

CLEVELAND MUSEUM OF NATURAL HISTORY

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cleveland Museum of Natural History
Cleveland, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Cleveland Museum of Natural History (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cleveland Museum of Natural History as of June 30, 2022 and 2021, and 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.

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 the Cleveland Museum of Natural History and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Cleveland Museum of Natural History'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 the Cleveland Museum of Natural History'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 the Cleveland Museum of Natural History'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.



Meaden & Moore. Ltd.
Cleveland, Ohio

December 8, 2022

STATEMENT OF FINANCIAL POSITION

Cleveland Museum of Natural History

June 30

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash, cash equivalents, and restricted cash	\$ 64,338,525	\$ 76,204,368
Pledges receivable, net	5,334,316	322,924
Reimbursable grant receivable, net	251,960	929,105
Accounts receivable, net	200,997	137,633
Prepaid expenses	572,102	1,041,370
Deposits	<u>7,588</u>	<u>13,765</u>
Total Current Assets	70,705,488	78,649,165
LONG-TERM ASSETS:		
Pledges receivable, net	8,228,758	15,407,811
Investments	152,205,083	184,119,900
Building and equipment, net	103,689,849	74,769,978
Assets held in trust by others	<u>31,876,411</u>	<u>35,734,927</u>
Total Long-Term Assets	<u>296,000,101</u>	<u>310,032,616</u>
Total Assets	<u>\$ 366,705,589</u>	<u>\$ 388,681,781</u>

See accompanying notes.

LIABILITIES	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 5,965,675	\$ 3,140,962
Accrued expenses	2,010,549	85,712
Deferred revenue	22,526	57,224
Gift annuity payable	<u>27,806</u>	<u>56,967</u>
Total Current Liabilities	8,026,556	3,340,865
LONG-TERM LIABILITIES:		
CARES Act Paycheck Protection Program loan	-	1,721,400
Bond payable	<u>74,131,138</u>	<u>74,101,204</u>
Total Long-term Liabilities	<u>74,131,138</u>	<u>75,822,604</u>
Total Liabilities	82,157,694	79,163,469
NET ASSETS		
Without Donor Restrictions:		
Operating	49,946,179	46,480,885
Board designated endowment	<u>84,436,005</u>	<u>102,841,549</u>
Total Net Assets Without Donor Restrictions	134,382,184	149,322,434
With Donor Restrictions:		
Time or purpose restrictions	84,898,563	90,915,941
Endowment - perpetual in nature	<u>65,267,148</u>	<u>69,279,937</u>
Total Net Assets With Donor Restrictions	<u>150,165,711</u>	<u>160,195,878</u>
Total Net Assets	<u>284,547,895</u>	<u>309,518,312</u>
Total Liabilities and Net Assets	<u>\$ 366,705,589</u>	<u>\$ 388,681,781</u>

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Cleveland Museum of Natural History

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions	\$ 4,214,643	\$ -	\$ 4,214,643
Investment income designated for current operations	6,884,025	-	6,884,025
Operating revenue	3,042,633	-	3,042,633
Income from assets held in trust by others	1,456,712	-	1,456,712
Net assets released from restrictions - operations	<u>3,750,097</u>	<u>(3,750,097)</u>	<u>-</u>
Total Operating Revenue and Other Support	19,348,110	(3,750,097)	15,598,013
EXPENSES			
Salaries	6,788,525	-	6,788,525
Employee benefits and payroll taxes	1,527,393	-	1,527,393
Professional	2,706,974	-	2,706,974
General	1,737,015	-	1,737,015
Maintenance	349,513	-	349,513
Utilities	534,155	-	534,155
Natural areas land purchases	103,833	-	103,833
Supplies and services	827,037	-	827,037
Catering	69,015	-	69,015
Advertising	143,360	-	143,360
Depreciation expense	<u>2,137,801</u>	<u>-</u>	<u>2,137,801</u>
Total Expenses	<u>16,924,621</u>	<u>-</u>	<u>16,924,621</u>
Change in Net Assets from Operations	2,423,489	(3,750,097)	(1,326,608)
NON-OPERATING ACTIVITIES			
Contributions	-	11,468,136	11,468,136
Miscellaneous income	1,721,400	-	1,721,400
Investment loss net of income designated for current operations	(19,085,140)	(13,889,690)	(32,974,830)
Loss from assets held in trust by others	<u>-</u>	<u>(3,858,516)</u>	<u>(3,858,516)</u>
Net Non-Operating Activities	<u>(17,363,740)</u>	<u>(6,280,070)</u>	<u>(23,643,810)</u>
Change in Net Assets	(14,940,250)	(10,030,167)	(24,970,417)
Net Assets at Beginning of the Year	<u>149,322,434</u>	<u>160,195,878</u>	<u>309,518,312</u>
Net Assets at End of the Year	<u>\$ 134,382,184</u>	<u>\$ 150,165,711</u>	<u>\$ 284,547,895</u>

