

The Great Lakes Museum of Science, Environment and Technology

**Financial Statements
September 30, 2021**

Independent Auditor's Report

To the Board of Directors
The Great Lakes Museum of Science, Environment and Technology

Report on the Financial Statements

We have audited the accompanying financial statements of The Great Lakes Museum of Science, Environment and Technology (the "Science Center," a nonprofit corporation), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

To the Board of Directors
The Great Lakes Museum of Science, Environment and Technology

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Science Center as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Science Center's 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements, in our report dated November 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, on our consideration of the Science Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Science Center's internal control over financial reporting and compliance.

Ciuni + Panichi, Inc.

Cleveland, Ohio
December 9, 2021

The Great Lakes Museum of Science, Environment and Technology

Statement of Financial Position

September 30, 2021 (with comparative totals for 2020)

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,334,362	\$ 373,720
Restricted cash	807,539	-
Accounts receivable	370,728	31,513
Grants receivable	25,026	-
Pledges receivable, net	202,892	226,818
Prepaid expenses and other assets	215,488	143,546
Marketable securities	6,123,889	5,620,187
Cash and cash equivalents restricted for purchase of property and equipment	1,382,190	420,258
Property and equipment, net	<u>25,327,779</u>	<u>27,057,724</u>
Total assets	<u>\$ 35,789,893</u>	<u>\$ 33,873,766</u>
	<u>Liabilities and Equity</u>	
Liabilities:		
Accounts payable	\$ 434,411	\$ 525,439
Accrued expenses and other liabilities	106,011	191,103
Deferred revenue/refundable advance	1,229,179	1,094,981
Line of credit	-	250,000
Loans payable	486,027	450,643
Pension withdrawal liability	513,811	513,811
Total liabilities	<u>2,769,439</u>	<u>3,025,977</u>
Net assets:		
Without donor restrictions:		
Undesignated	24,280,646	23,541,915
Board-designated	358,530	327,488
Total net assets without donor restrictions	<u>24,639,176</u>	<u>23,869,403</u>
With donor restrictions	8,381,278	6,978,386
Total net assets	<u>33,020,454</u>	<u>30,847,789</u>
Total liabilities and net assets	<u>\$ 35,789,893</u>	<u>\$ 33,873,766</u>

The accompanying notes are an integral part of these financial statements

The Great Lakes Museum of Science, Environment and Technology

Statement of Activities

For the year ended September 30, 2021 (with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Operating revenues:				
Admissions	\$ 1,116,825	\$ -	\$ 1,116,825	\$ 713,466
Memberships	325,560	-	325,560	354,699
Educational programs	495,530	-	495,530	407,073
Facility rentals	193,561	-	193,561	185,154
NFL contract revenue, net	430,929	-	430,929	-
Contract income	618,006	-	618,006	511,918
Other	174,522	-	174,522	51,788
Total operating revenues	3,354,933	-	3,354,933	2,224,098
Investment return designated for operations	362,433	-	362,433	600,770
Contribution revenues:				
Individual contributions	193,504	-	193,504	217,940
Corporate and foundation contributions	878,128	222,404	1,100,532	1,184,930
Federal grants	2,338,168	-	2,338,168	-
Public funding	364,414	10,000	374,414	306,934
Fundraising events	24,482	10,000	34,482	188,830
Net assets released from program and time restrictions	296,435	(296,435)	-	-
Total contribution revenues	4,095,131	(54,031)	4,041,100	1,898,634
Total revenues	7,812,497	(54,031)	7,758,466	4,723,502
Operating expenses:				
Program	3,661,997	-	3,661,997	4,086,272
General and administrative	599,539	-	599,539	980,724
Fundraising	705,083	-	705,083	765,265
Operating expenses before depreciation	4,966,619	-	4,966,619	5,832,261
Change in net assets from operating activities before depreciation	2,845,878	(54,031)	2,791,847	(1,108,759)
Depreciation	(2,049,355)	-	(2,049,355)	(2,027,127)
Change in net assets from operating activities	796,523	(54,031)	742,492	(3,135,886)
Non-operating activities:				
Investment return, net	50,367	813,975	864,342	454,373
Investment return designated for operations	(21,118)	(341,315)	(362,433)	(600,770)
Contributions received for capital purchases	-	1,115,000	1,115,000	130,737
Net assets released from restriction for capital project	130,737	(130,737)	-	-
Change in net assets from non-operating activities	159,986	1,456,923	1,616,909	(15,660)
Change in net assets	956,509	1,402,892	2,359,401	(3,151,546)
Net assets – beginning of year	23,869,403	6,978,386	30,847,789	33,999,335
Cumulative effect of change in accounting principle (Note 1)	(186,736)	-	(186,736)	-
Net assets – end of year	\$ 24,639,176	\$ 8,381,278	\$ 33,020,454	\$ 30,847,789

The accompanying notes are an integral part of these financial statements

The Great Lakes Museum of Science, Environment and Technology

Statement of Functional Expenses

For the year ended September 30, 2021 (with comparative totals for 2020)

