

January 11, 2024

To the Board of Directors
Lake Erie Nature and Science Center

We have audited the financial statements of Lake Erie Nature and Science Center as of and for the year ended June 30, 2023, and have issued our report thereon dated January 11, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 5, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Lake Erie Nature and Science Center solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Lake Erie Nature and Science Center is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Lake Erie Nature and Science Center's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated January 11, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Lake Erie Nature and Science Center, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Lake Erie Nature and Science Center's auditors.

This report is intended solely for the information and use of the board of directors and management of Lake Erie Nature and Science Center and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Dan Palmer", is written over the closing text.

Card, Palmer, Sibbison & Co.

**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, 2023

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

LAKE ERIE NATURE AND SCIENCE CENTER
FINANCIAL STATEMENTS
JUNE 30, 2023

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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, 2023, 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, 2023, 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 audit. 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, 2022, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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, Palma, Silva & Co.

Cleveland, Ohio
January 11, 2024

FINANCIAL STATEMENTS

LAKE ERIE NATURE AND SCIENCE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(With Comparative Totals as of June 30, 2022)

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,221,524	\$ 1,754,141
Accounts receivable	1,475	3,850
Unconditional promises to give	<u>48,810</u>	<u>36,877</u>
Total current assets	<u>2,271,809</u>	<u>1,794,868</u>
FIXED ASSETS:		
Vehicle	68,004	27,443
Furniture and equipment	<u>74,645</u>	<u>74,645</u>
	142,649	102,088
Less: Accumulated depreciation	<u>102,088</u>	<u>102,088</u>
Net fixed assets	<u>40,561</u>	<u>-</u>
OTHER ASSETS:		
Investments	3,466,816	3,098,129
Beneficial interest in split-interest trusts	1,667,841	1,560,359
Operating lease right-of-use asset, net of amortization	<u>42,053</u>	<u>-</u>
Total other assets	<u>5,176,710</u>	<u>4,658,488</u>
TOTAL ASSETS	<u><u>\$ 7,489,080</u></u>	<u><u>\$ 6,453,356</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 46,824	\$ 6,588
Deferred program and class fees	144,876	122,926
Current portion of operating lease liability	<u>10,044</u>	<u>-</u>
Total current liabilities	<u>201,744</u>	<u>129,514</u>
OPERATING LEASE LIABILITY, NET OF CURRENT PORTION	<u>32,009</u>	<u>-</u>
NET ASSETS:		
Without donor restrictions	1,669,316	1,464,291
With donor restrictions	<u>5,586,011</u>	<u>4,859,551</u>
Total net assets	<u>7,255,327</u>	<u>6,323,842</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,489,080</u></u>	<u><u>\$ 6,453,356</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, 2023
(With Comparative Totals as of June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Program and class fees	\$ 554,895	\$ -	\$ 554,895	\$ 435,291
Government grants	112,338	-	112,338	98,487
Contributions and grants	421,384	511,713	933,097	933,047
Special events	52,230	-	52,230	-
Membership	1,020	-	1,020	1,500
Donated services and supplies	4,779	-	4,779	8,646
Facility rent in-kind	324,000	-	324,000	324,000
Investment income designated for operations	224,325	38,376	262,701	216,897
	<u>1,694,971</u>	<u>550,089</u>	<u>2,245,060</u>	<u>2,017,868</u>
Net assets released from restrictions	149,175	(149,175)	-	-
Total support and revenue	<u>1,844,146</u>	<u>400,914</u>	<u>2,245,060</u>	<u>2,017,868</u>
EXPENSES:				
Program	1,213,375	-	1,213,375	1,067,167
Management and general	219,267	-	219,267	217,032
Fundraising	150,432	-	150,432	115,487
Total expenses	<u>1,583,074</u>	<u>-</u>	<u>1,583,074</u>	<u>1,399,686</u>
CHANGE IN NET ASSETS FROM OPERATIONS	261,072	400,914	661,986	618,182
OTHER CHANGES:				
Pledge adjustment (see Footnote 6)	-	(3,400)	(3,400)	-
Unrealized gain (loss) on split-interest trusts	-	107,482	107,482	(189,901)
Investment return (loss) in excess of amounts designated for operations	(56,047)	218,064	162,017	(709,193)
Total other changes	<u>(56,047)</u>	<u>325,546</u>	<u>269,499</u>	<u>(899,094)</u>
CHANGES IN NET ASSETS	205,025	726,460	931,485	(280,912)
NET ASSETS, BEGINNING OF YEAR	<u>1,464,291</u>	<u>4,859,551</u>	<u>6,323,842</u>	<u>6,604,754</u>
NET ASSETS, END OF YEAR	<u>\$ 1,669,316</u>	<u>\$5,586,011</u>	<u>\$ 7,255,327</u>	<u>\$ 6,323,842</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, 2023
(With Comparative Totals as of June 30, 2022)

