

**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, 2022  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)**

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
FINANCIAL STATEMENTS:	
Statement of financial position	4
Statement of activities	5
Statement of functional expenses	6
Statement of cash flows	7
Notes to financial statements	8-20
SUPPLEMENTARY INFORMATION:	
Schedule I - Schedule of changes in net assets	21

## ***INDEPENDENT AUDITOR'S REPORT***

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Lake Erie Nature and Science Center (an Ohio nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Erie Nature and Science Center as of June 30, 2022, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Erie Nature and Science Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Erie Nature and Science Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

### ***Report on Summarized Comparative Information***

We have previously audited The Lake Erie Nature and Science Center's June 30, 2021, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Supplementary Information*

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, John & Co.*

Cleveland, Ohio  
December 2, 2022

## FINANCIAL STATEMENTS

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**  
(With Comparative Totals as of June 30, 2021)

	<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		\$ 1,754,141	\$ 1,221,937
Accounts receivable		3,850	-
Unconditional promises to give		<u>36,877</u>	<u>49,841</u>
Total current assets		<u>1,794,868</u>	<u>1,271,778</u>
<b>FIXED ASSETS:</b>			
Vehicle		27,443	27,443
Furniture and equipment		<u>74,645</u>	<u>74,645</u>
		102,088	102,088
Less: Accumulated depreciation		<u>102,088</u>	<u>102,088</u>
Net fixed assets		<u>-</u>	<u>-</u>
<b>OTHER ASSETS:</b>			
Investments		3,098,129	3,724,081
Beneficial interest in split-interest trusts		<u>1,560,359</u>	<u>1,750,260</u>
Total other assets		<u>4,658,488</u>	<u>5,474,341</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 6,453,356</u></u>	<u><u>\$ 6,746,119</u></u>
 <u>LIABILITIES AND NET ASSETS</u>  			
<b>CURRENT LIABILITIES:</b>			
Accounts payable		\$ 6,588	\$ 8,040
Deferred program and class fees		<u>122,926</u>	<u>133,141</u>
Total current liabilities		<u>129,514</u>	<u>141,181</u>
<b>ANNUITY LIABILITY PAYABLE</b>		<u>-</u>	<u>184</u>
<b>NET ASSETS:</b>			
Without donor restrictions		1,464,291	1,383,275
With donor restrictions		<u>4,859,551</u>	<u>5,221,479</u>
Total net assets		<u>6,323,842</u>	<u>6,604,754</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 6,453,356</u></u>	<u><u>\$ 6,746,119</u></u>

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

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With Comparative Totals as of June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>SUPPORT AND REVENUE:</b>				
Program and class fees	\$ 435,291	\$ -	\$ 435,291	\$ 93,466
Government grants	98,487	-	98,487	79,013
Contributions and grants	504,849	428,198	933,047	595,022
Special events	-	-	-	-
Membership	1,500	-	1,500	4,028
Donated services and supplies	8,646	-	8,646	16,698
Facility rent in-kind	324,000	-	324,000	324,000
Miscellaneous income	-	-	-	-
Investment income for operations	183,411	33,486	216,897	204,184
	<u>1,556,184</u>	<u>461,684</u>	<u>2,017,868</u>	<u>1,316,411</u>
Net assets released from restrictions	120,097	(120,097)	-	-
Total support and revenue	<u>1,676,281</u>	<u>341,587</u>	<u>2,017,868</u>	<u>1,316,411</u>
<b>EXPENSES:</b>				
Program	1,067,167	-	1,067,167	833,130
Management and general	217,032	-	217,032	202,680
Fundraising	115,487	-	115,487	101,606
Total expenses	<u>1,399,686</u>	<u>-</u>	<u>1,399,686</u>	<u>1,137,416</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>276,595</b>	<b>341,587</b>	<b>618,182</b>	<b>178,995</b>
<b>OTHER CHANGES:</b>				
Paycheck Protection Program grants	-	-	-	224,651
Unrealized gain (loss) on split-interest trusts	-	(189,901)	(189,901)	389,659
Investment return (loss) in excess of amounts designated for operations	<u>(195,579)</u>	<u>(513,614)</u>	<u>(709,193)</u>	<u>601,646</u>
Total other changes	<u>(195,579)</u>	<u>(703,515)</u>	<u>(899,094)</u>	<u>1,215,956</u>
<b>CHANGES IN NET ASSETS</b>	<b>81,016</b>	<b>(361,928)</b>	<b>(280,912)</b>	<b>1,394,951</b>
<b>NET ASSETS, BEGINNING 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>
<b>NET ASSETS, END OF YEAR</b>	<u><b>\$ 1,464,291</b></u>	<u><b>\$4,859,551</b></u>	<u><b>\$ 6,323,842</b></u>	<u><b>\$ 6,604,754</b></u>