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries and wages	\$ 1,471,878	\$ 296,707	\$ 394,060	\$ 2,162,645	\$ 2,635,212
Employee benefits	241,971	16,269	43,241	301,481	497,771
Payroll taxes	117,872	20,440	29,266	167,578	205,472
Professional fees	202,438	103,868	24,904	331,210	471,599
Advertising and promotion	284,727	15,500	11,224	311,451	308,206
Office expenses	9,429	1,440	581	11,450	24,321
Information technology	50,294	19,061	27,298	96,653	76,539
Theater and exhibits	93,998	-	-	93,998	95,698
Travel	1,243	-	-	1,243	5,357
Conferences	1,390	617	1,053	3,060	4,729
Interest	-	22,400	-	22,400	62,393
Insurance	121,317	10,784	2,696	134,797	128,498
Utilities	449,632	39,967	9,992	499,591	486,679
Repair and maintenance	301,535	-	-	301,535	239,160
Bank fees	43,557	13,757	4,725	62,039	56,042
Supplies	270,716	38,729	156,043	465,488	534,585
Total before depreciation	<u>3,661,997</u>	<u>599,539</u>	<u>705,083</u>	<u>4,966,619</u>	<u>5,832,261</u>
Depreciation	<u>1,844,420</u>	<u>163,948</u>	<u>40,987</u>	<u>2,049,355</u>	<u>2,027,127</u>
 Total expenses	 <u>\$ 5,506,417</u>	 <u>\$ 763,487</u>	 <u>\$ 746,070</u>	 <u>\$ 7,015,974</u>	 <u>\$ 7,859,388</u>
 Comparative totals for the year ended September 30, 2020	 <u>\$ 5,910,686</u>	 <u>\$ 1,142,894</u>	 <u>\$ 805,808</u>		 <u>\$ 7,859,388</u>

The accompanying notes are an integral part of these financial statements

The Great Lakes Museum of Science, Environment and Technology

Statement of Cash Flows

For the year ended September 30, 2021 (with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,359,401	\$ (3,151,546)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,049,355	2,027,127
Net realized and unrealized gain on investments	(710,976)	(289,555)
Change in discount on pledges and grants receivable	-	(2,830)
Contributions restricted for capital purchases	(1,115,000)	-
Write-off of uncollectible pledges receivable	13,118	-
Changes in operating assets and liabilities:		
Accounts receivable	(339,215)	72,842
Grants receivable	(25,026)	-
Pledges receivable	100,808	264,829
Prepaid expenses and other assets	(71,942)	(5,598)
Accounts payable	(91,028)	56,963
Accrued expenses and other liabilities	(85,092)	103,011
Deferred revenue/refundable advance	(52,538)	605,923
Net cash provided (used) by operating activities	<u>2,031,865</u>	<u>(318,834)</u>
Cash flows from investing activities:		
Purchases of marketable securities	(1,295,559)	(5,191,544)
Sales of marketable securities	1,502,833	7,927,496
Purchases of property and equipment	(302,365)	(151,772)
Proceeds from sale of property and equipment	-	84,932
Net cash (used) provided by investing activities	<u>(95,091)</u>	<u>2,669,112</u>
Cash flows from financing activities:		
Collections of contributions restricted for capital purchases	1,025,000	-
Proceeds from issuance of loan payable	18,339	-
Principal payments on loans payable	-	(156,368)
Net repayments on lines of credit	(250,000)	(2,050,000)
Net cash provided (used) by financing activities	<u>793,339</u>	<u>(2,206,368)</u>
Net increase in cash and cash equivalents	2,730,113	143,910
Cash and cash equivalents, beginning of year	<u>793,978</u>	<u>650,068</u>
Cash and cash equivalents, end of year	<u>\$ 3,524,091</u>	<u>\$ 793,978</u>

The accompanying notes are an integral part of these financial statements

The Great Lakes Museum of Science, Environment and Technology

Statement of Cash Flows (continued)

For the year ended September 30, 2021 (with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest during the year	\$ 22,400	\$ 62,393
Non-cash investing and financing activities:		
Property and equipment obtained through debt	17,045	-
Property and equipment acquired by incurrence of deferred revenue	-	48,941
Reconciliation to cash and cash equivalents on		
Statement of Financial Position		
Cash and cash equivalents	\$ 1,334,362	\$ 373,720
Restricted cash	807,539	-
Cash and cash equivalents restricted for purchase of property and equipment	<u>1,382,190</u>	<u>420,258</u>
	<u>\$ 3,524,091</u>	<u>\$ 793,978</u>

The accompanying notes are an integral part of these financial statements

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies

Nature of Activities

The Great Lakes Museum of Science, Environment and Technology (the “Science Center”), was formed on July 22, 1988. The Science Center was organized exclusively for charitable, educational, and scientific purposes. The primary purpose of the Science Center is to be a science, environment, and technology center, with a particular emphasis on the Great Lakes region and a commitment to informational science education for families and visitors to the region. The Science Center opened in July 1996. The Science Center’s attached parking garage opened in November 1998.

COVID-19 Impact

The Science Center was open to the public, with health and safety measures in place and some reduced hours, throughout the fiscal year ending September 30, 2021. Through collaboration with funders and community partners, the Science Center was able to fulfill grants through refined timelines or adapted approaches that included virtual, hybrid, and in-person programming to ensure mission fulfillment. Similarly, collaboration with private rental clients and partners, along with efficiencies in expenses, allowed earned revenue activities to continue with modified programming. These new approaches learned in both contributed and earned revenue during the height of the pandemic continue to positively impact the Science Center’s innovative approach to fulfilling its strategic business plan.