See accompanying notes.

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	3,886,549	(3,886,549)	-
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	2,087,351	-	2,087,351
Total Expenses	15,687,544	-	15,687,544
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	-	6,942,930	6,942,930
Net Non-Operating Activities	24,854,269	39,826,821	64,681,090
Change in Net Assets	26,365,390	35,940,272	62,305,662
Net Assets at Beginning of the Year	122,957,044	124,255,606	247,212,650
Net Assets at End of the Year	\$ 149,322,434	\$ 160,195,878	\$ 309,518,312

See accompanying notes.

STATEMENT OF FUNCTIONAL EXPENSES

Cleveland Museum of Natural History

Year Ended June 30, 2022

	Collections and Research	Education	Exhibits	Public Services	Fiscal Sponsorship and Societies	Fundraising and Membership	General and Administrative	Total
Salaries and wages	\$ 2,546,991	\$ 1,032,302	\$ 523,678	\$ 237,696	\$ 9,447	\$ 1,754,930	\$ 683,481	\$ 6,788,525
Retirement benefits	125,860	54,384	27,291	11,835	-	89,292	36,941	345,603
Other fringe benefits and payroll taxes	452,216	187,904	95,148	34,183	883	308,926	102,530	1,181,790
Professional services	701,015	178,132	319,177	66,271	10,671	1,099,289	332,417	2,706,974
Travel expense	61,169	18,913	2,773	5,546	-	16,668	20,489	125,559
Protection services	35,740	15,720	28,922	3,405	-	6,879	1,832	92,499
General insurance	151,693	60,933	18,321	14,159	-	115,515	181,430	542,050
Real estate taxes	103,751	-	-	-	-	-	-	103,751
Telephone expense	37,404	43,426	4,613	4,315	-	125,030	37,672	252,459
Postage expense	3,601	1,675	1,149	403	3	22,337	2,758	31,926
Printing	12,936	5,840	1,929	2,463	78	66,045	15,088	104,380
Entertainment	4,305	959	353	469	402	9,407	2,854	18,750
Bank fees	3,345	1,338	402	528	-	53,714	3,983	63,310
Miscellaneous expense	100,200	39,919	25,058	11,099	25,948	117,833	82,275	402,331
Maintenance of equipment	44,341	16,378	24,099	3,612	-	13,050	13,451	114,930
Building repairs	23,763	10,452	19,230	2,264	-	4,574	1,218	61,501
Grounds maintenance	80,555	20,895	38,443	4,526	-	9,143	2,435	155,998
Vehicle maintenance	17,084	-	-	-	-	-	-	17,084
Utilities	213,614	88,779	163,336	19,232	-	38,848	10,347	534,155
Natural areas land purchases	103,833	-	-	-	-	-	-	103,833
Exhibition	6,000	-	135,000	-	-	-	-	141,000
Supplies and services	224,812	43,399	43,465	23,380	16,549	35,573	12,966	400,143
Book purchases	195	1,182	-	-	-	584	-	1,962
Small equipment purchases	121,308	30,184	33,427	6,799	-	41,339	50,874	283,932
Catering	7,206	3,808	895	28,995	1,721	17,841	8,550	69,015
Advertising	26,792	10,762	3,236	10,126	-	60,402	32,043	143,360
Depreciation	826,003	363,323	668,442	78,706	-	158,982	42,345	2,137,801
Totals	<u>\$ 6,035,731</u>	<u>\$ 2,230,607</u>	<u>\$ 2,178,387</u>	<u>\$ 570,012</u>	<u>\$ 65,702</u>	<u>\$ 4,166,200</u>	<u>\$ 1,677,980</u>	<u>\$ 16,924,621</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
Small 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 CASH FLOWS
Cleveland Museum of Natural History
Years Ended June 30