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



**LAKE ERIE NATURE AND SCIENCE CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With Comparative Totals as of June 30, 2021)

	2022				2021
	Program	Management and General	Fundraising	Total	
Salaries	\$ 409,137	\$ 105,068	\$ 85,526	\$ 599,731	\$ 438,060
Other employee benefits	43,673	8,316	6,164	58,153	61,674
Payroll taxes	33,483	6,376	4,726	44,585	13,107
Other employee costs	16,832	3,205	2,376	22,413	24,644
Fundraising	-	-	12,712	12,712	11,638
Educational programs and services	28,466	-	-	28,466	11,103
Capital renovations	27,211	-	-	27,211	347
Wildlife rehabilitation and animal care	45,895	-	-	45,895	42,414
Building maintenance and utilities	103,147	18,203	-	121,350	105,812
Insurance	11,153	1,968	-	13,121	14,447
Technology	60,822	10,733	-	71,555	70,496
Marketing	11,948	-	3,983	15,931	4,585
Professional fees	-	13,833	-	13,833	8,735
Facility rent in-kind	275,400	48,600	-	324,000	324,000
Other expenses	-	730	-	730	6,354
	<u>\$ 1,067,167</u>	<u>\$ 217,032</u>	<u>\$ 115,487</u>	<u>\$ 1,399,686</u>	<u>\$ 1,137,416</u>

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

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With Comparative Totals as of June 30, 2021)

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (280,912)	\$ 1,394,951
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Noncash items included in change in net assets:		
Change in beneficial interest in split-interest trusts	189,902	(389,659)
Realized and unrealized (gain) loss on investments, net	639,785	(664,793)
(Increase) decrease in operating assets:		
Accounts receivable	(3,850)	-
Unconditional promises to give	12,964	30,288
Increase (decrease) in operating liabilities:		
Accounts payable	(1,452)	(1,988)
Deferred Paycheck Protection Program grant	-	(74,976)
Deferred program and class fees	(10,215)	132,519
Annuity liability payable	<u>(184)</u>	<u>(369)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>546,038</u>	<u>425,973</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of marketable securities	508,554	583,720
Purchase of marketable securities	<u>(522,388)</u>	<u>(606,450)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(13,834)</u>	<u>(22,730)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	532,204	403,243
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,221,937</u>	<u>818,694</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,754,141</u>	<u>\$ 1,221,937</u>

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

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**1. ORGANIZATION**

Lake Erie Nature & Science Center (the Center) connects children, families, and young adults with the natural world and inspires lifelong curiosity. The Center's mission is to educate and inspire people to understand, appreciate and take responsibility for our natural world. Inspired by a child's curiosity, Elberta Fleming founded the organization in 1945 in Bay Village, Ohio with a vision to encourage discovery of the natural world with hands-on learning. This timeless purpose has served tens of thousands of children because of her foresight, and is needed now more than ever. In the midst of changing times our organization's commitment to accessible real-world experiences remains constant. At the Center, children, families, and young adults learn about and engage with the natural world through exhibits and displays of live animals, natural history and space science, an array of scheduled programs, and wildlife rehabilitation assistance. The Center's value to the community is the unique blend of interactive programs, talented professionals, and welcoming facility. 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. Its preschool program is one of the first and largest in the region, providing hands-on learning experiences to thousands of young children, parents and grandparents each year. 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. The Center is proud to be able to serve people's need to connect with the living world and create memorable experiences that last a lifetime.

