

CLEVELAND MUSEUM OF NATURAL HISTORY

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cleveland Museum of Natural History
Cleveland, Ohio

We have audited the accompanying financial statements of the Cleveland Museum of Natural History (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cleveland Museum of Natural History as of June 30, 2021 and 2020, and the results of the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Meaden & Moore Ltd." in a cursive style.

Meaden & Moore, Ltd.
Cleveland, Ohio

March 16, 2022

STATEMENT OF FINANCIAL POSITION

Cleveland Museum of Natural History

June 30

| ASSETS | <u>2021</u> | <u>2020</u> |
|---|----------------------------------|---------------------------|
| CURRENT ASSETS: | | |
| Cash, Restricted Cash, and Cash Equivalents: | | |
| Operating funds | \$ 8,699,419 | \$ 3,991,143 |
| Bond proceeds restricted for Capital Campaign | 58,003,528 | - |
| Restricted funds - capitalized interest | 3,476,223 | - |
| Restricted funds - Capital Campaign | <u>6,025,198</u> | <u>8,169,704</u> |
| Total Cash, Restricted Cash, and Cash Equivalents | 76,204,368 | 12,160,847 |
| Pledges receivable, net | 322,924 | 3,900,126 |
| Reimbursable grant receivable, net | 929,105 | 466,212 |
| Accounts receivable, net | 137,633 | 62,438 |
| Prepaid expenses | 1,041,370 | 1,239,767 |
| Deposits | <u>13,765</u> | <u>27,579</u> |
| Total Current Assets | 78,649,165 | 17,856,969 |
| LONG-TERM ASSETS: | | |
| Pledges receivable, net | 15,407,811 | 6,852,109 |
| Investments | 184,119,900 | 143,305,025 |
| Building and equipment, net | 74,769,978 | 60,609,080 |
| Assets held in trust by others | <u>35,734,927</u> | <u>28,791,997</u> |
| Total Long-Term Assets | <u>310,032,616</u> | <u>239,558,211</u> |
| Total Assets | <u>\$ 388,681,781</u> | <u>\$ 257,415,180</u> |

See accompanying notes.

| LIABILITIES | <u>2021</u> | <u>2020</u> |
|---|---------------------------|---------------------------|
| CURRENT LIABILITIES: | | |
| Current portion of note payable | \$ - | \$ 7,971,400 |
| Accounts payable | 3,140,962 | 1,668,524 |
| Accrued expenses | 85,712 | 467,696 |
| Deferred revenue | 57,224 | 34,686 |
| Gift annuity payable | <u>56,967</u> | <u>60,224</u> |
| Total Current Liabilities | 3,340,865 | 10,202,530 |
| LONG-TERM LIABILITIES: | | |
| Bond payable | 74,101,204 | - |
| CARES Act Paycheck Protection Program loan | <u>1,721,400</u> | <u>-</u> |
| Total Long-term Liabilities | 75,822,604 | - |
| Total Liabilities | 79,163,469 | 10,202,530 |
| NET ASSETS | | |
| Without Donor Restrictions: | | |
| Operating | 46,480,885 | 43,533,553 |
| Board designated endowment | <u>102,841,549</u> | <u>79,423,491</u> |
| Total Net Assets Without Donor Restrictions | 149,322,434 | 122,957,044 |
| With Donor Restrictions: | | |
| Time or purpose restrictions | 90,915,941 | 62,833,715 |
| Endowment - perpetual in nature | <u>69,279,937</u> | <u>61,421,891</u> |
| Total Net Assets With Donor Restrictions | <u>160,195,878</u> | <u>124,255,606</u> |
| Total Net Assets | <u>309,518,312</u> | <u>247,212,650</u> |
| Total Liabilities and Net Assets | <u>\$ 388,681,781</u> | <u>\$ 257,415,180</u> |

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Cleveland Museum of Natural History

Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---|--|-----------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Contributions | \$ 2,919,555 | \$ - | \$ 2,919,555 |
| Investment income designated for current operations | 6,574,233 | - | 6,574,233 |
| Operating revenue | 2,452,223 | - | 2,452,223 |
| Income from assets held in trust by others | 1,366,105 | - | 1,366,105 |
| Net assets released from restrictions - operations | <u>3,886,549</u> | <u>(3,886,549)</u> | <u>-</u> |
| Total Operating Revenue and Other Support | 17,198,665 | (3,886,549) | 13,312,116 |
| EXPENSES | | | |
| Salaries | 7,059,192 | - | 7,059,192 |
| Employee benefits and payroll taxes | 1,430,167 | - | 1,430,167 |
| Professional | 1,740,263 | - | 1,740,263 |
| General | 1,180,916 | - | 1,180,916 |
| Maintenance | 301,283 | - | 301,283 |
| Utilities | 557,023 | - | 557,023 |
| Natural areas land purchases | 117,079 | - | 117,079 |
| Supplies and services | 1,149,169 | - | 1,149,169 |
| Catering | 9,754 | - | 9,754 |
| Advertising | 55,347 | - | 55,347 |
| Depreciation expense | <u>2,087,351</u> | <u>-</u> | <u>2,087,351</u> |
| Total Expenses | <u>15,687,544</u> | <u>-</u> | <u>15,687,544</u> |
| Change in Net Assets from Operations | 1,511,121 | (3,886,549) | (2,375,428) |
| NON-OPERATING ACTIVITIES | | | |
| Contributions | - | 15,828,321 | 15,828,321 |
| Miscellaneous income | 1,721,400 | 8,089 | 1,729,489 |
| Interest expense | (96,379) | - | (96,379) |
| Investment return net of income designated for current operations | 23,229,248 | 17,047,481 | 40,276,729 |
| Gain from assets held in trust by others | <u>-</u> | <u>6,942,930</u> | <u>6,942,930</u> |
| Net Non-Operating Activities | <u>24,854,269</u> | <u>39,826,821</u> | <u>64,681,090</u> |
| Change in Net Assets | 26,365,390 | 35,940,272 | 62,305,662 |
| Net Assets at Beginning of the Year | <u>122,957,044</u> | <u>124,255,606</u> | <u>247,212,650</u> |
| Net Assets at End of the Year | <u>\$ 149,322,434</u> | <u>\$ 160,195,878</u> | <u>\$ 309,518,312</u> |

See accompanying notes.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Cleveland Museum of Natural History