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (24,970,417)	\$ 62,305,662
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	2,137,801	2,087,351
Allowance for pledge receivables	461,519	-
Paycheck Protection Program loan forgiveness	(1,721,400)	(1,721,400)
Donor restricted perpetual in nature contributions	(460,881)	(43,377)
(Gain) loss in assets held in trust by others	3,858,516	(6,942,930)
Loss on disposal of property	135,565	-
Realized and unrealized (gains) losses on investments	26,534,258	(46,467,895)
Reinvested interest and dividends	(477,651)	(383,067)
Donated securities	(374,872)	(414,393)
Amortization of bond premium	29,934	-
Increase (Decrease) in Cash from Changes in:		
Pledges, grants, and accounts receivable	2,319,923	(5,516,588)
Prepaid expenses	469,268	198,397
Deposits	6,177	13,814
Accounts payable	(2,848,408)	(555,099)
Accrued expenses	152,468	(381,984)
Deferred income	(34,698)	22,538
Gift annuity payable	(17,499)	10,143
Total Adjustments	30,170,020	(60,094,490)
Net Cash Provided by Operating Activities	5,199,603	2,211,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(23,747,747)	(14,220,712)
Proceeds on sale of investments	24,508,727	34,930,604
Purchase of investments	(18,275,645)	(28,480,124)
Net Cash Used in Investing Activities	(17,514,665)	(7,770,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
CARES Act Paycheck Protection Program loan	-	1,721,400
Cultural Facility Revenue Bonds	-	74,101,204
Repayment of note payable	-	(6,250,000)
Payments to gift annuity beneficiaries	(11,662)	(13,400)
Donor restricted perpetual in nature donations	460,881	43,377
Net Cash Provided by Financing Activities	449,219	69,602,581
Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(11,865,843)	64,043,521
Cash, Cash Equivalents, and Restricted Cash - Beginning of the Year	76,204,368	12,160,847
Cash, Cash Equivalents, and Restricted Cash - End of the Year	\$ 64,338,525	\$ 76,204,368
Supplemental Disclosures of Cash Flow Information:		
Interest paid	\$ -	\$ 96,379
Capital expenditures included in accounts payable	\$ 5,673,121	\$ 2,027,537
Capital expenditures included in accrued expenses	\$ 1,772,369	\$ -
Paycheck Protection Program loan forgiveness	\$ 1,721,400	\$ 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.

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.

Cash, Cash Equivalents, and Restricted Cash:

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, some of which are classified as investments. Cash restricted or designated for capital campaign expenditures or from bond proceeds are included as cash and cash equivalents which provide spending availability but are managed in separate bank accounts. At times during the year, the Museum maintained funds on deposit at its banks in excess of FDIC Insurance limits.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reporting with the statements of financial position:

	<u>2022</u>	<u>2021</u>
Operating funds	\$ 8,635,617	\$ 8,699,419
Bond proceeds	35,072,234	58,003,528
Restricted for capitalized interest	1,373,610	3,476,223
Restricted for Capital Campaign	<u>19,257,064</u>	<u>6,025,198</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 64,338,525</u>	<u>\$ 76,204,368</u>

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

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 \$13 million (2022) and \$15 million (2021) of the pledges relate to the capital campaign. The discount rate ranged from 2.8% to 3.4% (2022) and .25% to 1.73% (2021).