The Center has continued to serve children, families, and young adults with impactful learning experiences during the global pandemic, especially because of the increased need in the community for in-person connections with nature. Exhibits and animal habitats have been improved to better represent our native landscape. Programs for children and families have been updated to provide more nature interactions and less focus on food sharing at events. Visitors have more options for advance registration or onsite registration to reduce waiting in lines and cash transactions. Improved care and training protocols has helped the collection of resident animals to experience better health overall which results in better animal programs for the public. Overall, the organization has received increasing numbers of visitors and program participants this year which match pre-pandemic public engagement.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of 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.

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**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.

**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. Accordingly, registration fees received before June 30<sup>th</sup> for programs occurring after June 30<sup>th</sup> are deferred.

**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.

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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

**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 not in investment accounts as cash and cash equivalents.

**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, 2022 and 2021 was \$-0-.

**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.

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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

**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, 2021, from which the summarized information was derived.

**Adoption of new accounting standard**

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The Center adopted the new standard effective July 1, 2021, the first day of its 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 in-kind 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.

**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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,013,000	\$ 750,000
Spending policy appropriation	147,601	133,943
Accounts receivable	<u>3,850</u>	<u>-</u>
	<u>\$ 1,164,451</u>	<u>\$ 883,943</u>

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**3. LIQUIDITY AND AVAILABILITY (Continued)**

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 \$1,013,000 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.

**4. NET ASSETS**

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

	<u>2022</u>	<u>2021</u>
Operating fund	\$ 889,756	\$ 613,161
Board designated for endowment	399,337	594,916
Board designated cash for capital	<u>175,198</u>	<u>175,198</u>
	<u>\$1,464,291</u>	<u>\$1,383,275</u>

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**4. NET ASSETS (Continued)**

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purposes:		
Center programs	\$ 40,502	\$ 37,626
Capital projects	549,978	294,428
Planetarium endowment	<u>759,157</u>	<u>935,579</u>
	1,349,637	1,267,633
Subject to trust's spending policy and appropriation:		
Beneficial interest in split-interest trusts	1,560,359	1,750,260
Subject to Center's spending policy and appropriation:		
Endowment	<u>1,949,555</u>	<u>2,203,586</u>
	<u><u>\$4,859,551</u></u>	<u><u>\$5,221,479</u></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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Capital renovations	\$ 27,211	\$ -
Center programs	<u>92,886</u>	<u>15,500</u>
	<u><u>\$ 120,097</u></u>	<u><u>\$ 15,500</u></u>

**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 and interest and dividends 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.



**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**5. INVESTMENT EARNINGS (Continued)**

The following summarizes the investment return and its classification in the statement of activities for the years ending June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Split-interest trust distributions	\$ 82,923	\$ 78,417
Operating interest income	849	809
Net investment return	(576,068)	726,604
Unrealized gain (loss) on split-interest trusts	<u>(189,901)</u>	<u>389,659</u>
 Total investment earnings (loss)	 <u><u>\$ (682,197)</u></u>	 <u><u>\$1,195,489</u></u>

As displayed on the Statement of Activities:

**Investment income for operations:**

Endowment distributions	\$ 133,943	\$ 125,492
Interest income	31	275
Split-interest trust distributions	<u>82,923</u>	<u>78,417</u>
	216,897	204,184
<b>Unrealized gain (loss) on split-interest trusts</b>	<b>(189,901)</b>	<b>389,659</b>
<b>Investment income (loss) in excess of amounts designated for operations</b>	 <u><u>(709,193)</u></u>	 <u><u>601,646</u></u>
 Total investment earnings (loss)	 <u><u>\$ (682,197)</u></u>	 <u><u>\$1,195,489</u></u>

**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.

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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

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, 2022.

