutual funds* – Valued at the net asset value of shares held at year end.

*Fixed income* – Fixed income funds consist of investments in mutual funds and exchange-traded products that are based on quoted prices in active markets.

*Money market accounts* – consist of investments in money market accounts that are based on quoted prices in active markets.

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**6. FAIR VALUE MEASUREMENTS (Continued)**

*Beneficial interest in trusts* – Funds held in trust by others are valued using the fair value of the assets in the trust as a practical expedient unless the facts are circumstances which indicate that the fair value of the assets in the trusts differ from the fair value of the beneficial interests. Funds held in trust by others cannot be liquidated or traded in an active market.

**Assets at Fair Value as of June 30, 2021**

	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 2,486,176	\$ -	\$ -	\$2,486,176
Fixed income	1,193,607	-	-	1,193,607
Money market accounts	44,298	-	-	44,298
Beneficial interest in trusts	-	-	1,750,260	1,750,260
	<u>\$ 3,724,081</u>	<u>\$ -</u>	<u>\$1,750,260</u>	<u>\$5,474,341</u>

**Assets at Fair Value as of June 30, 2020**

	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 1,768,827	\$ -	\$ -	\$1,768,827
Fixed income	1,229,725	-	-	1,229,725
Money market accounts	38,006	-	-	38,006
Beneficial interest in trusts	-	-	1,360,601	1,360,601
	<u>\$ 3,036,558</u>	<u>\$ -</u>	<u>\$1,360,601</u>	<u>\$4,397,159</u>

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, 2021 and 2020:

	2021	2020
Beginning of the year	\$1,360,601	\$1,515,966
Change in value in beneficial interest	468,076	(85,489)
Distributions received from the trusts	<u>(78,417)</u>	<u>(69,876)</u>
End of the year	<u>\$1,750,260</u>	<u>\$1,360,601</u>

**7. RELATED PARTY TRANSACTION**

The Center is an affiliate of the 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 LAKE ERIE NATURE AND SCIENCE CENTER**  
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**7. RELATED PARTY TRANSACTION (Continued)**

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.

**8. BENEFICIAL INTEREST IN SPLIT-INTEREST 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 net assets with donor restrictions because of the implied time restriction. The trust distributions are reported as investment income without donor restrictions. 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.

**9. 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 net assets with donor restrictions (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 considered restricted into perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure, including amounts for capital expenditures which are subject to the Center's spending policy and amounts for Planetarium expenses. In all other cases, the amounts are classified as net assets without donor restrictions. Those amounts recorded as net assets with donor restrictions 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, 2021**

**9. 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, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2020	\$ 586,722	\$ 2,459,836	\$ 3,046,558
Contributions	-	85,604	85,604
Investment return	133,686	593,725	727,411
Appropriated for Center operations	(125,492)	-	(125,492)
Endowment net assets, June 30, 2021	<u>\$ 594,916</u>	<u>\$ 3,139,165</u>	<u>\$ 3,734,081</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	\$ 661,452	\$ 2,365,033	\$ 3,026,485
Contributions	-	82,338	82,338
Investment return	10,941	41,022	51,963
Appropriated for Center operations	(85,671)	(28,557)	(114,228)
Endowment net assets, June 30, 2020	<u>\$ 586,722</u>	<u>\$ 2,459,836</u>	<u>\$ 3,046,558</u>

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**10. 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, 2021 and 2020 were \$14,580 and \$14,899 respectively. Future minimum lease payments for the year ending June 30, 2022 are \$14,580.

**11. 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, 2021 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 June 30, 2018 through June 30, 2021. 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.

**12. COVID-19**

In December 2019, a novel strain of coronavirus was reported to have surfaced in China and has since spread throughout the world. The spread of the virus has caused business disruptions. The related financial impact cannot be reasonably estimated at this time. In March 2020, President Donald Trump declared a national emergency in the United States of America due to this virus and the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed to stimulate the economy. As part of the CARES Act, small businesses are eligible for governmental grants and loans with the intention of assisting employers in retaining and paying their employees.

The Center received two Paycheck Protection Program ("PPP") loans. The PPP, established as part of the CARES Act, provides loans to qualifying businesses equal to a multiple of average monthly payroll expenses of the qualifying business. The first loan was received in May 2020 for \$171,100 and the second loan was received in February 2021 for \$149,675. The loan and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Center used the proceeds for purposes consistent with the PPP and the first loan was forgiven. The Center expects the second loan to be forgiven also. Therefore, the Center is accounting for the PPP proceeds as a conditional contribution in accordance with FASB ASC Topic 958-605 (ASC 958) *Not-for-Profit Entities: Revenue Recognition* by recognizing a contribution as qualifying expenses are incurred. As of June 30, 2021 and 2020, the Center has incurred \$224,651 and \$96,124 in qualifying expenses and recognized a contribution for the same amount. As of June 30, 2020, the Center had \$74,976 remaining to be used on qualifying expenses before the end of the twenty-four week covered period and was shown as Deferred Paycheck Protection Program Grant on the Statement of Financial Position.