Year Ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|-------------------------------|-----------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Contributions | \$ 4,058,599 | \$ - | \$ 4,058,599 |
| Grants and gifts for land | 81,025 | - | 81,025 |
| Investment income designated for current operations | 6,433,008 | - | 6,433,008 |
| Operating revenue | 3,080,214 | - | 3,080,214 |
| Income from assets held in trust by others | 1,370,979 | - | 1,370,979 |
| Net assets released from restrictions - operations | <u>2,613,350</u> | <u>(2,613,350)</u> | <u>-</u> |
| Total Operating Revenue and Other Support | 17,637,175 | (2,613,350) | 15,023,825 |
| EXPENSES | | | |
| Salaries | 7,853,500 | - | 7,853,500 |
| Employee benefits and payroll taxes | 1,852,519 | - | 1,852,519 |
| Professional | 1,819,481 | - | 1,819,481 |
| General | 1,535,172 | - | 1,535,172 |
| Maintenance | 376,045 | - | 376,045 |
| Utilities | 554,980 | - | 554,980 |
| Natural areas land purchases | 49,150 | - | 49,150 |
| Supplies and services | 1,296,317 | - | 1,296,317 |
| Catering | 110,655 | - | 110,655 |
| Advertising | 326,604 | - | 326,604 |
| Depreciation expense | <u>2,046,128</u> | <u>-</u> | <u>2,046,128</u> |
| Total Expenses | <u>17,820,551</u> | <u>-</u> | <u>17,820,551</u> |
| Change in Net Assets from Operations | (183,376) | (2,613,350) | (2,796,726) |
| NON-OPERATING ACTIVITIES | | | |
| Contributions | - | 6,885,379 | 6,885,379 |
| Miscellaneous income | - | 61,184 | 61,184 |
| Interest expense | (251,177) | - | (251,177) |
| Investment return net of income designated for current operations | (1,872,437) | (1,212,914) | (3,085,351) |
| Loss from assets held in trust by others | <u>-</u> | <u>(1,175,336)</u> | <u>(1,175,336)</u> |
| Net Non-Operating Activities | <u>(2,123,614)</u> | <u>4,558,313</u> | <u>2,434,699</u> |
| Change in Net Assets | (2,306,990) | 1,944,963 | (362,027) |
| Net Assets at Beginning of the Year | <u>125,264,034</u> | <u>122,310,643</u> | <u>247,574,677</u> |
| Net Assets at End of the Year | <u>\$ 122,957,044</u> | <u>\$ 124,255,606</u> | <u>\$ 247,212,650</u> |

See accompanying notes.

STATEMENT OF FUNCTIONAL EXPENSES

Cleveland Museum of Natural History

Year Ended June 30, 2021

| | Collections and Research | Education | Exhibits | Public Services | Fiscal Sponsorship and Societies | Fundraising and Membership | General and Administrative | Total |
|--|--------------------------------|---------------------|---------------------|--------------------|--|----------------------------------|-------------------------------|----------------------|
| Salaries and wages | \$ 3,059,648 | \$ 1,262,244 | \$ 564,644 | \$ 127,031 | \$ - | \$ 1,515,613 | \$ 530,012 | \$ 7,059,192 |
| Retirement benefits | 132,064 | 67,377 | 29,254 | 7,184 | - | 79,634 | 30,921 | 346,434 |
| Other fringe benefits and payroll taxes | 445,433 | 204,028 | 94,479 | 14,719 | - | 264,106 | 60,968 | 1,083,733 |
| Professional services | 649,986 | 177,849 | 149,424 | 30,640 | 9,311 | 518,768 | 204,285 | 1,740,263 |
| Travel expense | 21,150 | 845 | 689 | 1,836 | 320 | 3,369 | 4,940 | 33,149 |
| Protection services | 35,193 | 15,483 | 28,248 | 3,248 | - | 6,538 | 1,533 | 90,243 |
| General insurance | 147,514 | 60,478 | 17,124 | 5,299 | - | 78,231 | 124,248 | 432,894 |
| Real estate taxes | 64,664 | - | - | - | - | - | - | 64,664 |
| Telephone expense | 38,201 | 32,205 | 4,465 | 2,367 | - | 89,975 | 26,283 | 193,496 |
| Postage expense | 3,253 | 1,237 | 752 | 136 | - | 29,838 | 667 | 35,883 |
| Printing | 3,829 | 1,404 | 24,467 | 840 | - | 66,466 | 2,884 | 99,890 |
| Entertainment | 1,519 | 602 | 202 | 85 | - | 1,738 | 1,198 | 5,344 |
| Bank fees | 18,432 | 7,557 | 2,140 | 1,086 | - | 50,757 | 6,699 | 86,671 |
| Miscellaneous expense | 47,601 | 18,819 | 12,071 | 4,230 | 15,986 | 24,843 | 15,132 | 138,682 |
| Maintenance of equipment | 46,308 | 18,691 | 28,481 | 3,476 | - | 11,070 | 8,980 | 117,006 |
| Building repairs | 15,211 | 6,692 | 12,209 | 1,404 | - | 2,826 | 662 | 39,004 |
| Grounds maintenance | 59,628 | 18,284 | 33,358 | 3,836 | - | 7,721 | 1,810 | 124,637 |
| Vehicle maintenance | 20,598 | 11 | 19 | 2 | - | 4 | 2 | 20,636 |
| Utilities | 220,750 | 94,577 | 172,552 | 19,842 | - | 39,938 | 9,364 | 557,023 |
| Natural areas land purchases | 117,079 | - | - | - | - | - | - | 117,079 |
| Exhibition | - | 10,080 | 403,950 | - | - | - | - | 414,030 |
| Supplies and services | 492,240 | 43,488 | 52,118 | 13,443 | 1,560 | 23,953 | 7,756 | 634,558 |
| Book purchases | 1,932 | - | 59 | - | - | - | - | 1,991 |
| Equipment purchases | 57,595 | 12,609 | 11,635 | 633 | - | 6,466 | 9,652 | 98,590 |
| Catering | 542 | 247 | 63 | 4,596 | (3,151) | 6,999 | 458 | 9,754 |
| Advertising | 16,518 | 7,608 | 1,884 | 7,054 | - | 8,609 | 13,674 | 55,347 |
| Depreciation | 814,035 | 358,121 | 653,378 | 75,134 | - | 151,229 | 35,454 | 2,087,351 |
| Totals | <u>\$ 6,530,923</u> | <u>\$ 2,420,536</u> | <u>\$ 2,297,665</u> | <u>\$ 328,121</u> | <u>\$ 24,026</u> | <u>\$ 2,988,691</u> | <u>\$ 1,097,582</u> | <u>\$ 15,687,544</u> |

See accompanying notes.