	2023				2022
	Program	Management and General	Fundraising	Total	
Salaries	\$ 487,199	\$ 93,814	\$ 97,380	\$ 678,393	\$ 599,731
Other employee benefits	46,747	8,901	6,598	62,246	58,153
Payroll taxes	38,257	7,285	5,400	50,942	44,585
Other employee costs	27,415	5,220	3,869	36,504	22,413
Fundraising	-	-	32,432	32,432	12,712
Educational programs and services	31,983	-	-	31,983	28,466
Capital renovations	48,874	-	-	48,874	27,211
Wildlife rehabilitation and animal care	43,011	-	-	43,011	45,895
Building maintenance and utilities	119,731	21,129	-	140,860	121,350
Insurance	11,784	2,079	-	13,863	13,121
Technology	68,714	12,126	-	80,840	71,555
Marketing	14,260	-	4,753	19,013	15,931
Professional fees	-	16,575	-	16,575	13,833
Facility rent in-kind	275,400	48,600	-	324,000	324,000
Other expenses	-	3,538	-	3,538	730
	<u>\$ 1,213,375</u>	<u>\$ 219,267</u>	<u>\$ 150,432</u>	<u>\$ 1,583,074</u>	<u>\$ 1,399,686</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, 2023
(With Comparative Totals as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 931,485	\$ (280,912)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Noncash items included in change in net assets:		
Unrealized (gain) loss on split-interest trusts	(107,482)	189,902
Realized and unrealized (gain) loss on investments, net	(194,947)	639,785
Amortization of operating lease right-of-use asset	9,747	-
(Increase) decrease in operating assets:		
Accounts receivable	2,375	(3,850)
Unconditional promises to give	(11,933)	12,964
Increase (decrease) in operating liabilities:		
Accounts payable	40,236	(1,452)
Deferred program and class fees	21,950	(10,215)
Annuity liability payable	-	(184)
Operating lease liability	<u>(9,747)</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>681,684</u>	<u>546,038</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(40,561)	-
Proceeds from sale of marketable securities	350,613	508,554
Purchase of marketable securities	<u>(524,353)</u>	<u>(522,388)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(214,301)</u>	<u>(13,834)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	467,383	532,204
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,754,141</u>	<u>1,221,937</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,221,524</u></u>	<u><u>\$ 1,754,141</u></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, 2023

1. ORGANIZATION

The mission of Lake Erie Nature & Science Center (the Center) 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 and people of all ages because of her foresight, and four generations of visitors from near and far.