The Science Center received \$688,700 in Paycheck Protection Program (PPP) funding on April 17, 2020. The terms of the funding agreement indicate that the Science Center must utilize the proceeds to fund/offset qualifying expenses over either an 8 or 24-week period and that they maintain their full-time equivalent employment as specified in the terms of the agreement. The terms of the agreement specify that the Science Center must repay any unforgiven principal of the loan plus interest, which accrues at 1% annually. The loan and interest may be forgiven if the Science Center meets the conditions for such forgiveness outlined in the PPP. The Science Center received forgiveness for the full amount of the loan in fiscal 2021. As the Science Center met the conditions for forgiveness in fiscal 2021, the funding has been included as revenue in “Federal grants” without donor restrictions in the accompanying statement of activities for the year ended September 30, 2021.

The Science Center received \$688,077 in additional PPP funding on February 1, 2021. The terms of the funding agreement indicate that the Science Center must utilize the proceeds to fund/offset qualifying expenses over either an 8 to 24-week period and that they maintain their full-time equivalent employment as specified in the terms of the agreement. The terms of the agreement specify that the Science Center must repay any unforgiven principal of the loan plus interest, which accrues at 1% annually. The loan and interest may be forgiven if the Science Center meets the conditions for such forgiveness outlined in the PPP. The Science Center received forgiveness for the full amount of the loan in fiscal 2021. As the Science Center met the conditions for forgiveness in fiscal 2021, the funding has been included as revenue in “Federal grants” without donor restrictions in the accompanying statement of activities for the year ended September 30, 2021.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies (continued)

COVID-19 Impact (continued)

The Science Center also applied and received approval for the Employee Retention Credit in fiscal year 2021. The revenue has been included as revenue in “Federal grants” without donor restrictions in the accompanying statement of activities for the year ended September 30, 2021.

The Science Center received \$1,316,742 in Shuttered Venues Operators Grant (SVOG) funding on July 13, 2021 from the U.S. Small Business Administration. The terms of the funding agreement indicate that the Science Center must utilize the proceeds to fund/offset qualifying expenses from July 13, 2021 through December 31, 2021. As such, the Science Center classified this grant as a conditional promise to give. For the year ended September 30, 2021, conditions were met on \$671,554 of the funding, and thus this revenue was recognized. The revenue has been included in “Federal grants” without donor restrictions in the accompanying statement of activities for the year ended September 30, 2021. The remaining \$645,188 is included in “Deferred revenue/refundable advance” in the accompanying statement of financial position at September 30, 2021. The Science Center will recognize revenue for the \$645,188 at such time as the donor specified conditions have been met.

Government funding received related to COVID-19, presented as “Federal grants” without donor restrictions on the statement of activities for the year ended September 30, 2021, is as follows:

Paycheck Protection Program - #1	\$ 688,700
Paycheck Protection Program - #2	688,077
Shuttered Venues Operators grant	671,554
Employee Retention Credit	<u>289,837</u>
Federal grants	\$ <u>2,338,168</u>

Basis of Presentation

The Science Center follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC), which is the single source of authoritative accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Science Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations, and are therefore available for use at the discretion of the Board of Directors and/or management for general operating purposes.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net Assets Without Donor Restrictions (Undesignated) – Consists of net assets that are not subject to donor-imposed restrictions nor have been designated for a specific purpose by the Science Center’s Board of Directors. The purpose of these net assets is to provide support for the daily operations and the mission of the Science Center.

Net Assets Without Donor Restrictions (Board-Designated) – Consists of net assets that can be used only for the specific purposes determined by a formal action of the Science Center’s Board of Directors, which is the Science Center’s highest level of decision-making authority. Commitments may be changed or lifted only by the Science Center’s Board of Directors taking the same formal action that imposed the constraint originally. The purpose of Board-designated net assets is to provide funding to ensure the continuous operation of the Science Center.

Net Assets With Donor Restrictions – Net assets whose use has been limited by donor-imposed time and/or purpose restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Some net assets with donor restrictions include a donor stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Science Center to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy (Note 8).

Non-operating activities reflect transactions of a long-term investment nature and certain non-operating gains/losses. These include contributions to be invested by the Science Center to generate a return that will support future operations, contributions to be used for facilities and equipment, capital campaign contributions and related expenses, investment earnings (including interest and dividends and realized and unrealized investment gains or losses, net of investment fees), gains/losses related to pension withdrawal liability, and losses from uncollectible restricted pledges and grants receivable.

Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities*, which further delayed the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2019. On October 1, 2020, the Science Center adopted ASU 2014-09, and all related amendments using the modified retrospective approach.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncements (continued)

The adoption of ASU 2014-09 resulted in a decrease to beginning net assets of \$186,736 as of October 1, 2020. The adjustment relates to membership revenue that should be deferred as a result of adopting ASU 2014-09. Prior to adoption, membership revenue was recognized at a point in time, upon receipt of membership payment. After adoption, membership revenue is recognized over time.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of this ASU is to improve the effectiveness of disclosures in the notes to the financial statements. This ASU is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. On October 1, 2020, the Science Center adopted this ASU. There was no impact on beginning net assets as a result of this implementation.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated to the appropriate programs and supporting services. Indirect expenses are allocated primarily based on square footage of the Science Center.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Science Center considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents, excluding those funds held in brokerage accounts that have been restricted/designated for long-term purposes.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies (continued)

Receivables and Credit Policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Customer account balances with invoices dated over 90 days old are considered delinquent.