*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.

*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.

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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

**Assets at Fair Value as of June 30, 2022**

	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 1,978,932	\$ -	\$ -	\$1,978,932
Fixed income	1,049,625	-	-	1,049,625
Money market accounts	69,572	-	-	69,572
Beneficial interest in trusts	-	-	1,560,359	1,560,359
	<u>\$ 3,098,129</u>	<u>\$ -</u>	<u>\$1,560,359</u>	<u>\$4,658,488</u>

**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>

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning of the year	\$1,750,260	\$1,360,601
Change in value in beneficial interest	(106,978)	468,076
Distributions received from the trusts	<u>(82,923)</u>	<u>(78,417)</u>
End of the year	<u>\$1,560,359</u>	<u>\$1,750,260</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 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.

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**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.

*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.

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**9. ENDOWMENT FUNDS (Continued)**

*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, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2021	\$ 594,916	\$ 3,139,165	\$ 3,734,081
Contributions	-	83,048	83,048
Investment return	(95,122)	(480,015)	(575,137)
Appropriated for Center operations	(100,457)	(33,486)	(133,943)
Endowment net assets, June 30, 2022	<u>\$ 399,337</u>	<u>\$ 2,708,712</u>	<u>\$ 3,108,049</u>

  

	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>

**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 2023. Total lease expense for the years ended June 30, 2022 and 2021 were \$14,580. Future minimum lease payments for the year ending June 30, 2023 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, 2022 the Center has no material uncertain income tax positions.

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**11. INCOME TAXES (Continued)**

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, 2019 through June 30, 2022. 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. PAYCHECK PROTECTION PROGRAM**

The Center received two loans under the Paycheck Protection Program ("PPP") of the H.R. 748, Coronavirus Aid, Relief, and Economic Security (CARES) Act. The first loan had a principal amount of \$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 from both loans for purposes consistent with the PPP and recorded the proceeds in the statement of activities as Paycheck Protection Program grants in Other Changes. Both loans were forgiven as of June 30, 2022.

**13. CONTRIBUTED NONFINANCIAL ASSETS**

For the years ending June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities include:

	<u>2022</u>	<u>2021</u>
Facility rent in-kind	\$ 324,000	\$ 324,000
Wildlife supplies	6,313	15,463
Legal services	<u>2,333</u>	<u>1,235</u>
	<u>\$ 332,646</u>	<u>\$ 340,698</u>

The Center recognized contributed nonfinancial assets within revenue, which includes rent, wildlife supplies, and legal services. Contributed nonfinancial assets did not have donor-imposed restrictions and were utilized.

The contributed rent will be used for program as well as management and general activities. In valuing the contributed rent, the Center estimated the fair value based on a property lease appraisal performed by an unrelated party.

Contributed wildlife supplies were utilized in the day-to-day programs as well as rehabilitation for wild animals in need. The wildlife supplies include food for animal consumption, veterinary medical and program supplies.

**LAKE ERIE NATURE AND SCIENCE CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**13. CONTRIBUTED NONFINANCIAL ASSETS (Continued)**

Contributed legal services recognized comprise professional services from attorneys advising the Center on various administrative legal matters. These services are valued and reported at the estimated fair value in the financial statements based on current rates for similar legal services.

**14. 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.

Plans and fundraising efforts for a major renovation of the Wildlife Gardens, which paused in 2020 and 2021, have resumed. Built in 2000, the outdoor exhibits of the Wildlife Gardens are enjoyed – at no charge – by children and families who get up-close views of birds, owls, hawks, and mammals. The animal exhibits, natural areas, and structures have been affected by weather and time and, after many repairs and patches, now need to be replaced. The concept plan to transform the Wildlife Gardens will result in: more accessible exhibits for public enjoyment and up close views of wildlife, improved hands-on learning opportunities for students, and new spaces to give rehabilitation patients a second chance at their life in wild.