It is the only organization of its kind in the region providing a unique blend of offerings including live animal exhibits, a public-access planetarium, wildlife rehabilitation services, a nature-based preschool, field trips, and a park setting along the shores of Lake Erie. The Center is one of the region's most affordable and accessible destinations to learn about our natural world, offering free admission and free wildlife rehabilitation assistance 7 days each week. Visitors of all ages learn about natural history, space science and native animals by exploring indoor and outdoor exhibits, featuring raptors, mammals, fish, turtles, and snakes. As the only licensed and permitted wildlife rehabilitation facility in Cuyahoga County, the Center provides free assistance to the public who bring ill or injured wildlife to the Center for treatment and care. Educational programs are led by employees who are trained to guide and engage audiences through positive, interactive hands-on learning. Wildlife programs teach respect for all living things by connecting audiences with our resident animal ambassadors. Space science exploration in the planetarium brings visitors into the domed theater to see an astounding array of stars and planets in the night sky accompanied by memorable songs and lessons. Family programs celebrate the seasonal changes in nature. Ours is one of the region's first and largest nature-based preschool programs which integrates science, math, literacy, arts and early learning standards. School field trips bring to life earth science, space science, physics, natural history, geology, and biology for students in preschool through high school. Connecting people with nature is the heart of our mission. With the support of private donations, foundation grants, corporate contributions, and program registration fees, Lake Erie Nature & Science Center continues its 75+ year legacy of providing valuable learning experiences for visitors of all ages.

Throughout the last three years, the Center has remained committed to serving its visitors. Program participation and walk in attendance has remained high. The organization continues to support its 9 full-time and 20 part-time employees and its in-person work culture, and has had very low turnover. Investments in programs and its facility provide greater enjoyment for visitors and program participants. A new classroom for nature-based preschool classes opened in September 2022 in an existing space renovated from its former use as a retail store. Enrichment to live animal habitats and renovation of the Lake Erie exhibit further engage people of all ages in learning about the natural world.

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.

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 30th for programs occurring after June 30th 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.

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (Continued)

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 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. A vehicle purchased during the year was not yet placed in service as of June 30, 2023.

Depreciation expense for the years ended June 30, 2023 and 2022 was \$-0-.

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2022, from which the summarized information was derived.

Adoption of new accounting standards

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.

Effective July 1, 2022, the Center adopted the new lease accounting guidance in Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842). The Center has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Center accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Center recognized on July 1, 2022 (the adoption date) (a) a lease liability of \$51,800, which represents the present value of the remaining lease payments of \$55,680, discounted using the Center's risk-free borrowing rate of 3.01%, and (b) a right-of-use asset of \$51,800.

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$1,280,000	\$1,013,000
Spending policy appropriation	150,239	147,601
Accounts receivable	<u>1,475</u>	<u>3,850</u>
	<u>\$1,431,714</u>	<u>\$1,164,451</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 \$1,280,736 in liquidity cash shown above as of June 30, 2023.

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.

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Operating fund	\$1,159,091	\$ 889,756
Board designated for endowment	335,027	399,337
Board designated cash for capital	<u>175,198</u>	<u>175,198</u>
	<u><u>\$1,669,316</u></u>	<u><u>\$1,464,291</u></u>

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purposes:		
Center programs	\$ 11,788	\$ 40,502
Capital projects	764,543	549,978
Planetarium endowment	<u>788,826</u>	<u>759,157</u>
	1,565,157	1,349,637
Subject to trust's spending policy and appropriation:		
Beneficial interest in split-interest trusts	1,667,841	1,560,359
Subject to Center's spending policy and appropriation:		
Endowment	<u>2,353,013</u>	<u>1,949,555</u>
	<u><u>\$5,586,011</u></u>	<u><u>\$4,859,551</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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Capital renovations	\$ 28,999	\$ 27,211
Center programs	<u>120,176</u>	<u>92,886</u>
	<u><u>\$ 149,175</u></u>	<u><u>\$ 120,097</u></u>

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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.

The following summarizes the investment return and its classification in the statement of activities for the years ending June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Split-interest trust distributions	\$ 87,737	\$ 82,923
Operating interest income	36,267	849
Net investment return	300,714	(576,068)
Unrealized gain (loss) on split-interest trusts	<u>107,482</u>	<u>(189,901)</u>
 Total investment earnings (loss)	 <u>\$ 532,200</u>	 <u>\$ (682,197)</u>
 As displayed on the Statement of Activities:		
Investment income for operations:		
Endowment distributions	\$ 147,600	\$ 133,943
Interest income	27,364	31
Split-interest trust distributions	<u>87,737</u>	<u>82,923</u>
	262,701	216,897
 Unrealized gain (loss) on split-interest trusts	 107,482	 (189,901)
 Investment income (loss) in excess of amounts designated for operations	 <u>162,017</u>	 <u>(709,193)</u>
 Total investment earnings (loss)	 <u>\$ 532,200</u>	 <u>\$ (682,197)</u>

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023.