Management individually reviews all accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At September 30, 2021, management estimated that no allowance for doubtful accounts was required.

Pledges and Grants Receivable

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions.

Unconditional contributions are recognized as revenue in the period the promise is received. Conditional contributions are recognized when conditions upon which they depend are substantially met. Pledges are stated at their estimated fair value. Pledges that are to be received over a period of time greater than one year are discounted to their estimate fair value assuming their respective payment terms and appropriate discount rate as of the date the pledge is received. The discount is amortized into contribution revenue over the term of the respective pledge agreement.

The Science Center uses the allowance method to record their estimate of uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises outstanding.

Revenue Recognition

Earned revenue sources include membership revenue, admissions revenue, educational program revenue, special event revenue, café revenue, store revenue, and garage revenue.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Membership revenue is recognized over time, over the membership period (output method). Membership normally spans one year from the date of purchase. Due to the temporary closure of the Science Center because of COVID-19, generally, memberships entered into in May 2020 were extended to 19-month contracts and memberships entered into between June 2020 and April 2021 were extended to 14-month contracts. Payment is obtained when a member registers. The membership contract contains multiple performance obligations, however, management has determined that recognizing revenue evenly over the membership period is materially equivalent to segregating each performance obligation and recognizing revenue as each is met. As a practical expedient, the Science Center may apply revenue recognition guidance to a portfolio of contracts with similar characteristics if the Science Center reasonably expects the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. The Science Center is taking the practical expedient approach, as membership contracts are very similar for each individual membership purchased. Management adjusted the amounts recognized as revenue and deferred revenue to reflect the extended memberships.

Admissions revenue is recognized at a point in time. The practical expedient method was used for admissions revenue.

Educational program revenue includes camps and classes, as well as revenue from an agreement with a third-party organization. The majority of the camp sessions are week-long sessions between June and August. Camp sessions are required to be paid in full before camp begins. Revenue is recognized over time, as the camp session occurs. The practical expedient method was also used for educational program revenue. Revenue from the third-party organization includes assistance with curriculum development. The Science Center bills this organization on a monthly basis, for hours worked each month. Revenue is recognized over each month, when the work is performed and billed. There are multiple performance obligations in the contract. However, the performance obligations began and ended in the same fiscal year.

Special event revenue includes sponsorships and ticket sales. Payment is obtained when a participant registers for an event. These revenues are a hybrid of contribution and exchange transaction. The contracts with sponsors include performance obligations related to name recognition and event entry, while ticket sales have one performance obligation, event entry. The exchange portion of the transaction is the fair value of benefits received by sponsor/ticket purchaser. The revenue allocated to the name recognition performance obligation qualifies for recognition over time, however, management has determined that the effect of recognizing such revenue at a point in time along with the revenue allocated to event entry results in no difference to revenue recognized, as all performance obligations began and ended within the same year. The practical expedient method was also used for special event revenues.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contract income includes certain arrangements whereby the Science Center has contracted with third parties to operate the café, store, and garage. These contracts include variable consideration in the form of a percentage of gross receipts (Note 10). The revenue is recognized at a point in time, when the inherent uncertainty around the amount of variable consideration is resolved.

The Science Center had \$821,090 of revenue recognized over time for the year ended September 30, 2021, which consisted of membership revenue and educational programs revenue. The Science Center had \$1,646,831 of revenue recognized at a point in time at September 30, 2021, which included contract income and admissions revenue.

Contract assets were \$58,729 and \$15,848 at September 30, 2021 and 2020, respectively. Contract liabilities were \$549,240 and \$381,358 at September 30, 2021 and 2020, respectively.

NFL Contract Revenue, Net

The Science Center entered into an agreement with the National Football League (NFL) and Destination Cleveland in fiscal year 2021 as part of hosting the NFL Draft. The terms of this agreement allowed the rental of the Science Center to be used as the Media Center during the NFL Draft, from April 15 through May 14, 2021. In addition to the rental fee, the Science Center was reimbursed expenses related to the set-up, breakdown, and use of the facility that were not covered by the space rental fee, and was paid for direct revenue loss. Related expenses were incurred by the Science Center, and are netted with the NFL and Destination Cleveland contract revenue, as the NFL Draft is considered an incidental event. Revenue is presented as “NFL contract revenue, net” on the statement of activities for the year ended September 30, 2021.

Marketable Securities

Investments in marketable securities are reported at their fair values in the statement of financial position.

Property and Equipment

Property and equipment are stated at cost and are depreciated utilizing the straight-line method. The Science Center capitalizes purchases that exceed \$5,000. The estimated useful lives of assets are as follows:

Building	50 years
Parking garage	30 years
Mather Connector	20 years
Exhibits	5 to 10 years
Furniture and equipment	5 to 10 years

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies (continued)

Deferred Revenue/ Refundable Advance

Deferred revenue primarily consists of unearned membership revenues and unearned revenue from the vendor that operates the Science Center's cafeteria. As part of an operating agreement between the vendor and the Science Center, the vendor made capital upgrades to the Science Center's cafeteria. The Science Center is recognizing that revenue over the 10-year term of the operating agreement. Deferred revenue also includes rental deposits for future events, payments received for future education programs, and unused gift cards purchased by customers. Refundable advance relates to SVOG funding for which conditions were not met as of fiscal year end.