The Wildlife Gardens Education and Renovation Project will be the largest investment in our free nature-based offerings for children, families, and students at a time when they need it most. The community has committed, pledged, and contributed are near 65% towards the estimated cost of \$1,500,000 for renovations.

This year, the Center also raised donations from the community to renovate a former retail space into a lively nature-based learning environment designed for preschool age children. Filled with natural light, the new Cahoon Room offers plenty of space for social interaction and nature based play, including a children's restroom, an extra sink for many fun hands-on activities, and a child's "wildlife rehabilitation facility" playset. This investment adds further capacity to the Center's preschool program, one of the first and largest in the region.

**15. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 2, 2022, which is the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION



**LAKE ERIE NATURE AND SCIENCE CENTER**  
**SCHEDULE I - SCHEDULE OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Net Assets Without Donor Restrictions		
	Operating Fund	Board Designated	Total
<b>SUPPORT AND REVENUE:</b>			
Program and class fees	\$ 435,291	\$ -	\$ 435,291
Government grants	98,487	-	98,487
Contributions and grants	504,849	-	504,849
Membership	1,500	-	1,500
Donated services and supplies	8,646	-	8,646
Facility rent in-kind	324,000	-	324,000
Investment income for operations	82,954	100,457	183,411
	<u>1,455,727</u>	<u>100,457</u>	<u>1,556,184</u>
Net assets released from restrictions	120,097	-	120,097
Total support and revenue	<u>1,575,824</u>	<u>100,457</u>	<u>1,676,281</u>
<b>EXPENSES:</b>			
Salaries, payroll taxes and benefits	702,469	-	702,469
Other employee costs	22,413	-	22,413
Fundraising	12,712	-	12,712
Educational programs and services	28,466	-	28,466
Capital renovations	27,211	-	27,211
Wildlife rehabilitation and animal care	45,895	-	45,895
Building maintenance and utilities	121,350	-	121,350
Insurance	13,121	-	13,121
Technology	71,555	-	71,555
Marketing	15,931	-	15,931
Professional fees	13,833	-	13,833
Facility rent in-kind	324,000	-	324,000
Other expenses	730	-	730
Total expenses	<u>1,399,686</u>	<u>-</u>	<u>1,399,686</u>
CHANGE IN NET ASSETS FROM OPERATIONS	176,138	100,457	276,595
OTHER CHANGES	<u>-</u>	<u>(195,579)</u>	<u>(195,579)</u>
CHANGES IN NET ASSETS	176,138	(95,122)	81,016
NET ASSETS, BEGINNING OF YEAR	613,161	770,114	1,383,275
Transfers	<u>100,457</u>	<u>(100,457)</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 889,756</u>	<u>\$ 574,535</u>	<u>\$ 1,464,291</u>

Net Assets With Donor Restrictions

Center Programs	Capital and Endowment	Total	Total
\$ -	\$ -	\$ -	\$ 435,291
-	-	-	98,487
40,000	388,198	428,198	933,047
-	-	-	1,500
-	-	-	8,646
-	-	-	324,000
33,486	-	33,486	216,897
73,486	388,198	461,684	2,017,868
(92,886)	(27,211)	(120,097)	-
(19,400)	360,987	341,587	2,017,868
-	-	-	702,469
-	-	-	22,413
-	-	-	12,712
-	-	-	28,466
-	-	-	27,211
-	-	-	45,895
-	-	-	121,350
-	-	-	13,121
-	-	-	71,555
-	-	-	15,931
-	-	-	13,833
-	-	-	324,000
-	-	-	730
-	-	-	1,399,686
(19,400)	360,987	341,587	618,182
(332,950)	(370,565)	(703,515)	(899,094)
(352,350)	(9,578)	(361,928)	(280,912)
2,723,465	2,498,014	5,221,479	6,604,754
-	-	-	-
<u>\$ 2,371,115</u>	<u>\$ 2,488,436</u>	<u>\$ 4,859,551</u>	<u>\$ 6,323,842</u>