STATEMENT OF FUNCTIONAL EXPENSES

Cleveland Museum of Natural History

Year Ended June 30, 2020

| | Collections and Research | Education | Exhibits | Public Services | Fiscal Sponsorship and Societies | Fundraising and Membership | General and Administrative | Total |
|--|--------------------------------|---------------------|---------------------|--------------------|--|----------------------------------|-------------------------------|----------------------|
| Salaries and wages | \$ 3,202,400 | \$ 1,383,461 | \$ 842,274 | \$ 94,047 | \$ - | \$ 1,818,097 | \$ 513,221 | \$ 7,853,500 |
| Retirement benefits | 145,731 | 66,593 | 44,651 | 5,507 | - | 86,038 | 19,773 | 368,293 |
| Other fringe benefits and payroll taxes | 598,705 | 259,232 | 175,163 | 12,655 | - | 368,998 | 69,473 | 1,484,226 |
| Professional services | 739,335 | 190,498 | 212,687 | 33,185 | 83,441 | 385,684 | 174,651 | 1,819,481 |
| Travel expense | 111,884 | 64,592 | 15,171 | 126 | 7,012 | 12,935 | 3,807 | 215,527 |
| Protection services | 34,991 | 15,455 | 28,017 | 3,180 | - | 6,811 | 1,788 | 90,242 |
| General insurance | 64,165 | 26,839 | 13,212 | 1,467 | - | 136,911 | 51,106 | 293,700 |
| Real estate taxes | 71,847 | - | - | - | - | - | - | 71,847 |
| Telephone expense | 45,807 | 34,989 | 8,124 | 1,992 | - | 91,286 | 30,583 | 212,781 |
| Postage expense | 7,451 | 10,295 | 956 | 116 | 717 | 47,785 | 3,571 | 70,891 |
| Printing | 34,700 | 32,577 | 30,688 | 775 | 1,846 | 100,376 | 18,612 | 219,574 |
| Entertainment | 4,345 | 3,624 | 643 | 37 | 717 | 3,727 | 976 | 14,069 |
| Bank fees | 9,213 | 3,988 | 1,963 | 218 | - | 52,237 | 7,593 | 75,212 |
| Miscellaneous expense | 93,902 | 32,190 | 50,668 | 4,702 | 4,347 | 49,442 | 36,078 | 271,329 |
| Maintenance of equipment | 53,695 | 23,081 | 32,073 | 3,599 | - | 17,495 | 16,274 | 146,217 |
| Building repairs | 23,241 | 10,265 | 18,609 | 2,112 | - | 4,524 | 1,188 | 59,939 |
| Grounds maintenance | 53,662 | 19,345 | 35,070 | 3,980 | - | 8,526 | 2,239 | 122,822 |
| Vehicle maintenance | 46,899 | 168 | - | - | - | - | - | 47,067 |
| Utilities | 217,852 | 94,300 | 170,955 | 19,401 | - | 41,560 | 10,912 | 554,980 |
| Natural areas land purchases | 49,150 | - | - | - | - | - | - | 49,150 |
| Exhibition | 89,708 | 2,340 | 366,000 | - | - | - | - | 458,048 |
| Supplies and services | 505,201 | 66,530 | 73,806 | 11,453 | 6,991 | 39,653 | 16,387 | 720,021 |
| Book purchases | 10,167 | - | - | - | - | - | - | 10,167 |
| Equipment purchases | 44,923 | 12,226 | 34,008 | 1,030 | - | 14,009 | 1,885 | 108,081 |
| Catering | 17,710 | 56,544 | 1,838 | 2,775 | 9,190 | 16,715 | 5,883 | 110,655 |
| Advertising | 100,680 | 47,338 | 21,453 | 9,631 | 5,334 | 61,166 | 81,002 | 326,604 |
| Depreciation | 793,377 | 350,414 | 635,258 | 72,092 | - | 154,437 | 40,550 | 2,046,128 |
| Totals | <u>\$ 7,170,741</u> | <u>\$ 2,806,884</u> | <u>\$ 2,813,287</u> | <u>\$ 284,080</u> | <u>\$ 119,595</u> | <u>\$ 3,518,412</u> | <u>\$ 1,107,552</u> | <u>\$ 17,820,551</u> |

See accompanying notes.

STATEMENT OF CASH FLOWS
Cleveland Museum of Natural History
Years Ended June 30

| | 2021 | 2020 |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 62,305,662 | \$ (362,027) |
| Adjustments to Reconcile Change in Net Assets to Net Cash | | |
| Provided by (Used in) Operating Activities: | | |
| Depreciation | 2,087,351 | 2,046,128 |
| Paycheck Protection Program loan forgiveness | (1,721,400) | - |
| Donor restricted perpetual in nature contributions | (43,377) | (1,535,552) |
| (Gain) loss in assets held in trust by others | (6,942,930) | 1,175,336 |
| Realized and unrealized gains on investments | (46,467,895) | (2,602,128) |
| Reinvested interest and dividends | (383,067) | (874,525) |
| Donated securities | (414,393) | (153,712) |
| Increase (Decrease) in Cash from Changes in: | | |
| Pledges, grants, and accounts receivable | (5,516,588) | 258,893 |
| Prepaid expenses | 198,397 | (676,397) |
| Deposits | 13,814 | 333,244 |
| Accounts payable | (555,099) | (467,290) |
| Accrued expenses | (381,984) | 261,224 |
| Deferred income | 22,538 | (8,163) |
| Gift annuity payable | 10,143 | 10,428 |
| Total Adjustments | (60,094,490) | (2,232,514) |
| Net Cash Provided by (Used in) Operating Activities | 2,211,172 | (2,594,541) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (14,220,712) | (6,884,655) |
| Proceeds on sale of investments | 34,930,604 | 30,617,811 |
| Purchase of investments | (28,480,124) | (25,259,749) |
| Net Cash Used in Investing Activities | (7,770,232) | (1,526,593) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| CARES Act Paycheck Protection Program loan | 1,721,400 | 1,721,400 |
| Cultural Facility Revenue Bonds | 74,101,204 | - |
| Repayment of note payable | (6,250,000) | (6,250,000) |
| Payments to gift annuity beneficiaries | (13,400) | (13,810) |
| Donor restricted perpetual in nature donations | 43,377 | 1,535,552 |
| Net Cash Provided by (Used in) Financing Activities | 69,602,581 | (3,006,858) |
| Increase (Decrease) in Cash, Restricted Cash, and Cash Equivalents | 64,043,521 | (7,127,992) |
| Cash, Restricted Cash and Cash Equivalents - Beginning of the Year | 12,160,847 | 19,288,839 |
| Cash, Restricted Cash, and Cash Equivalents - End of the Year | \$ 76,204,368 | \$ 12,160,847 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Interest paid | \$ 96,379 | \$ 251,177 |
| Capital expenditures included in accounts payable | \$ 2,027,537 | \$ 890,668 |
| Paycheck Protection Program loan forgiveness | \$ 1,721,400 | \$ - |

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies

Nature of the Organization:

The mission of the Cleveland Museum of Natural History (“Museum”) is to inspire, through science and education, a passion for nature, the protection of natural diversity, the fostering of health and leadership to a sustainable future. The Museum provides opportunities for lifelong learning to the people of Northeastern Ohio and beyond, through exhibits, programs and services which are based on natural history collections, natural areas and scientific research. The Museum derives revenues from endowments, admissions, memberships, and educational programs. The Museum also receives contributions from foundations, corporations, and individuals.

Adoption of Accounting Policies:

The Museum follows Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Analysis of the various provision of this standard resulted in no significant changes in the way the Museum recognizes revenue.

The Museum follows ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. This guidance provides the framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and not-for-profit entities. Analysis of the various provision of this standard resulted in no significant changes in the way the Museum recognizes revenue.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). The new standard removes or modifies certain existing disclosure requirements and adds additional disclosure requirements related to fair value measurement. The Museum adopted ASU 2018-13 for the year ended June 30, 2021. The effect of the adoption is an overall reduction in the disclosures related to fair value measurement.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

Classification of Net Assets:

Contributions are classified as with or without donor restrictions based on donor specifications. Revenue including investment activities are presented under these classifications. Designations by the Board, while separately stated, are considered without donor restrictions.

Funds with similar characteristics have been combined in the following net asset groups:

Without donor restrictions net assets are used for the Museum's continuing activities and operations, the use of which is at the discretion of the Museum's governing body.

With donor restrictions include amounts that are subject to time or purpose restrictions designated by the donor or grantor which cannot be changed by the Board. When the time or purpose restriction is satisfied, the donor restricted net assets are reclassified as without donor restrictions net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Donor restricted endowment net assets consist of amounts that are held in perpetuity as designated by the donors. Earnings on investments with donor restrictions that are perpetual in nature are included with donor restricted net assets until amounts are expended in accordance with the donors' specifications or the Museum's spending policy.

Cash, Restricted Cash, and Cash Equivalents:

Cash equivalents are highly-liquid, interest-bearing investments with a maturity of three months or less when purchased. Cash and cash equivalents exclude amounts externally restricted or board designated for long-term purposes, which are classified as investments. At times during the year, the Museum maintained funds on deposit at its banks in excess of FDIC Insurance limits.