Donated Services

The Science Center recognizes contributions of services received when those services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation.

Advertising and Promotion

Advertising and promotion initiatives are designed to generate attendance and secure optimum exposure for the Science Center's exhibits, programs, community relationships and special events. Advertising and promotion costs are expensed when incurred.

Concentrations of Risk

Financial instruments which potentially subject the Science Center to concentrations of credit risk consist of cash, investment securities, and pledges and grants receivable.

At various times during the year, the Science Center's cash in bank balances may exceed federally insured limits.

The Science Center has significant investments in equity and debt securities and is therefore subject to concentrations of credit risk. Investments are managed by investment advisors who operate under an investment policy approved by the Investment Committee. Though the market value of investments is subject to fluctuations, the Investment Committee believes that the investment policy is prudent for the long-term welfare of the Science Center.

Credit risk with respect to pledges and grants receivable is limited due to the number and credit worthiness of the foundations, corporations, governmental agencies, and individuals who comprise the contributor base.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies (continued)

Concentrations of Risk (continued)

Hourly admission supervisors, and projectionists for the DOME Theater, are covered under union contracts. The union contracts' original terms were from October 1, 2003 until September 30, 2006, and automatically renew themselves from year-to-year thereafter unless either party serves notice of its desire to terminate the agreement at least 60 days prior to October 1 of a given year. During fiscal year 2019, the projectionists' union contract and the theatrical employees' union contract were both extended through September 30, 2024.

Income Tax Status

The Science Center is tax-exempt, under Section 501(c)(3) of the Internal Revenue Code of 1986. No provision for federal income taxes has been reported in its financial statements. The Science Center has not been classified as a private foundation within the meaning of Section 509(a) and does not qualify for deductible contributions.

Income taxes are accounted for under the provisions of the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Science Center classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of September 30, 2021, the Science Center has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Science Center files its Federal Form 990 in the U.S. federal jurisdiction and a state registration at the office of the state's Attorney General for the State of Ohio.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the statement of financial position for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, that deferred the effective date for the Science Center until annual periods beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which clarifies the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, as well as additional disclosure requirements. This ASU is effective for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022.

Management is currently evaluating the impact of these ASUs on its financial statements.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 1: Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Science Center has evaluated events and transactions for potential recognition or disclosure through December 9, 2021, the date the financial statements were available to be issued.

Note 2: Fair Value Measurements

The FASB framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Science Center 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; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Science Center's Level 3 investments are valued based upon information obtained from the community foundation that manages the investments. The investments held at the community foundation are classified as Level 3 due to the significance of Level 2 and Level 3 underlying securities within these pooled investments (e.g., fixed-income, private equity, hedged equity).

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 2: Fair Value Measurements (continued)

Financial assets consisted of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 93,862	\$ -	\$ -	\$ 93,862
Equities	449,168	-	-	449,168
Mutual funds:				
Fixed-income	1,822,167	-	-	1,822,167
Large-cap equity	1,963,546	-	-	1,963,546
Mid-cap equity	277,345	-	-	277,345
Small-cap equity	10,646	-	-	10,646
International equity	407,815	-	-	407,815
Emerging markets	191,205	-	-	191,205
Alternatives	886,100	-	-	886,100
Held at community foundation	<u>-</u>	<u>-</u>	<u>13,496</u>	<u>13,496</u>
	\$ <u>6,101,854</u>	\$ <u>-</u>	\$ <u>13,496</u>	\$ <u>6,115,350</u>

As of September 30, 2021, marketable securities as presented on the accompanying statement of financial position also included \$8,539 of accrued interest.

Note 3: Pledges and Grants Receivable

The pledges and grants receivable at September 30, 2021 are scheduled to be collected as follows:

Payable within one year	\$ 300,168
Less: allowance for doubtful accounts	<u>(72,250)</u>
Pledges and grants receivable, net	\$ <u>227,918</u>

The Science Center had unconditional promises to give receivable of \$19,642 due from related parties at September 30, 2021. Contribution revenue from related parties for the year ended September 30, 2021 was \$245,506.

During the fiscal year ended September 30, 2021, the Science Center received a conditional eighteen month challenge grant from a donor in the amount of \$600,000. The funds are to be used for Tools for Tomorrow (capital). The \$600,000 must be raised within eighteen months of May 2021. The agreement states that the funds must be received in cash by the Science Center before they are eligible to be counted towards the match. The Science Center will record the \$600,000 at such time as they have collected the \$600,000 in matching funds, so long as within the required time period.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 3: Pledges and Grants Receivable (continued)

As discussed in Note 1, during the fiscal year ended September 30, 2021, the Science Center received conditional Shuttered Venues Operators Grant (SVOG) funding in the amount of \$1,316,742, of which \$645,188 remains a refundable advance at September 30, 2021.

Note 4: Property and Equipment

The following is a summary of property and equipment at September 30, 2021:

Buildings	\$ 48,581,012
Exhibits	17,868,323
Furniture and equipment	5,748,751
Construction in progress	<u>1,024,834</u>
Property and equipment, at cost	73,222,920
Less: accumulated depreciation	<u>(47,895,141)</u>
Property and equipment, net	\$ <u>25,327,779</u>

As of September 30, 2021, construction in progress primarily relates to the Great Lakes exhibit planning and design. The Science Center will reclassify assets from construction in progress and begin to depreciate them upon final completion of each individual project.