The Museum determined the allowance for uncollectible pledges to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges are written off when deemed uncollectible.

Outstanding pledges at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
In less than one year	\$ 5,334,316	\$ 322,924
In one to five years	<u>9,029,743</u>	<u>15,919,281</u>
	14,364,059	16,242,205
Less: Allowance	(461,519)	-
Less: Net present value discount	<u>(339,466)</u>	<u>(511,470)</u>
Total Pledges Receivable, Net	<u>\$ 13,563,074</u>	<u>\$ 15,730,735</u>

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 \$25,000 are expensed as incurred.

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 64,425,658	\$ 64,425,658
Equipment and vehicles	6,111,333	6,299,025
Furniture and fixtures	5,257,187	5,390,595
Construction in progress	<u>58,371,430</u>	<u>27,178,193</u>
	134,165,608	103,293,471
Less accumulated depreciation	<u>(30,475,759)</u>	<u>(28,523,493)</u>
Buildings and Equipment, Net	<u>\$ 103,689,849</u>	<u>\$ 74,769,978</u>
Depreciation Expense	<u>\$ 2,137,801</u>	<u>\$ 2,087,351</u>

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

Building and Equipment, Continued:

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

Class	Years
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 changes in net assets and are carried at no value in the statement of financial position. Expenditures for land purchases totaled \$103,833 (2022) and \$117,079 (2021). 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.

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.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

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.

Investments, Fair Value Measurements:

Fair Value Measurements applies to all financial instruments that are measured and reported on a fair value basis. 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.

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.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

Investments, Fair Value Measurements, Continued:

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 as 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 and changes in net assets.

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.

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.

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.

Donated Services:

The Museum received donated services which do not meet the criteria for recognition in the financial statements. 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 and changes in net assets.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

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 the general and board designated operating funds include activities directly related to Museum operations. 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.

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.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

1 Summary of Significant Accounting Policies, Continued

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 December 8, 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>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 64,338,525	\$ 76,204,368
Investments	152,205,083	184,119,900
Pledges receivable, net	13,563,074	15,730,735
Reimbursable grant receivable	251,960	929,105
Accounts receivable, net	200,997	137,633
Assets held in trust by others	<u>31,876,411</u>	<u>35,734,927</u>
 Total financial assets	 262,436,050	 312,856,668
 Less Financial assets not available to be used within one year		
Bond proceeds restricted for Capital Campaign	35,072,234	58,003,528
Capitalized bond interest	1,373,610	3,476,223
Donor restricted for time or purpose	84,898,563	90,915,941
Donor restricted for endowment	<u>65,267,148</u>	<u>69,279,937</u>
 Financial assets not available to be used within one year	 <u>186,611,555</u>	 <u>221,675,629</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 75,824,495</u>	 <u>\$ 91,181,039</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>2022</u>	<u>2021</u>
Money Market	\$ 11,893,897	\$ 6,906,332
U.S. Government Securities	3,509,869	3,627,292
Corporate Bonds and Notes	5,626,341	5,989,936
Corporate Common and Preferred Stocks:		
Large Cap	203,223	167,527
Mutual Funds:		
Large Cap	9,259,377	16,714,132
Fixed income	<u>92,831</u>	<u>222,189</u>
Total Non-Alternative Investments	<u>30,585,538</u>	33,627,408
Alternative Investments:		
Absolute Return	17,276,971	17,704,220
Hedge Equity	16,261,002	17,403,809
Domestic Equity	34,929,428	46,278,991
International Equity	25,925,428	39,841,659
Private Equity	<u>25,880,358</u>	<u>27,917,455</u>
Total Alternative Investments	<u>120,273,187</u>	<u>149,146,134</u>
Partnership Investment	<u>1,346,358</u>	<u>1,346,358</u>
Total Investments	<u>152,205,083</u>	184,119,900
Assets held in trust by others	<u>31,876,411</u>	<u>35,734,928</u>
	<u>\$ 184,081,494</u>	<u>\$ 219,854,828</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. The 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, 2022, 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	\$ 11,893,897	\$ -	\$ -	\$ 11,893,897
U.S. Government Securities	3,509,869	-	-	3,509,869
Corporate Bonds and Notes	5,626,341	-	-	5,626,341
Corporate Common and Preferred Stocks	203,223	-	-	203,223
Mutual Funds	9,352,208	-	-	9,352,208
Partnership Investment	-	-	1,346,358	1,346,358
	<u>30,585,538</u>	-	1,346,358	31,931,896
Assets held in trust by others	-	31,173,711	702,700	31,876,411
	<u>\$ 30,585,538</u>	<u>\$ 31,173,711</u>	<u>\$ 2,049,058</u>	63,808,307
Investments measured at NAV				<u>120,273,187</u>
Total Investments				<u>\$184,081,494</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, 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	-	-	1,346,358	1,346,358
	<u>33,627,408</u>	<u>-</u>	<u>1,346,358</u>	<u>34,973,766</u>
Assets held in trust by others	-	34,856,627	878,300	35,734,927
	<u>\$ 33,627,408</u>	<u>\$ 34,856,627</u>	<u>\$ 2,224,658</u>	<u>70,708,693</u>
Investments measured at NAV				<u>149,146,134</u>
Total Investments				<u>\$ 219,854,827</u>