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**12. COVID-19 (Continued)**

Due to the continued pandemic, and rise and fall of COVID cases, the Center implemented health protocols and safely delivered programs throughout the year at lower capacities. In July 2020, after the state required closure, the Center offered free general admission at lower capacity, resumed free wildlife rehabilitation services, resumed some planetarium shows with lower capacity, and offered nature kits delivered curbside for home-based learning activities about animals, insects, and space science. Field trips for school age students were presented virtually by our instructors using our live animal collection and planetarium technology. Preschool classes were adapted and resumed in January 2021 at lower capacity. In early June, when the state of Ohio lifted mandated safety protocols, the organization gradually resumed other programs, increased some capacities, and continued to implement protocols out of consideration for its young visitors, most of whom are ages 0 to 6. Due to the impact of lower program capacities and some prior restrictions, earned revenue this year is below prior income levels. Salary reductions for most employees were lifted in the third and fourth quarters. Philanthropic support of the organization combined with very good general admission attendance and program participation proves that the mission is relevant and needed more than ever before. As of late summer 2021, the Center is continuing to offer free general admission, free wildlife rehabilitation services, live animal programs, planetarium shows, nature-based preschool, virtual and on-site field trips, and is planning for scout programs and seasonal family events for this year. The rise in COVID cases attributed to the delta variant requires health protocols and adaptations of most programs. The timing and continued impact of the virus cannot be reasonably estimated. The Center remains committed to serving the needs of children, families, and young adults who seek connections with the natural world.

**13. CAPITAL**

Lake Erie Nature & Science Center routinely undertakes capital projects to improve public areas of the facility, to enrich learning experiences, and to ensure optimal building functions. The Board of Directors and Executive Director raise funds for capital projects by requesting large donations and grants from grateful visitors and philanthropic institutions. In 2019, the Center began raising funds in the form of pledges and outright donations for projects to advance the its educational mission. During the fiscal year, this fundraising effort was temporarily paused while the organization continued adapting to the effects of the pandemic. As a result, the Center continued to provide visitors with free general admission, programs for children and families, and free wildlife services while monitoring health protocols. Fundraising efforts for capital projects resumed in late summer 2021.

**14. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 8, 2021, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**THE LAKE ERIE NATURE AND SCIENCE CENTER**  
**SCHEDULE I - SCHEDULE OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Net Assets Without Donor Restrictions		
	Operating Fund	Board Designated	Total
<b>SUPPORT AND REVENUE:</b>			
Program and class fees	\$ 93,466	\$ -	\$ 93,466
Government grants	79,013	-	79,013
Contributions and grants	454,417	-	454,417
Membership	4,028	-	4,028
Donated services and supplies	16,698	-	16,698
Facility rent in-kind	324,000	-	324,000
Investment income for operations	78,692	125,492	204,184
	<u>1,050,314</u>	<u>125,492</u>	<u>1,175,806</u>
Net assets released from restrictions	15,500	-	15,500
Total support and revenue	<u>1,065,814</u>	<u>125,492</u>	<u>1,191,306</u>
<b>EXPENSES:</b>			
Salaries, payroll taxes and benefits	512,841	-	512,841
Other employee costs	24,644	-	24,644
Fundraising	11,638	-	11,638
Educational programs and services	11,103	-	11,103
Capital renovations	347	-	347
Wildlife rehabilitation and animal care	42,414	-	42,414
Building maintenance and utilities	105,812	-	105,812
Insurance	14,447	-	14,447
Technology	70,496	-	70,496
Marketing	4,585	-	4,585
Professional fees	8,735	-	8,735
Facility rent in-kind	324,000	-	324,000
Other expenses	6,354	-	6,354
Total expenses	<u>1,137,416</u>	<u>-</u>	<u>1,137,416</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>(71,602)</b>	<b>125,492</b>	<b>53,890</b>
<b>OTHER CHANGES</b>	<b>224,651</b>	<b>7,921</b>	<b>232,572</b>
<b>CHANGES IN NET ASSETS</b>	<b>153,049</b>	<b>133,413</b>	<b>286,462</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>330,337</b>	<b>766,476</b>	<b>1,096,813</b>
Transfers	<u>129,775</u>	<u>(129,775)</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 613,161</u></b>	<b><u>\$ 770,114</u></b>	<b><u>\$ 1,383,275</u></b>



Net Assets With Donor Restrictions			
Center Programs	Capital and Endowment	Total	Total
\$ -	\$ -	\$ -	\$ 93,466
-	-	-	79,013
46,501	94,104	140,605	595,022
-	-	-	4,028
-	-	-	16,698
-	-	-	324,000
-	-	-	204,184
46,501	94,104	140,605	1,316,411
(15,500)	-	(15,500)	-
31,001	94,104	125,105	1,316,411
-	-	-	512,841
-	-	-	24,644
-	-	-	11,638
-	-	-	11,103
-	-	-	347
-	-	-	42,414
-	-	-	105,812
-	-	-	14,447
-	-	-	70,496
-	-	-	4,585
-	-	-	8,735
-	-	-	324,000
-	-	-	6,354
-	-	-	1,137,416
31,001	94,104	125,105	178,995
569,645	413,739	983,384	1,215,956
600,646	507,843	1,108,489	1,394,951
2,122,819	1,990,171	4,112,990	5,209,803
-	-	-	-
<u>\$ 2,723,465</u>	<u>\$ 2,498,014</u>	<u>\$ 5,221,479</u>	<u>\$ 6,604,754</u>