Pledges Receivable:

Pledges receivable (due in a year or more) from corporations, foundations and individuals are discounted to net present value using the federal treasury rate. Approximately \$15 million (2021) and \$10 million (2020) of the pledges relate to the capital campaign. The discount rate ranged from .25% to 1.73% (2021) and .16% to .66% (2020).

Outstanding pledges at June 30 are as follows:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|----------------------|----------------------|
| In less than one year | \$ 322,924 | \$ 3,900,126 |
| In one to five years | <u>15,919,281</u> | <u>6,925,803</u> |
| | 16,242,205 | 10,825,929 |
| Less: Net present value discount | <u>(511,470)</u> | <u>(73,694)</u> |
| Total Pledges Receivable, Net | <u>\$ 15,730,735</u> | <u>\$ 10,752,235</u> |

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

Building and Equipment:

Building and equipment are stated on the basis of cost. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs and capital expenditures of less than \$5,000 are expensed as incurred.

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|----------------------|----------------------|
| Buildings and improvements | \$ 64,425,658 | \$ 55,023,825 |
| Equipment and vehicles | 6,299,025 | 6,067,040 |
| Furniture and fixtures | 5,390,595 | 5,311,417 |
| Construction in progress | <u>27,178,193</u> | <u>20,642,940</u> |
| | 103,293,471 | 87,045,222 |
| Less: Accumulated depreciation | <u>(28,523,493)</u> | <u>(26,436,142)</u> |
| Buildings and Equipment, Net | <u>\$ 74,769,978</u> | <u>\$ 60,609,080</u> |
| Depreciation Expense | <u>\$ 2,087,351</u> | <u>\$ 2,046,128</u> |

Depreciation is computed by the straight-line method using estimated lives of individual assets as noted within the following classifications:

| <u>Class</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 10 - 40 |
| Equipment and vehicles | 5 - 10 |
| Furniture and fixtures | 10 |

Land Purchases:

The Museum routinely purchases land for conservation purposes through its natural areas program. In keeping with standard museum practice, these expenditures are charged as expense in the statement of activities and are carried at no value in the statement of financial position. Expenditures for land purchases totaled \$117,079 (2021) and \$49,150 (2020). The natural areas program secures 20% of the fair market value of the property at the date of acquisition towards the natural area's stewardship endowment. The investment income designated for current operations from this endowment is used to cover operational costs of the natural areas program.

Natural History Collection:

In keeping with standard museum practice, expenditures for collection items acquired in connection with the Museum's exempt purpose are charged as expense in the statements of activities and changes in net assets and are carried at no value on the statement of financial position. In addition, donations of collection items are not recognized as revenue or expense in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

Deposits:

The Museum makes advance deposits to curators for travel expeditions and option payments for natural areas land purchases which are recorded in the Statement of Financial Position.

Financial Instruments:

The carrying value of accounts payable and accrued expenses are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

Investment Policy:

The investments of the Museum are directed by an investment committee, following established policy guidelines and assisted by professional investment managers. The overall financial goal of the endowment is to meet the long-term net operating expenses of the Museum while maintaining the endowment's purchasing power.

Investments:

Investments are reported at fair market value. The difference between their cost and fair market value is recorded as an unrealized gain or loss in the statement of activities and changes in net assets. Investments received by gift are recorded at market value as contributions at the date of the donation and are immediately sold.

Investment Income:

Investment income, including dividends and interest and realized and unrealized gains (losses), is added to (deducted from) the appropriate with or without donor restricted net assets.

Investments, Fair Value Measurements:

FASB ASC 820, "Fair Value Measurements" applies to all financial instruments that are measured and reported on a fair value basis. As defined in FASB ASC 820, fair value is 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. In determining fair value, the Museum utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the examination of the inputs used in the valuation techniques, the Museum is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

Investments, Fair Value Measurements, Continued:

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in inactive markets,
- Inputs other than quoted prices that are observable for the asset or liability,
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Net Asset Value (NAV) Practical Expedient:

Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value (NAV) per Share (or Its Equivalent)* issued by the FASB removes the requirement to categorize investments within the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient.

Revenue Recognition:

Contributions which include unconditional pledges to give cash, marketable securities and other assets are reported at fair value and are discounted to present value at the date the pledge is received. Conditional promises to give are not recorded until the condition is satisfied. Pledges received with donor restrictions that limit the use of the donated assets are reported as with donor restrictions specified by time or purpose, or donor restricted perpetual in nature. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, specified time or purpose restricted net assets are reclassified as without donor restriction and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Operating revenue consists of Museum membership dues, admission fees, education program revenue, member and public events revenue, and parking income. Operating revenue is recognized when cash has been collected or when the services have been performed. Unearned revenue is recorded as deferred revenue in the Statement of Financial Position.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued:

The Museum store is operated by an unrelated contractor. Revenue under this arrangement is recognized monthly based on a percentage of sales in accordance with an agreement.

Donated Services:

The Museum received donated services which do not meet the criteria for recognition in the financial statements under FASB ASC 958-605. These donated services, while not recognized in the financial statements, provide valuable resources to the Museum.

Spending Policy:

The Museum uses the spending rule concept in making distributions of certain investment income. The Museum recognizes 5% (the spending rate) of the weighted average of the previous five calendar year end fair market values as investment income in current operations. Investment income (loss) after amounts designated for current operations is classified separately as a non-operating activity in the Statements of Activities.

Functional Expense Allocations:

Expenses are charged to functional areas based on specific identification when possible. Only direct costs accumulate within each functional area during the year. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on various factors. There are three categories of expenses that are allocated – building and grounds, general and administrative, and communication. Building and ground expenses are allocated to the different departments based on square footage of the entire facility. General and administrative expenses and communication expenses are allocated based on actual salary and wage expense – the Museum reviews the total salary and wage expense that was directly charged to each functional area during the year, and then allocates the general and administrative and communication expenses based on each functional area's percentage of the total salary and wage expense.

General and Board Designated Operating Funds:

Income and expenses charged to these funds include activities directly related to general and board designated operating funds. No allocation of general operating expenses is currently absorbed by these funds.

Income Taxes:

The Museum is exempt from federal income taxes as a publicly supported charity pursuant to Section 501(c)(3) of the Internal Revenue Code. However, income from certain unrelated business activities are subject to tax.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

Accounting for Uncertainty in Income Taxes:

The Museum follows the provisions of FASB ASC 740-10-25 which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Museum recognizes interest and penalties accrued, if any, related to unrecognized tax uncertainties in income tax expense. The Museum determined that there are no material uncertain tax positions.

Paid Time Off Policy:

The Museum's paid time off policy coincides with the fiscal year end; therefore, no accrual is necessary.

Reclassifications:

Certain prior year amounts have been reclassified to conform with the current year presentation.

Subsequent Events:

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements.

Subsequent events have been evaluated through March 16, 2022, which is the date the financial statements were available to be issued.