Discussions continue among management of the Science Center regarding the future of the William G. Mather Steamship (the "Mather"). These discussions have centered around the continuation of the Science Center having the Mather docked outside its facility and are contingent on the City of Cleveland's future development plans for the harbor area near the Science Center. As of the audit report date, no decisions have been made regarding the future of the Mather; however, approximately \$385,000 of the Science Center's construction in progress could require an impairment charge based on the resolution of this issue. Management anticipates a decision regarding the Mather's future at the Science Center to be made within the next year or two.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 5: Loans Payable

On May 1, 1997, the Science Center entered into a loan agreement with the State of Ohio, which provided for borrowings up to \$7,825,000 for the purpose of the construction of a parking garage adjacent to the Science Center. Principal payments under the original agreement were due as follows: \$4,000,000 on or before May 10, 1999 and beginning June 10, 1999, equal payments to fully amortize the remaining principal balance over 19 years. During 2013, the loan was amended to extend the maturity date to May 2023. Interest on the outstanding borrowings is payable at 3% per annum. The parking garage, the net revenues of the parking garage, and certain leases into which the Science Center has entered collateralize the borrowing under this agreement. The Science Center is subject to certain operational covenants under the terms of the agreement. In September 2020, the State of Ohio agreed to defer the loan payments for one year, from October 2020 through September 2021. The maturity date of the loan was extended to May 2024. The balance at September 30, 2021 was \$418,015.

The Science Center has entered into a service agreement with ABM Industry Groups, LLC (ABM) through December 31, 2021. Under this agreement, ABM will manage and operate the parking garage. As part of this agreement, ABM purchased and installed capital improvements to the garage costing \$216,510. ABM agreed that \$100,000 of the equipment cost would be a donation to the Science Center, with the remaining \$116,510 to be repaid by the Science Center to ABM. The repayments are to be made in 60 monthly installments beginning on April 1, 2017. Interest on the outstanding borrowings is payable at 4.25% per annum. On October 1, 2020, the Science Center entered into an amended agreement with ABM that refinanced the remaining amount due and deferred the loan payments for one year, from October 2020 through September 2021. As part of this amendment, ABM made capital improvements to the garage costing \$17,045 and provided \$6,000 to be used for mechanical repairs, which was added to the outstanding loan balance. The repayments are to be made in 60 monthly installments beginning on October 1, 2021. Interest on the outstanding borrowings is payable at 4.25% per annum. The amendment extends the agreement through September 30, 2026. The balance at September 30, 2021 was \$68,012.

Required principal payments based on the outstanding loan agreements for the years ending September 30 are as follows:

2022	\$ 165,328
2023	170,519
2024	121,233
2025	14,167
2026	<u>14,780</u>
	\$ <u>486,027</u>

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 6: Line of Credit

In March 2020, the Science Center entered into a revolving line of credit agreement with a commercial bank with a maturity date of February 28, 2022. The Science Center can draw from this line as needed, in an amount not to exceed \$750,000. The agreement is secured by certain investment securities. Interest on the outstanding borrowings is payable monthly, at daily LIBOR plus 1.75% (1.83% at September 30, 2021). The Science Center had borrowings of \$-0- and \$250,000 outstanding on this line of credit as of September 30, 2021 and 2020, respectively.

Note 7: Leases

The Science Center has an operating lease agreement with the City of Cleveland for the land on which the Science Center is located. The lease term is for a period of 50 years commencing January 1, 1995, with the option to renew for an additional 49 years. Annual rent under this lease is one dollar. Additionally, in 1994, the Science Center entered into an operating lease agreement with the State of Ohio for the submerged land upon which the Science Center is located. The lease term is for a period of 50 years with the option to renew for an additional 49 years upon expiration of the original term.

The Science Center is obligated under operating leases for office equipment. Future minimum lease payments under these non-cancelable lease agreements in excess of one year, for the years ending September 30, are as follows:

2022	\$	23,001
2023		14,134
2024		9,780
2025		9,780
2026		<u>9,780</u>
Total minimum payments	\$	<u>66,475</u>

Rent expense totaled \$66,666 for the year ended September 30, 2021.

During 2009, the Science Center entered into a lease and shared use agreement with the Board of Education of the Cleveland Municipal School District (the "District"). During the year ended September 30, 2020, the lease term was extended for three years to June 30, 2023. Under the terms of the agreement, the Science Center has permitted the District to operate a ninth grade Science, Technology, Engineering, and Mathematics (STEM) academy at the Science Center. The District is required to pay an \$8,000 monthly fee and to reimburse the Science Center for other operating expenses as defined in the agreement. Subject to a 270-day written notice and termination payment, the District may elect to terminate the agreement.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 8: Net Asset Classification of Endowment Funds

The Science Center's endowments funds consist of collectively invested Board-designated funds and donor-restricted funds established to fund Board directed needs and programs. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Science Center has interpreted the State of Ohio's enacted version of the Uniform Prudent Management of Institutional Fund Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Science Center classifies within net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Science Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Science Center and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The investment policies of the Science Center.

During the year ended September 30, 2016, the Science Center successfully petitioned an endowment donor to release \$2 million from the permanent endowment fund and transfer it to net assets without donor restrictions (Board-designated). This release from restriction intends to provide a cushion as the Science Center transitions to a new business model. The Science Center will launch a campaign in fiscal year 2022, with plans to restore the \$2 million in funds to the restricted endowment.