Changes in Fair Value of Level 3 Assets:

There were no purchases of Level 3 during the years ended June 30, 2022 and 2021, respectively. There were sales of Level 3 assets totaling \$43,377 (2022) and \$36,583 (2021).

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>2022</u>	<u>2021</u>
Interest and dividends	\$ 477,651	\$ 383,067
Realized and unrealized gains (losses)	<u>(25,401,484)</u>	<u>47,518,307</u>
Total Investment Income (Loss) Before Investment Expenses	(24,923,833)	47,901,374
Investment expenses - external	<u>(1,166,972)</u>	<u>(1,050,412)</u>
Total Investment Income (Loss) After Investment Expenses	(26,090,805)	46,850,962
Investment income designated for current operations	<u>(6,884,025)</u>	<u>(6,574,233)</u>
Investment Income (Loss) After Amounts Designated For Current Operations	<u>\$ (32,974,830)</u>	<u>\$ 40,276,729</u>

Information regarding unobservable inputs for investments classified as Level 3 is not readily available at June 30, 2022.

The following table discloses additional information about investments recorded at NAV or its equivalent, such as a percentage of capital at June 30, 2022:

<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)	\$ 16,261,002	\$ -	Quarterly to Annually	45-65 Days
Multi-strategy hedge funds (b)	17,275,548	-	Quarterly to Semi- Annually	60 - 65 Days
Private equity funds (c)	25,033,094	6,087,961	Monthly	90 Days
International equity (d)	25,925,428	-	Daily to 3 year rolling	5 to 90 Days
Domestic equity (f)	34,929,428	-	Monthly	30 to 150 Days
Liquidating funds (e)	<u>848,687</u>	<u>-</u>	N/A	N/A
	<u>\$ 120,273,187</u>	<u>\$ 6,087,961</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, 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	45-65 Days
Multi-strategy hedge funds (b)	17,702,797	-	Quarterly to Semi- Annually	60 - 65 Days
Private equity funds (c)	27,894,655	10,154,055	Monthly	90 Days
International equity (d)	39,841,660	-	Weekly to 3 year rolling	5 to 90 Days
Domestic equity (f)	46,278,990	-	Monthly	90 Days
Liquidating funds (e)	<u>24,223</u>	<u>-</u>	N/A	N/A
	<u>\$ 149,146,134</u>	<u>\$ 10,154,055</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, 2022, 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, 2022, 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, 2022, the 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, 2022, 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, 2022, all of the investments in the category can be redeemed with no restrictions.