2 Liquidity and Availability

The Museum manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term commitments and obligations under endowments with donor restrictions and board endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Museum.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

2 Liquidity and Availability, Continued

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

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Financial Assets at Year-End: | | |
| Cash and cash equivalents | \$ 76,204,368 | \$ 12,160,847 |
| Investments | 184,119,900 | 143,305,025 |
| Pledges receivable, net | 15,730,735 | 10,752,235 |
| Reimbursable grant receivable, net | 929,105 | 466,212 |
| Accounts receivable, net | 137,633 | 62,438 |
| Assets held in trust by others | <u>35,734,927</u> | <u>28,791,997</u> |
| Total financial assets | 312,856,668 | 195,538,754 |
| Less: Financial assets not available to be used within one year | | |
| Bond Proceeds restricted for Capital Campaign | 58,003,528 | - |
| Capitalized bond interest | 3,476,223 | - |
| Donor restricted for time or purpose | 90,915,941 | 62,833,715 |
| Donor restricted for endowment | <u>69,279,937</u> | <u>61,421,891</u> |
| Financial assets not available to be used within one year | <u>221,675,629</u> | <u>124,255,606</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 91,181,039</u> | <u>\$ 71,283,148</u> |

Endowment funds consist of donor restricted endowments and board designated endowments. Income from donor restricted endowments that is restricted for specific purposes is not available for general expenditure. As described in Note 10, the Museum's endowments are subject to the annual spending policy, and the Museum maintains cash and other liquid investments equal to the annual spendable amount expected from the endowments.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

3 Investments

Market values as determined by quoted/estimated market prices at June 30 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| Money Market | \$ 6,906,332 | \$ 12,743,834 |
| U.S. Government Securities | 3,627,292 | 3,639,014 |
| Corporate Bonds and Notes | 5,989,936 | 5,863,004 |
| Corporate Common and Preferred Stocks: | | |
| Large Cap | 167,527 | 9,708,805 |
| Mutual Funds: | | |
| Large Cap | 16,714,132 | 23,096,863 |
| Fixed income | <u>222,189</u> | <u>158,254</u> |
| Total Non-Alternative Investments | 33,627,408 | 55,209,774 |
| Alternative Investments: | | |
| Absolute Return | 17,704,220 | 15,463,003 |
| Emerging Markets | - | 150,152 |
| Hedge Equity | 17,403,809 | 15,179,914 |
| Domestic Equity | 46,278,991 | 9,587,642 |
| International Equity | 39,841,659 | 28,615,890 |
| Private Equity | <u>27,917,455</u> | <u>17,777,365</u> |
| Total Alternative Investments | 149,146,134 | 86,773,966 |
| Partnership Investment | <u>1,346,358</u> | <u>1,321,285</u> |
| Total Investments | 184,119,900 | 143,305,025 |
| Assets held in trust by others | <u>35,734,927</u> | <u>28,791,997</u> |
| | <u>\$ 219,854,827</u> | <u>\$ 172,097,022</u> |

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Money Market, U.S. Government Securities, Corporate Bonds and Notes, Corporate Common and Preferred Stocks, and Mutual Funds:

These securities are primarily valued at quoted market prices in active markets for identical assets (Level 1). Some hedge funds and alternative investments hold money market and publicly traded securities as part of their investment portfolios which are also classified as Level 1.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

3 Investments, Continued

Alternative Investments:

The Museum holds investments in hedge funds and various alternative and private investments. These funds underlying assets include investments in government and corporate debt obligations, corporate common stocks and warrants, closed-end funds, restricted preferred stock, derivative instruments, among other investments. The funds are typically valued utilizing the net asset valuations provided by their underlying investment managers, general partners, or their administrator, based on an estimate of performance and value. Some hedge funds and alternative investments hold money market and publicly traded securities. These investments are classified under the NAV presentation.

Partnership Investment:

The Museum considers fair value to be an amount equal to the pro-rata interest in the net assets of a private partnership. Such values are generally net of management fees and performance or incentive fees or allocations payable to the general partners per the operating agreements. Investments are valued at the net asset value per unit or percentage of ownership. Therefore, this investment is classified as Level 3.

Assets Held in Trust by Others:

The Museum records perpetual trusts at their fair value. Those perpetual trusts where the fair value has not been disclosed to the Museum are recorded at the present value of estimated future cash flows using a discount rate of 3%. The fair value of these perpetual trusts can fluctuate due to changes in the discount rate and the income distributed to the Museum. Perpetual trusts which are valued based on the fair value of the assets of the trust are included in Level 2 of the valuation hierarchy. Those trusts for which the Museum calculates the value based on the income received are included in Level 2 or Level 3 of the valuation hierarchy.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

3 Investments, Continued

The following table presents the financial instruments carried at fair value at June 30, 2021, by the valuation hierarchy:

| | Quoted Market Prices in Active Markets (Level 1) | Models with Significant Observable Market Parameters (Level 2) | Unobservable Inputs that are Not Corroborated by Market Data (Level 3) | Total Carrying Value in the Statement of Financial Position |
|--|---|---|---|--|
| Money Market | \$ 6,906,332 | \$ - | \$ - | \$ 6,906,332 |
| U.S. Government Securities | 3,627,292 | - | - | 3,627,292 |
| Corporate Bonds and Notes | 5,989,936 | - | - | 5,989,936 |
| Corporate Common and Preferred Stocks | 167,527 | - | - | 167,527 |
| Mutual Funds | 16,936,321 | - | - | 16,936,321 |
| Partnership Investment | - | - | <u>1,346,358</u> | <u>1,346,358</u> |
| | <u>33,627,408</u> | - | 1,346,358 | 34,973,766 |
| Assets held in trust by others | - | <u>34,856,627</u> | <u>878,300</u> | <u>35,734,927</u> |
| | <u>\$ 33,627,408</u> | <u>\$ 34,856,627</u> | <u>\$ 2,224,658</u> | 70,708,693 |
| Investments measured at NAV | | | | <u>149,146,134</u> |
| Total Investments | | | | <u>\$ 219,854,827</u> |

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

3 Investments, Continued

The following table presents the financial instruments carried at fair value at June 30, 2020, by the valuation hierarchy:

| | Quoted Market Prices in Active Markets (Level 1) | Models with Significant Observable Market Parameters (Level 2) | Unobservable Inputs that are Not Corroborated by Market Data (Level 3) | Total Carrying Value in the Statement of Financial Position |
|--|---|---|--|---|
| Money Market | \$ 12,743,834 | \$ - | \$ - | \$ 12,743,834 |
| U.S. Government Securities | 3,639,014 | - | - | 3,639,014 |
| Corporate Bonds and Notes | 5,863,004 | - | - | 5,863,004 |
| Corporate Common and Preferred Stocks | 9,708,805 | - | - | 9,708,805 |
| Mutual Funds | 23,255,117 | - | - | 23,255,117 |
| Partnership Investment | - | - | 1,321,285 | 1,321,285 |
| | 55,209,774 | - | 1,321,285 | 56,531,059 |
| Assets held in trust by others | - | 28,084,897 | 707,100 | 28,791,997 |
| | <u>\$ 55,209,774</u> | <u>\$ 28,084,897</u> | <u>\$ 2,028,385</u> | 85,323,056 |
| Investments measured at NAV | | | | 86,773,966 |
| Total Investments | | | | <u>\$ 172,097,022</u> |

Changes in Fair Value of Level 3 Assets:

There were no purchases of Level 3 during the years ended June 30, 2021 and 2020, respectively. There were sales of Level 3 assets totaling \$36,583 and \$35,354 during the years ended June 30, 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

3 Investments, Continued

Investment Returns:

The Museum pools investments and allocates the earnings to separate funds on a unitized basis. All distributions are withdrawn from the general endowment fund.