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.

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023

	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 2,265,682	\$ -	\$ -	\$2,265,682
Fixed income	1,058,839	-	-	1,058,839
Money market accounts	142,295	-	-	142,295
Beneficial interest in trusts	-	-	1,667,841	1,667,841
	<u>\$ 3,466,816</u>	<u>\$ -</u>	<u>\$1,667,841</u>	<u>\$5,134,657</u>

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>

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, 2023 and 2022:

	2023	2022
Beginning of the year	\$1,560,359	\$1,750,260
Change in value in beneficial interest	195,219	(106,978)
Distributions received from the trusts	<u>(87,737)</u>	<u>(82,923)</u>
End of the year	<u>\$1,667,841</u>	<u>\$1,560,359</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.

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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. 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.

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2022	\$ 399,337	\$ 2,708,712	\$ 3,108,049
Contributions	-	214,933	214,933
Investment return	44,914	256,570	301,484
Appropriated for Center operations	(109,224)	(38,376)	(147,600)
Endowment net assets, June 30, 2023	<u>\$ 335,027</u>	<u>\$ 3,141,839</u>	<u>\$ 3,476,866</u>

	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>

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

10. OPERATING LEASE COMMITMENTS

The Center leases office equipment under an operating lease that calls for monthly payments of \$931 and an expiration date of June 2027.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities for the year ending June 30, 2023.

2024	\$ 11,172
2025	11,172
2026	11,172
2027	<u>11,172</u>
Total operating lease payments	44,688
Less imputed interest	<u>(2,635)</u>
Total operating lease liabilities	42,053
Less current portion of operating lease liabilities	<u>(10,044)</u>
Operating lease liabilities, net of current portion	<u><u>\$ 32,009</u></u>

The following summarizes the total lease cost related to operating leases for the year ending June 30, 2023:

Operating lease cost	\$ 11,172
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The following summarizes the operating cash flows related to operating leases for the year ending June 30, 2023:

Operating cash flows used for operating lease	\$ 11,172
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The following summarizes the noncash activity related to the operating lease for the period ending June 30, 2023:

Right-of-use asset obtained in exchange of lease liabilities:	
Operating lease	\$ 51,800

The following is the weighted-average remaining lease term and risk-free rate as of June 30, 2023:

Weighted-average remaining lease term	4 years
Weighted-average risk free rate	3.01%

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 the Center has no material 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, 2020 through June 30, 2023. 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. CONTRIBUTED NONFINANCIAL ASSETS

For the years ending June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities include:

	<u>2023</u>	<u>2022</u>
Facility rent in-kind	\$ 324,000	\$ 324,000
Wildlife supplies	4,779	6,313
Legal services	<u>-</u>	<u>2,333</u>
	<u>\$ 328,779</u>	<u>\$ 332,646</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.

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.

LAKE ERIE NATURE AND SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

13. CAPITAL

Lake Erie Nature & Science Center strategically plans and undertakes capital projects to improve public areas of the facility, to enrich learning experiences and programs, and to ensure optimal building functions. Capital projects are funded by philanthropic support from the community in the form of large donations from grateful visitors and grants from private funders and community foundations. Routine facility maintenance, replacements, and repairs are funded internally with a designated account.

The Center continues to plan and raise funds for a major renovation of the Wildlife Gardens. Built in 2000, the outdoor live animal exhibits of the Wildlife Gardens are enjoyed – at no charge – by visitors of all ages 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, must be replaced. The Wildlife Gardens Renovation Project will result in: more accessible exhibits for public enjoyment and up close views of wildlife, improved learning opportunities for visitors and students, and increased public visibility through one-way glass to wildlife rehabilitation patients in their final stages of treatment before release back to the wild.