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>2022</u>	<u>2021</u>
Value of Perpetual in Nature Donor Restricted:			
The American Foundation	The American Foundation	\$ 1,832,028	\$ 1,937,584
Marie Odenkirk Clark Fund	The Cleveland Foundation	7,220,191	7,843,717
Katherine H. Thayer Fund	The Cleveland Foundation	6,213,638	6,750,077
Helen Clark Cole Charitable Trust	The Cleveland Foundation	702,700	878,300
Elisabeth Severance Prentiss Charitable Trust	PNC Institutional Asset Mgmt	6,433,966	7,254,220
The Seely Fund	The Cleveland Foundation	134,332	161,877
Harold George Shrive Fund	KeyBank NA	328,660	410,030
The Thomas Hoyt Jones Family Fund	The Cleveland Foundation	13,650	16,547
William Curtis, Maud and Kathleen Morton Fund	The Cleveland Foundation	291,861	317,060
Sarah Cole Hirsh Fund	The Cleveland Foundation	3,212,622	3,471,726
Smead Endowment Fund	KeyBank NA	2,231,285	2,766,843
Total Perpetual in Nature Donor Restricted:		<u>28,614,933</u>	31,807,981
Value of With Time or Purpose Donor Restricted:			
Guerdon Stearns Holden Fund	KeyBank NA	<u>3,261,478</u>	<u>3,926,946</u>
		<u>\$ 31,876,411</u>	<u>\$ 35,734,927</u>
Change in Perpetual in Nature Donor Restricted		\$ (3,193,048)	\$ 6,307,360
Change in Time or Purpose Donor Restricted		<u>(665,468)</u>	<u>635,570</u>
Net Change in Assets Held in Trust by Others		<u>\$ (3,858,516)</u>	<u>\$ 6,942,930</u>

Distributions from the assets held in trust by others amounted to \$1,456,712 (2022) and \$1,366,105 (2021).

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

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.

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)	
	<u>2022</u>	<u>2021</u>
Beginning Balance	\$ 56,967	\$ 60,224
Total realized and unrealized gains (losses) included in earnings net of fees and taxes	(17,499)	10,143
Payments to gift annuity beneficiaries	<u>(11,662)</u>	<u>(13,400)</u>
Ending Balance	<u>\$ 27,806</u>	<u>\$ 56,967</u>

6 Line-of-Credit

The Museum has a credit line available through a financial institution that allowed for borrowings up to \$1,500,000 subject to certain loan covenants. This unsecured line-of-credit bore interest at an annual rate equal to the daily LIBOR plus 1.5% which was 2.50% (2022) and 1.59% (2021). The credit line expires on May 31, 2023. There were no amounts outstanding at June 30, 2022 or 2021.

NOTES TO FINANCIAL STATEMENTS

Cleveland Museum of Natural History

7 Debt

Paycheck Protection Program:

The Museum was granted two loans from KeyBank National Association each in the amount of \$1,721,400, pursuant to the Paycheck Protection Program (“PPP”) as PPP1 and PPP2. The Museum used the entire loan amounts for qualifying expenses and the full amount of both loans were forgiven. The income from the forgiveness is included in miscellaneous income on the statement of activities and changes in net assets for \$1,721,400 (2022) and \$1,721,400 (2021).

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.