Investment income at June 30 consists of the following:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|-----------------------|
| Interest and dividends | \$ 383,067 | \$ 874,525 |
| Realized and unrealized gains | <u>47,518,307</u> | <u>3,385,508</u> |
| Total Investment Income Before Investment Expenses | 47,901,374 | 4,260,033 |
| Investment expenses - external | <u>(1,050,412)</u> | <u>(912,376)</u> |
| Total Investment Income After Investment Expenses | 46,850,962 | 3,347,657 |
| Investment income designated for current operations | <u>(6,574,233)</u> | <u>(6,433,008)</u> |
| Investment Income (Loss) After Amounts | | |
| Designated for Current Operations | <u>\$ 40,276,729</u> | <u>\$ (3,085,351)</u> |

Information regarding unobservable inputs for investments classified as Level 3 is not readily available at June 30, 2021.

The following table discloses additional information about investments recorded at NAV or its equivalent, such as a percentage of capital at June 30, 2021:

| <u>Asset Category</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice</u> |
|-----------------------------------|-----------------------|---------------------------------|---------------------------------|------------------------------|
| Long/short hedge funds (a) | \$ 17,403,809 | \$ - | Quarterly to Annually | 45 to 65 Days |
| Multi-strategy hedge funds (b) | 17,702,797 | - | Quarterly to Semi-Annually | 60 to 65 Days |
| Private equity funds (c) | 27,894,655 | 10,154,055 | Monthly | 90 Days |
| International equity (d) | 39,841,660 | - | Daily to 3-Year Rolling | 5 to 90 Days |
| Liquidating funds (e) | 24,223 | - | N/A | N/A |
| Domestic equity (f) | <u>46,278,990</u> | <u>-</u> | Monthly | 30 to 150 Days |
| | <u>\$ 149,146,134</u> | <u>\$ 10,154,055</u> | | |

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

3 Investments, Continued

The following table discloses additional information about investments recorded at NAV or its equivalent, such as a percentage of capital at June 30, 2020:

| <u>Asset Category</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice</u> |
|-----------------------------------|----------------------|---------------------------------|---------------------------------|------------------------------|
| Long/short hedge funds (a) | \$ 10,060,821 | \$ - | Quarterly to Annually | 45 to 65 Days |
| Multi-strategy hedge funds (b) | 15,463,003 | - | Quarterly to Semi-Annually | 60 to 65 Days |
| Private equity funds (c) | 27,365,007 | 957,000 | Monthly | 90 Days |
| International equity (d) | 24,392,893 | - | Weekly to 3-Year Rolling | 5 to 90 Days |
| Domestic equity (f) | 9,485,337 | - | Monthly | 90 Days |
| Liquidating funds (e) | <u>6,905</u> | <u>-</u> | N/A | N/A |
| | <u>\$ 86,773,966</u> | <u>\$ 957,000</u> | | |

- (a) This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stakes, and from a net long position to a net short position. The investments dominate exposure in the U.S. market, but will also take advantage of investment opportunities in Europe, Asia and Emerging Markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of June 30, 2021, approximately 100% of the investments in this category have passed their initial lock up period but have terms that may make full liquidity unavailable at the Museum's report date.
- (b) This category includes multi-strategy absolute return investments focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mis-priced assets/securities across conventional and alternative financial strategies. Management initiates long and short positions targeting solid absolute risk-adjusted returns. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of June 30, 2021, all of the investments in this category have passed their initial lock up period but have terms that may make full liquidity unavailable at the Museum's report date.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

3 Investments, Continued

- (c) This category includes primarily private equity funds that focus on U.S. and International buyout, venture capital and distressed debt. These investments are not redeemable. Instead, the nature of the investments in this category are that distributions are received through the liquidation of the underlying assets in the fund. The term for these investments ranges from five to ten years.
- (d) This category includes investments in funds that focus on long-only international equities. The underlying assets are liquid, and the fund's managers generally provide details of those assets. As of June 30, 2021, Himalaya Capital is a new investment in this category with a lock-up period of two years and annual liquidity at December 31, thus the earliest liquidity date for Himalaya Capital is December 31, 2022. Himalaya represents 11.12% of this asset class. The remaining investments have passed their initial lock up and can be redeemed with no restrictions.
- (e) This category consists of investments that are in the process of liquidating their portfolios. Distributions from the residual balances are received periodically as the underlying assets in the Fund are sold. The remaining term for these investments undetermined. As of June 30, 2021, the fair value of the investments in this category have been estimated using the Net Asset Value provided by the investment manager.
- (f) This category includes investments in funds that focus on long-only domestic equity. The underlying assets are liquid, and the fund's managers generally provide details of those assets. As of June 30, 2021, all of the investments in the category can be redeemed with no restrictions. Durable Capital Offshore Fund is a new investment the Museum entered into on December 23, 2019. Durable has a 3-year lock-up period, thus the earliest liquidity date for Durable is December 31, 2022. Durable represents 17.23% of this asset class.

4 Assets Held in Trust by Others

The Museum is an income beneficiary of several trusts. For those trusts where the Museum is entitled to an income distribution in perpetuity, but never the principal, the value of the asset and the change in value are recorded as perpetual in nature.

The Museum is also the beneficiary of the Guerdon Sterns Holden Fund where it is entitled to receive an income distribution annually until 21 years after the death of the last-named individual. This trust is recorded as with donor restrictions specified by time or purpose net assets, since the principal will eventually be received by the Museum.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

4 Assets Held in Trust by Others, Continued

The detail of the assets held in trust by others at June 30 is as follows:

| | <u>Trustee</u> | <u>2021</u> | <u>2020</u> |
|--|------------------------------|----------------------|-----------------------|
| Value of Perpetual in Nature Donor Restricted: | | | |
| The American Foundation | The American Foundation | \$ 1,937,584 | \$ 1,477,872 |
| Marie Odenkirk Clark Fund | The Cleveland Foundation | 7,843,717 | 6,312,659 |
| Katherine H. Thayer Fund | The Cleveland Foundation | 6,750,077 | 5,432,201 |
| Helen Clark Cole Charitable Trust | The Cleveland Foundation | 878,300 | 707,100 |
| Elisabeth Severance Prentiss Charitable Trust | PNC Institutional Asset Mgmt | 7,254,220 | 5,732,833 |
| The Seely Fund | The Cleveland Foundation | 161,877 | 128,907 |
| Harold George Shrive Fund | KeyBank NA | 410,030 | 340,496 |
| The Thomas Hoyt Jones Family Fund | The Cleveland Foundation | 16,547 | 13,290 |
| William Curtis, Maud and Kathleen Morton Fund | The Cleveland Foundation | 317,060 | 255,165 |
| Sarah Cole Hirsh Fund | The Cleveland Foundation | 3,471,726 | 2,799,906 |
| Smead Endowment Fund | KeyBank NA | <u>2,766,843</u> | <u>2,300,192</u> |
| Total Perpetual in Nature Donor Restricted | | 31,807,981 | 25,500,621 |
| Value of With Time or Purpose Donor Restricted: | | | |
| Guerdon Stearns Holden Fund | KeyBank NA | <u>3,926,946</u> | <u>3,291,376</u> |
| | | <u>\$ 35,734,927</u> | <u>\$ 28,791,997</u> |
| Change in Perpetual in Nature Donor Restricted | | \$ 6,307,360 | \$ (1,642,716) |
| Change in Time or Purpose Donor Restricted | | <u>635,570</u> | <u>467,380</u> |
| Net Change in Assets Held in Trust by Others | | <u>\$ 6,942,930</u> | <u>\$ (1,175,336)</u> |

Distributions from the assets held in trust by others amounted to \$1,366,105 (2021) and \$1,370,979 (2020).