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 327,488	\$ 5,292,699	\$ 5,620,187
Contributions to endowment	1,793	-	1,793
Investment return:			
Interest and dividends	10,736	173,489	184,225
Net realized and unrealized gain	<u>41,429</u>	<u>669,547</u>	<u>710,976</u>
Total investment return	52,165	843,036	895,201
Investment management fees	(1,798)	(29,061)	(30,859)
Appropriation of endowment assets for expenditure	<u>(21,118)</u>	<u>(341,315)</u>	<u>(362,433)</u>
Endowment net assets, end of year	\$ <u>358,530</u>	\$ <u>5,765,359</u>	\$ <u>6,123,889</u>

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 8: Net Asset Classification of Endowment Funds (continued)

Return Objectives and Risk Parameters

The Science Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Science Center must hold in perpetuity, as well as Board-designated funds.

In general, it is desired that the Science Center portfolio earn at least competitive nominal returns in comparison with their respective benchmarks.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Science Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and generation of annual income (interest and dividends). The Science Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

In accordance with the objective of the Science Center's endowment policy, the principal portion of the donor-restricted endowment fund shall not be used by, or for the benefit of, the Science Center, except to the extent that the annual withdrawal rate, which is calculated based on 5% of the three-year rolling average market value of the endowment fund, established by the Board may have the effect of withdrawing some principal as part of the total return of the endowment investments for a given period of time. In establishing this policy, the Science Center considered the long-term expected return on its endowment. This policy is consistent with the Science Center's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for an otherwise specified term, as well as to provide additional real growth through new gifts and investment returns. While the annual spending policy from the Board-designated endowment funds generally follows the same spending rule as the donor-restricted endowment funds, the Science Center's Board may appropriate greater amounts for expenditure from the Board-designated endowment funds.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised for the following at September 30, 2021:

Subject to expenditure for specified purpose or period:	
Capital campaign – other	\$ 270,881
Cleveland Creates	42,500
Education programs	210,930
Endowment earnings not yet appropriated for expenditure – time restrictions	1,254,230
Exhibits	1,135,000
Gala – future operations	10,000
Mather exhibit planning	938,278
Other	<u>8,330</u>
	3,870,149
To be held in perpetuity:	
Donor-restricted endowment	<u>4,511,129</u>
Total net assets with donor restrictions:	\$ <u>8,381,278</u>

Net assets with donor restrictions were released from restriction for the following purposes during the year ended September 30, 2021:

Cleveland Creates	\$ 173,500
Endowment earnings appropriated for expenditure	341,315
Education programs	57,335
Exhibits	130,737
Gala	10,000
Other	<u>55,600</u>
	\$ <u>768,487</u>

Note 10: Agreements, Commitments, and Contingencies

In 1996, the Science Center entered into a Common Area Maintenance Agreement (the “Agreement”) for the North Coast Harbor area with Cleveland-Cuyahoga Port Authority, the City of Cleveland, and the Rock and Roll Hall of Fame and Museum. In October 2002, an amendment to the Agreement was executed which, among other things, added the Cleveland Browns Stadium Company LLC as a participant. This Agreement terminates upon the occurrence of certain events as described in the Agreement. Under this Agreement, the parties involved will provide for the ongoing operation, maintenance, insurance, security, and improvements of the North Coast Harbor area. Costs incurred under this Agreement totaled \$34,623 during the year ended September 30, 2021.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 10: Agreements, Commitments, and Contingencies (continued)

The Science Center has entered into a service agreement with ABM Industry Groups, LLC (ABM) through September 30, 2026. Under this agreement, ABM will manage and operate the parking garage for a management fee equal to 3% of gross revenues, plus reimbursement of operating expenses. The management fee was \$10,708 during the year ended September 30, 2021.

In September 2017, the Science Center entered into an agreement with Levy Premium Foodservice (Levy). Under this agreement, Levy will manage the food service operations for the Science Center through September 30, 2027. Levy pays a commission to the Science Center equal to 17.5% of gross receipts up to \$750,000 and 22.5% of gross receipts in excess of \$750,000. Additionally, as part of this agreement, Levy will invest up to \$500,000 in upgrades to the Science Center's cafeteria. This investment is earned by the Science Center equally over the 10-year life of the agreement. If the agreement is terminated early, the Science Center will owe Levy the remaining balance of the investment. The Science Center has recognized \$47,694 of fees and amortization of additions during the year ended September 30, 2021, which has been included in contract income on the accompanying statement of activities.

In April 2005, the Science Center entered into an amended license agreement to lease retail space to Event Network through May 18, 2017. The agreement contained an automatic five-year renewal, which was exercised during 2017. In accordance with the terms of the agreement, Event Network will manage the retail store and pay a percentage rent to the Science Center equal to 20% of gross receipts up to \$600,000, 24% of gross receipts between \$600,000 and \$1,000,000, and 26% of gross receipts in excess of \$1,000,000. Additionally, the Science Center is guaranteed a minimum payment of \$100,000, contingent upon the maintenance of certain attendance levels. The Science Center has recognized \$66,513 during the year ended September 30, 2021, which has been included in contract income on the accompanying statement of activities. Due to low attendance levels a result of COVID-19, the revenue recognized in fiscal year 2021 is less than the guaranteed \$100,000.