Notes and Bond Payables are as follows:

	<u>Current Portion</u>	<u>Total</u>	
	<u>2022</u>	<u>2022</u>	<u>2021</u>
Notes Payable:			
Bond payable	\$ -	\$ 74,131,138	\$ 74,101,204
CARES Act Paycheck Protection Program loan	<u>-</u>	<u>-</u>	<u>1,721,400</u>
	<u>\$ -</u>	<u>74,131,138</u>	<u>75,822,604</u>
Less: Current Portion		<u>-</u>	<u>-</u>
Long-term Portion		<u>\$ 74,131,138</u>	<u>\$ 75,822,604</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>
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
2027	1,340,000	316,508	(29,933)	1,626,575
Thereafter	<u>59,915,000</u>	<u>10,452,993</u>	<u>(718,387)</u>	<u>69,649,606</u>
	<u>\$ 63,745,000</u>	<u>\$ 11,254,190</u>	<u>\$ (868,052)</u>	<u>\$ 74,131,138</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 \$345,603 (2022) and \$346,434 (2021).

9 Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Capital renovations	\$ 51,352,680	\$ 44,725,588
Natural area land purchases	139,227	139,175
Other specific purpose	<u>2,202,485</u>	<u>1,633,481</u>
	53,694,392	46,498,244
Accumulated earnings on endowments	27,942,693	40,490,751
Guerdon Stearns Holden Fund (time restriction)	<u>3,261,478</u>	<u>3,926,946</u>
	<u>\$ 84,898,563</u>	<u>\$ 90,915,941</u>

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

	<u>2022</u>	<u>2021</u>
Other specific purpose	\$ 8,200,172	\$ 8,926,120
General Museum activities	<u>57,066,976</u>	<u>60,353,817</u>
	<u>\$ 65,267,148</u>	<u>\$ 69,279,937</u>

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

	<u>2022</u>	<u>2021</u>
Capital Campaign	\$ (3,034,911)	\$ (2,480,547)
Natural area land purchases	(103,832)	(117,079)
Other specific purpose	<u>(611,354)</u>	<u>(1,288,923)</u>
	<u>\$ (3,750,097)</u>	<u>\$ (3,886,549)</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. At June 30, 2022, a fund with original gift value of \$100,000 and a deficiency of \$4,148 was reported in net assets with donor restrictions. There were no underwater funds at June 30, 2021.

Endowment net asset composition by type of fund at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		
		Time or Purpose Restricted	Perpetual in Nature	Total
Donor restricted:				
In perpetuity	\$ -	\$ -	\$ 36,652,215	\$ 36,652,215
Accumulated earnings	-	27,940,694	-	27,940,694
Board designated	<u>84,436,005</u>	-	-	<u>84,436,005</u>
Total Funds	<u>\$ 84,436,005</u>	<u>\$ 27,940,694</u>	<u>\$ 36,652,215</u>	<u>\$ 149,028,914</u>

Change in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		
		Time or Purpose Restricted	Perpetual in Nature	Total
Endowment net assets				
- beginning of the year	\$ 102,841,549	\$ 40,490,751	\$ 37,471,956	\$ 180,804,256
Investment Loss	(15,380,217)	(9,858,954)	(803,263)	(26,042,434)
Endowment contributions	690,236	-	460,881	1,151,117
Distributions to operating:				
Spending rule	(3,715,563)	(2,691,103)	-	(6,406,666)
Interest and dividends	-	-	(477,359)	(477,359)
Total distributions	<u>(3,715,563)</u>	<u>(2,691,103)</u>	<u>(477,359)</u>	<u>(6,884,025)</u>
Endowment net assets				
- end of the year	<u>\$ 84,436,005</u>	<u>\$ 27,940,694</u>	<u>\$ 36,652,215</u>	<u>\$ 149,028,914</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, 2021:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		
		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	<u>With Donor Restrictions</u>		
		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	<u>-</u>	<u>-</u>	<u>(432,637)</u>	<u>(432,637)</u>
Total distributions	(3,358,454)	(2,783,142)	(432,637)	(6,574,233)
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

11 Capital Campaign

The Museum broke ground in June 2021 on a \$150 million transformation project which features an expansion, a complete reimagining of its campus, exhibits and the addition of new public spaces. The Gateway projects, consisting of the renovation of Murch Auditorium, the Thelma and Kent H. Smith Environmental Courtyard and creation of the new Current Science space were completed in December 2020 on time and on budget.