5 Gift Annuity Payable

The Museum received assets from donors under gift annuity trust agreements designating the Museum as the charitable remainder beneficiary of these assets. The terms of the trust agreements require that the Museum's trustee invest the assets and pay an annuity to the annuitant, the donor or a specified beneficiary, for the remainder of the annuitant's life. Upon death of the annuitant, the Museum may use its remainder interest for any purpose consistent with its mission.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

5 Gift Annuity Payable, Continued

The Museum records the fair value of the future annuity payments and considers this liability to be classified as Level 3 (unobservable inputs that are not corroborated by market data) fair value measure as described in Note 1.

The Museum uses an income approach to measure fair value of the gift annuity liability. The unobservable inputs are a life expectancy factor of the annuitants based on mortality tables published by the IRS.

The following table presents a reconciliation of the gift annuity payable at June 30:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | |
|---|--|-----------|
| | 2021 | 2020 |
| Beginning Balance | \$ 60,224 | \$ 63,606 |
| Total realized and unrealized gains included in earnings net of fees and taxes | 10,143 | 10,428 |
| Payments to gift annuity beneficiaries | (13,400) | (13,810) |
| Ending Balance | \$ 56,967 | \$ 60,224 |

6 Line-of-Credit

The Museum had a credit line available through a financial institution that allowed for borrowings up to \$1,500,000. This unsecured line-of-credit bore interest at 1% lower than the bank's Prime rate, 2.25% (2020). In April 2021, this credit line was amended and restated, changing the interest rate to 1.50% plus the daily LIBOR rate, 1.59% (2021). The credit line expires on March 31, 2022. There were no amounts outstanding at June 30, 2021 or 2020.

In November 2020, the Museum entered into a second line-of-credit agreement through a financial institution that allows for borrowings up to \$26,200,000. At the direction of the Board, the proceeds of the line of credit are to be used for certain construction and renovation expenses only. The credit line bears interest at 2.15% plus daily LIBOR, 2.24% (2021). The credit line expires on November 10, 2022. There were no amounts outstanding at June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

7 Debt

Note Payable:

The Museum had a note payable with a financial institution which was set to expire in August 2020. Installment payments of \$6,250,000 were due annually. In August 2020, the note was extended to November 30, 2020, and the Museum paid the note in full at that time.

Paycheck Protection Program:

On April 18, 2020, the Museum was granted a loan from KeyBank National Association in the aggregate amount of \$1,721,400, pursuant to the Paycheck Protection Program (“PPP”). The Museum used the entire loan amount for qualifying expenses and the full amount was forgiven in April 2021. The income (\$1,721,400) from the forgiveness is included in miscellaneous income on the Statement of Activities.

On March 31, 2021, the Museum was granted a second loan from KeyBank National Association in the aggregate amount of \$1,721,400, pursuant to the Paycheck Protection Program (“PPP”) under the CARES Act, which was enacted March 27, 2020. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. The Museum intends to use the entire loan amount for qualifying expense and for the loan to full forgiven. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the Museum maintains its payroll levels and uses the loan proceeds for eligible purposes. Any unforgiven portion of the loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Subsequent to June 30, 2021, the Museum applied for loan forgiveness and is awaiting approval.

Bond Payable:

On March 25, 2021, the Cleveland-Cuyahoga County Port Authority issued \$74,999,190 in Cultural Facility Revenue Bonds (Series 2021). This represents the principal amount of \$63,745,000 plus original issue premium of \$11,254,190. The Museum incurred bond issuance costs totaling \$897,986, which are included as a reduction of the carrying amount of the bond on the Statement of Financial Position. The premium will be amortized over the life of the bonds using the effective interest rate method, and the issuance costs will be amortized using the straight line method beginning July 1, 2021.

These are general obligation bonds with no related covenants. The capitalized interest reserve will cover debt service until January 1, 2023. The Bonds bear interest, payable each January 1 and July 1, beginning July 1, 2021 at rates of 4.00% and 5.00% and mature on July 1 beginning in 2025 with a final maturity date of July 1, 2051. Interest-only payments begin July 1, 2021, and premium payments will begin July 1, 2025. Bonds maturing on or after July 1, 2032 are subject to optional redemption, by and at the option of the Port Authority and at the direction of the Museum, prior to maturity in whole or in part on any date, on or after July 1, 2013, at a redemption price equal to 100% of the principal amount redeemed, plus interest.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

7 Debt, Continued

Bond Payable, Continued:

The Bond proceeds will be used for the sole purpose of payment of a portion of the cost of the Museum’s Transformation projects including the addition of new education and collection spaces, the creation of a new visitor hall and new wing, the renovation of the existing exhibit space and existing building, upgrades to central utilities and other improvements to Museum facilities as well as to pay required reserves and/or capitalized interest and to pay the costs associated with the issuance of the Bonds.

Note and Bond Payables are as follows:

| | <u>Current Portion</u> | <u>Total</u> | |
|---|----------------------------|----------------------|------------------|
| | <u>2021</u> | <u>2021</u> | <u>2020</u> |
| <u>Notes Payable:</u> | | | |
| Bond payable | \$ - | \$ 74,101,204 | \$ - |
| CARES Act Paycheck Protection Program loan. | - | 1,721,400 | 1,721,400 |
| Converted line-of-credit requiring annual installments, as noted above. | <u>-</u> | <u>-</u> | <u>6,250,000</u> |
| | <u>\$ -</u> | <u>75,822,604</u> | <u>7,971,400</u> |
| Less: Current Portion | | <u>-</u> | <u>7,971,400</u> |
| Long-term Portion | | <u>\$ 75,822,604</u> | <u>\$ -</u> |

Maturities of long-term debt (excluding the Paycheck Protection Program loan) are as follows:

| <u>Year Ending</u> | <u>Total Stated Principal Payments</u> | <u>Plus: Unamortized Bond Premium</u> | <u>Less: Unamortized Debt Issuance Costs</u> | <u>Total Principal Payments</u> |
|--------------------|--|---|--|---|
| 2022 | \$ - | \$ - | \$ (29,933) | \$ (29,933) |
| 2023 | - | - | (29,933) | (29,933) |
| 2024 | - | - | (29,933) | (29,933) |
| 2025 | 1,215,000 | 216,416 | (29,933) | 1,401,483 |
| 2026 | 1,275,000 | 268,273 | (29,933) | 1,513,340 |
| Thereafter | <u>61,255,000</u> | <u>10,769,501</u> | <u>(748,321)</u> | <u>71,276,180</u> |
| | <u>\$ 63,745,000</u> | <u>\$ 11,254,190</u> | <u>\$ (897,986)</u> | <u>\$ 74,101,204</u> |

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

8 Retirement Plan

The Museum has a noncontributory defined contribution retirement plan covering substantially all full-time employees funded under individual annuity contracts issued by the Teacher's Insurance and Annuity Association - College Retirement Equities Fund ("TIAA-CREF"). Retirement benefits expense amounted to \$346,410 (2021) and \$368,292 (2020).