Estimated to cost \$1,500,000, the Wildlife Gardens Renovation Project will be the largest investment in our free nature-based offerings for children, families, and students. Fundraising efforts have achieved 86% of the funds needed for the project.

The design and planning phase of the Wildlife Gardens Renovation Project began in summer 2023 with demolition work anticipated to begin before the end of calendar year 2023.

The Cahoon Room is a recent example of a successful capital project made possible with philanthropic support from the community. In September 2022, the Center opened the Cahoon Room in an existing space renovated from a retail store into a lively nature-based learning environment designed for young 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.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 11, 2024, 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, 2023

	Net Assets Without Donor Restrictions		
	Operating Fund	Board Designated	Total
SUPPORT AND REVENUE:			
Program and class fees	\$ 554,895	\$ -	\$ 554,895
Government grants	112,338	-	112,338
Contributions and grants	421,384	-	421,384
Special events	52,230	-	52,230
Membership	1,020	-	1,020
Donated services and supplies	4,779	-	4,779
Facility rent in-kind	324,000	-	324,000
Investment income for operations	115,101	109,224	224,325
	<u>1,585,747</u>	<u>109,224</u>	<u>1,694,971</u>
Net assets released from restrictions	149,175	-	149,175
Total support and revenue	<u>1,734,922</u>	<u>109,224</u>	<u>1,844,146</u>
EXPENSES:			
Salaries, payroll taxes and benefits	791,581	-	791,581
Other employee costs	36,504	-	36,504
Fundraising	32,432	-	32,432
Educational programs and services	31,983	-	31,983
Capital renovations	48,874	-	48,874
Wildlife rehabilitation and animal care	43,011	-	43,011
Building maintenance and utilities	140,860	-	140,860
Insurance	13,863	-	13,863
Technology	80,840	-	80,840
Marketing	19,013	-	19,013
Professional fees	16,575	-	16,575
Facility rent in-kind	324,000	-	324,000
Other expenses	3,538	-	3,538
Total expenses	<u>1,583,074</u>	<u>-</u>	<u>1,583,074</u>
CHANGE IN NET ASSETS FROM OPERATIONS	151,848	109,224	261,072
OTHER CHANGES	-	(56,047)	(56,047)
CHANGES IN NET ASSETS	151,848	53,177	205,025
NET ASSETS, BEGINNING OF YEAR	889,756	574,535	1,464,291
Transfers	<u>117,487</u>	<u>(117,487)</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 1,159,091</u>	<u>\$ 510,225</u>	<u>\$ 1,669,316</u>

Net Assets With Donor Restrictions			
Center Programs	Capital and Endowment	Total	Total
\$ -	\$ -	\$ -	\$ 554,895
-	-	-	112,338
72,500	439,213	511,713	933,097
-	-	-	52,230
-	-	-	1,020
-	-	-	4,779
-	-	-	324,000
38,376	-	38,376	262,701
110,876	439,213	550,089	2,245,060
(120,176)	(28,999)	(149,175)	-
(9,300)	410,214	400,914	2,245,060
-	-	-	791,581
-	-	-	36,504
-	-	-	32,432
-	-	-	31,983
-	-	-	48,874
-	-	-	43,011
-	-	-	140,860
-	-	-	13,863
-	-	-	80,840
-	-	-	19,013
-	-	-	16,575
-	-	-	324,000
-	-	-	3,538
-	-	-	1,583,074
(9,300)	410,214	400,914	661,986
(39,436)	364,982	325,546	269,499
(48,736)	775,196	726,460	931,485
2,371,115	2,488,436	4,859,551	6,323,842
-	-	-	-
<u>\$ 2,322,379</u>	<u>\$ 3,263,632</u>	<u>\$ 5,586,011</u>	<u>\$ 7,255,327</u>