The Science Center has entered into a 10-year partnership, through fiscal year 2029, with the National Aeronautics and Space Administration (NASA) Glenn Research Center to transfer the designation of the official NASA Visitor Center to the Science Center. Students under the age of 18 may receive free admission four times a year. All Title I schools are allowed free admission throughout the year.

Monies received under various government grants and reimbursement contracts are subject to subsequent review and possible adjustment by the grantors or payers.

During the normal course of operations, the Science Center is subject to occasional legal proceedings and claims. Management does not believe there to be exposure to any material legal contingencies or claims as of September 30, 2021.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 11: Multi-Employer Pension Plan

The Science Center contributed to a multi-employer defined benefit pension plan (the “Plan”) under the terms of a collective bargaining agreement that covered its projectionist union-represented employees. Contributions to the Plan were based upon the collective bargaining agreement. Effective December 30, 2014, the Plan was terminated through a mass withdrawal of all contributing employers. As a result of this action, no additional employer contributions will be required in the future. However, the Science Center is subject to a pension withdrawal liability in the amount of \$513,811 as of September 30, 2021.

Although the pension withdrawal liability is a legal obligation, the Science Center is currently only required to pay monthly installments of approximately \$561 into perpetuity. This amount is comprised of entirely interest expense; therefore, no reduction will be made to the withdrawal liability principal. While the present value of scheduled payments could change in the future based on actuarially calculated adjustment, changes to other employers’ obligations, or settlements reached with the Plan, it is quite possible that the outstanding pension withdrawal liability (i.e., the principal) will never be paid.

Note 12: Defined Contribution Plan

The Science Center has a 403(b) Plan for all of its full-time employees. The provisions of the 403(b) Plan allow the Science Center to provide an employer match. The Science Center may elect to contribute a matching amount equal to a maximum of 50% of an employee’s contribution up to 6% of an employee’s salary. Employees vest in the matching contributions immediately. There were no matching contributions during the year ended September 30, 2021.

Note 13: Donated Services

The Science Center deploys volunteers in the furtherance of its programs. During the year ended September 30, 2021, 25 volunteers (unaudited) provided 1,980 hours of service (unaudited) to the Science Center. Using a blended hourly rate of \$10 per hour, this resulted in approximately \$19,800 (unaudited) of donated time from the volunteers during the year ended September 30, 2021. These amounts were excluded from the accompanying statement of activities as such services were not provided by those possessing specialized skills. Thus, they did not meet the criterion for recognition in the statement of activities as prescribed by accounting principles generally accepted in the United States of America.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 14: Liquidity and Availability of Resources

The Science Center maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Science Center is largely supported by fees generated from admissions and memberships, and partially supported by contributions. Some of its admissions revenues have seasonal variations, as do some of the contributions it receives; these variations are accommodated through careful management of the financial assets. Additionally, the Science Center takes into account donor restrictions that require resources to be used in a particular manner or in a future period, and therefore maintains sufficient resources to meet those responsibilities. The Science Center considers net assets with donor restrictions that are expected to be released from restriction within the next fiscal year to be available for general expenditure. These amounts totaled \$210,930 at September 30, 2021. Additionally, net assets with donor restrictions that are included within construction in progress of \$938,278 have been excluded from restricted by donors – purpose or time below, as they do not represent financial assets.

In addition, the Science Center maintains Board-designated funds (net assets without donor restrictions), a portion of which are readily available to support the operations of the Science Center through the Board's endowment spending policy. The Science Center has the ability to access additional Board-designated funds by special authorization of the Board, if necessary.

As discussed in Note 6, the Science Center has a secured line of credit with a bank with maximum borrowings of \$750,000, of which \$-0- was outstanding at September 30, 2021. This line can be drawn upon by management as needed to supplement the cash flow of the Science Center.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2021

Note 14: Liquidity and Availability of Resources (continued)

The Science Center's financial assets available within one year of September 30, 2021 for general expenditures are as follows:

Cash and cash equivalents	\$ 1,334,362
Restricted cash	807,539
Accounts receivable	370,728
Pledges and grants receivable, net	227,918
Marketable securities	6,123,889
Cash and cash equivalents restricted for purchase of property and equipment	<u>1,382,190</u>
Total financial assets	10,246,626
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors – purpose or time	(2,720,941)
Restricted by donors – held in perpetuity	<u>(4,511,129)</u>
	(7,232,070)
Amounts unavailable to management without Board's approval:	
Board-designated endowment	(358,530)
Amounts made available through Board-approved endowment spending policy	<u>325,099</u>
Total financial assets unavailable within one year	<u>(7,265,501)</u>
Total financial assets available to management for general expenditures within one year	\$ <u>2,981,115</u>



CPAs and Business Advisors

Where Relationships Count.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
The Great Lakes Museum of Science, Environment and Technology

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Great Lakes Museum of Science, Environment and Technology (a nonprofit corporation, the “Science Center”), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2021, wherein we noted the Science Center implemented Financial Accounting Standards Board (FASB) ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The adoption of ASU 2014-09 resulted in a decrease to beginning net assets of \$186,736 as of October 1, 2020, as disclosed in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Science Center’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Science Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Science Center’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
The Great Lakes Museum of Science, Environment and Technology

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Science Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Science Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Science Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ciuni + Panichi, Inc.

Cleveland, Ohio
December 9, 2021