9 Net Assets with Donor Restrictions

Net assets with donor restrictions for time and purpose consist of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Capital renovations | \$ 44,725,588 | \$ 31,434,439 |
| Natural area land purchases | 139,175 | 145,174 |
| Other specific purpose | <u>1,633,481</u> | <u>3,012,147</u> |
| | 46,498,244 | 34,591,760 |
| Accumulated earnings on endowments | 40,490,751 | 24,950,579 |
| Guerdon Stearns Holden Fund (time restriction) | <u>3,926,946</u> | <u>3,291,376</u> |
| | <u>\$ 90,915,941</u> | <u>\$ 62,833,715</u> |

Net assets with donor restrictions that are perpetual in nature consist of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|----------------------|----------------------|
| Other specific purpose | \$ 8,926,120 | \$ 7,685,498 |
| General Museum activities | <u>60,353,817</u> | <u>53,736,393</u> |
| | <u>\$ 69,279,937</u> | <u>\$ 61,421,891</u> |

Net assets released from restrictions at June 30 were as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|-----------------------|-----------------------|
| Capital Campaign | \$ (2,480,547) | \$ (1,253,657) |
| Natural area land purchases | (117,079) | (49,150) |
| Other specific purpose | <u>(1,288,923)</u> | <u>(1,310,543)</u> |
| | <u>\$ (3,886,549)</u> | <u>\$ (2,613,350)</u> |

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

10 Endowment Funds

The Museum's endowments consist of numerous funds, established for a variety of purposes, which have been pooled together for investment purposes. The endowments include both donor-restricted and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Trustees of the Museum has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the original gift as the donor-restricted endowment absent explicit donor restrictions to the contrary.

As a result of the interpretation, the Museum classifies as with donor restriction perpetual in nature net assets (a) the original value of the gifts donated to the perpetual in nature endowment, (b) the original value of subsequent gifts to the perpetual in nature endowment, and (c) accumulations to the perpetual in nature endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified with donor restriction perpetual in nature net assets is classified as with donor restrictions specified by time or purpose net assets, until those amounts are appropriated for expenditures by the Museum. In addition, certain funds are restricted by the donor for specified purposes and are classified as with donor restrictions specified by time or purpose net assets, until expended for the specified purpose. These funds are currently considered as part of the endowment due to the long-term nature of the donor specified purpose.

The Museum considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

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

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

10 Endowment Funds, Continued

Funds with Deficiencies:

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Museum has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater funds at June 30, 2021. At June 30, 2020, funds with original gift values of \$7,376,808, fair values of \$7,228,072, and deficiencies of \$148,736 were reported in net assets with donor restrictions. These amounts were fully recovered during 2021 due to favorable market fluctuations.

Endowment net asset composition by type of fund at June 30, 2021:

| | Without Donor Restrictions | With Donor Restrictions | | |
|----------------------|---|---------------------------------------|--------------------------------|-----------------------|
| | | Time or Purpose Restricted | Perpetual in Nature | Total |
| Donor restricted: | | | | |
| In perpetuity | \$ - | \$ - | \$ 37,471,956 | \$ 37,471,956 |
| Accumulated earnings | - | 40,490,751 | - | 40,490,751 |
| Board designated | <u>102,841,549</u> | - | - | <u>102,841,549</u> |
| Total Funds | <u>\$ 102,841,549</u> | <u>\$ 40,490,751</u> | <u>\$ 37,471,956</u> | <u>\$ 180,804,256</u> |

Change in endowment net assets for the year ended June 30, 2021:

| | Without Donor Restrictions | With Donor Restrictions | | |
|-----------------------------|---|---------------------------------------|--------------------------------|-----------------------|
| | | Time or Purpose Restricted | Perpetual in Nature | Total |
| Endowment net assets | | | | |
| - beginning of the year | \$ 79,423,491 | \$ 24,950,579 | \$ 35,921,270 | \$ 140,295,340 |
| Investment Return | 26,545,617 | 18,323,314 | 1,939,946 | 46,808,877 |
| Endowment contributions | 230,895 | - | 43,377 | 274,272 |
| Distributions to operating: | | | | |
| Spending rule | (3,358,454) | (2,783,142) | - | (6,141,596) |
| Interest and dividends | - | - | (432,637) | (432,637) |
| Total distributions | <u>(3,358,454)</u> | <u>(2,783,142)</u> | <u>(432,637)</u> | <u>(6,574,233)</u> |
| Endowment net assets | | | | |
| - end of the year | <u>\$ 102,841,549</u> | <u>\$ 40,490,751</u> | <u>\$ 37,471,956</u> | <u>\$ 180,804,256</u> |

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

10 Endowment Funds, Continued

Endowment net asset composition by type of fund at June 30, 2020:

| | Without Donor Restrictions | <u>With Donor Restrictions</u> | | |
|----------------------|----------------------------------|--------------------------------|------------------------|-----------------------|
| | | Time or Purpose Restricted | Perpetual in Nature | Total |
| Donor restricted: | | | | |
| In perpetuity | \$ - | \$ - | \$ 35,921,270 | \$ 35,921,270 |
| Accumulated earnings | - | 24,950,579 | - | 24,950,579 |
| Board designated | <u>79,423,491</u> | - | - | <u>79,423,491</u> |
| Total Funds | <u>\$ 79,423,491</u> | <u>\$ 24,950,579</u> | <u>\$ 35,921,270</u> | <u>\$ 140,295,340</u> |

Change in endowment net assets for the year ended June 30, 2020:

| | Without Donor Restrictions | <u>With Donor Restrictions</u> | | |
|-----------------------------|----------------------------------|--------------------------------|------------------------|-----------------------|
| | | Time or Purpose Restricted | Perpetual in Nature | Total |
| Endowment net assets | | | | |
| - beginning of the year | \$ 80,943,067 | \$ 26,194,834 | \$ 34,493,322 | \$ 141,631,223 |
| Investment Return | 1,862,468 | 1,233,911 | 106,709 | 3,203,088 |
| Endowment contributions | 358,485 | - | 1,535,552 | 1,894,037 |
| Distributions to operating: | | | | |
| Spending rule | (3,740,529) | (2,478,166) | - | (6,218,695) |
| Interest and dividends | <u>-</u> | <u>-</u> | <u>(214,313)</u> | <u>(214,313)</u> |
| Total distributions | <u>(3,740,529)</u> | <u>(2,478,166)</u> | <u>(214,313)</u> | <u>(6,433,008)</u> |
| Endowment net assets | | | | |
| - end of the year | <u>\$ 79,423,491</u> | <u>\$ 24,950,579</u> | <u>\$ 35,921,270</u> | <u>\$ 140,295,340</u> |

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

11 Capital Campaign

The next phase of the World of Discovery campaign commenced with the Gateway projects in January 2020. These projects consisted of the reimagining of the Murch Auditorium, the Thelma and Kent H. Smith Environmental Courtyard and the creation of a new Current Science space. The Gateway projects were completed in December 2020 on time and on budget.

The Museum hosted a ground breaking ceremony in June 2021 for the next phase of the project. It will open to the public in 2024. Together with the Museum's curatorial and education staff, Gallagher and Associates have reimagined exhibits which will form integrated storylines of planetary and biological processes and make these powerful forces tangible and relevant to contemporary life. Architectural design is led by DLR Group. The Museum will remain open during construction.

The Museum records capital campaign contributions of gifts and pledges that are received or committed and identified as irrevocable as current year contributions subject to restriction appropriation policies. Revocable commitments will be reported when the gift instrument is executed, and sufficient documentation has been received. Certain pledges have been identified as conditional where specific campaign goals must be achieved in order to meet the donor conditions. These pledges will be recorded in the period when the measuring condition has been met.

12 Pandemic

The Museum partnered with University Hospital to develop a re-opening policy around health and safety for guests and staff. The Museum reopened to the public on July 1, 2020. Reduced hours and timed ticketing were implemented to facilitate physical distancing and reduced interactions between guests and staff. During the fiscal year, in addition to admissions resuming, contributions continued to be received, as well as the CARES Act provided short term funding through the Payroll Protection Program.