

The Great Lakes Museum of Science, Environment and Technology

**Financial Statements
September 30, 2023**

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying 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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Science Center as of September 30, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. 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 Science Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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

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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Science Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Science Center's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Science Center's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements, in our report dated November 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, 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 the effectiveness of the Science Center's 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
November 30, 2023

The Great Lakes Museum of Science, Environment and Technology

Statement of Financial Position

September 30, 2023 (with comparative totals for 2022)

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,461,890	\$ 1,278,217
Accounts receivable	364,881	417,432
Grants receivable	38,045	22,590
Pledges receivable, net	1,197,099	480,467
Prepaid expenses and other assets	237,771	236,632
Marketable securities	5,081,331	4,870,814
Cash and cash equivalents restricted for purchase of property and equipment	1,731,649	2,008,508
Property and equipment, net	<u>24,535,461</u>	<u>24,591,358</u>
Total assets	\$ <u><u>34,648,127</u></u>	\$ <u><u>33,906,018</u></u>
	<u>Liabilities and Equity</u>	
Liabilities:		
Accounts payable	\$ 539,777	\$ 612,167
Accrued expenses and other liabilities	64,742	58,983
Deferred membership revenue	396,935	307,019
Deferred revenue/refundable advances	370,954	379,770
Loans payable	150,181	320,699
Pension withdrawal liability	<u>513,811</u>	<u>513,811</u>
Total liabilities	2,036,400	2,192,449
Net assets:		
Without donor restrictions:		
Undesignated	23,408,694	23,073,255
Board-designated	<u>297,518</u>	<u>285,195</u>
Total net assets without donor restrictions	23,706,212	23,358,450
With donor restrictions	<u>8,905,515</u>	<u>8,355,119</u>
Total net assets	<u><u>32,611,727</u></u>	<u><u>31,713,569</u></u>
Total liabilities and net assets	\$ <u><u>34,648,127</u></u>	\$ <u><u>33,906,018</u></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, 2023 (with comparative totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Operating revenues:				
Admissions	\$ 2,056,454	\$ -	\$ 2,056,454	\$ 1,656,681
Memberships	798,280	-	798,280	537,679
Educational programs	580,200	-	580,200	688,954
Facility rentals	427,907	-	427,907	313,126
Contract income	1,026,250	-	1,026,250	931,595
Other	11,674	-	11,674	29,043
Total operating revenues	<u>4,900,765</u>	<u>-</u>	<u>4,900,765</u>	<u>4,157,078</u>
Investment return designated for operations	283,691	-	283,691	325,099
Contribution revenues:				
Individual contributions	246,939	-	246,939	209,213
Corporate and foundation contributions	862,232	443,663	1,305,895	1,242,890
Federal grants	-	-	-	763,813
Public funding	721,060	785,000	1,506,060	462,507
Fundraising events	165,725	65,000	230,725	371,720
Net assets released from program and time restrictions or released from capital - used for operations	743,805	(743,805)	-	-
Total contribution revenues	<u>2,739,761</u>	<u>549,858</u>	<u>3,289,619</u>	<u>3,050,143</u>
Total revenues	<u>7,924,217</u>	<u>549,858</u>	<u>8,474,075</u>	<u>7,532,320</u>
Operating expenses:				
Program	5,802,303	-	5,802,303	4,805,932
Management and general	641,069	-	641,069	637,531
Fundraising	942,070	-	942,070	974,624
Operating expenses before depreciation	<u>7,385,442</u>	<u>-</u>	<u>7,385,442</u>	<u>6,418,087</u>
Change in net assets from operating activities before depreciation and loss on write-off of property and equipment	538,775	549,858	1,088,633	1,114,233
Depreciation	(1,815,684)	-	(1,815,684)	(2,101,209)
Provision for uncollectible accounts	-	-	-	(12,750)
Loss on write-off of property and equipment	<u>(468)</u>	<u>-</u>	<u>(468)</u>	<u>(94,300)</u>
Change in net assets from operating activities	<u>(1,277,377)</u>	<u>549,858</u>	<u>(727,519)</u>	<u>(1,094,026)</u>
Non-operating activities:				
Investment return, net	124,095	465,273	589,368	(912,760)
Investment return designated for operations	(16,612)	(267,079)	(283,691)	(325,099)
Contributions received for capital purchases	-	1,320,000	1,320,000	1,025,000
Net assets released from restriction for capital project	1,517,656	(1,517,656)	-	-
Change in net assets from non-operating activities	<u>1,625,139</u>	<u>538</u>	<u>1,625,677</u>	<u>(212,859)</u>
Change in net assets	347,762	550,396	898,158	(1,306,885)
Net assets – beginning of year	<u>23,358,450</u>	<u>8,355,119</u>	<u>31,713,569</u>	<u>33,020,454</u>
Net assets – end of year	<u>\$ 23,706,212</u>	<u>\$ 8,905,515</u>	<u>\$ 32,611,727</u>	<u>\$ 31,713,569</u>

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, 2023 (with comparative totals for 2022)

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Salaries and wages	\$ 2,259,844	\$ 244,383	\$ 379,593	\$ 2,883,820	\$ 2,632,839
Employee benefits	363,651	44,654	46,985	455,290	343,022
Payroll taxes	175,209	17,287	27,325	219,821	203,845
Professional fees	422,105	86,995	66,757	575,857	563,437
Advertising and promotion	330,373	42,422	10,076	382,871	355,963
Office expenses	24,998	2,925	3,691	31,614	24,854
Information technology	125,796	14,161	37,829	177,786	125,883
Theater and exhibits	361,190	2	-	361,192	246,724
Travel	35,958	393	786	37,137	15,005
Conferences	6,389	3,216	2,516	12,121	13,848
Interest	-	14,648	-	14,648	19,837
Insurance	139,612	12,410	3,102	155,124	138,053
Utilities	573,689	50,995	12,749	637,433	572,647
Repair and maintenance	443,830	-	-	443,830	391,088
Bank fees	110,539	17,499	5,193	133,231	103,057
Supplies	429,120	89,079	345,468	863,667	667,985
Total before depreciation	<u>5,802,303</u>	<u>641,069</u>	<u>942,070</u>	<u>7,385,442</u>	<u>6,418,087</u>
Depreciation	<u>1,634,116</u>	<u>145,254</u>	<u>36,314</u>	<u>1,815,684</u>	<u>2,101,209</u>
 Total expenses	 <u>\$ 7,436,419</u>	 <u>\$ 786,323</u>	 <u>\$ 978,384</u>	 <u>\$ 9,201,126</u>	 <u>\$ 8,519,296</u>
 Comparative totals for the year ended September 30, 2022	 <u>\$ 6,697,020</u>	 <u>\$ 805,628</u>	 <u>\$ 1,016,648</u>		 <u>\$ 8,519,296</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, 2023 (with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 898,158	\$ (1,306,885)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,815,684	2,101,209
Net realized and unrealized (gain) loss on investments	(351,787)	1,067,320
Contributions restricted for capital purchases	(1,320,000)	(1,025,000)
Write-off of uncollectible pledges receivable	9,450	23,742
Provision for uncollectible accounts	-	12,750
Loss on write-off of property and equipment	468	94,300
Changes in operating assets and liabilities:		
Accounts receivable	52,551	(46,704)
Grants receivable	(15,455)	2,436
Pledges receivable	(476,082)	(239,067)
Prepaid expenses and other assets	(1,139)	(21,144)
Accounts payable	(118,156)	177,756
Accrued expenses and other liabilities	5,759	(47,028)
Deferred membership revenue	89,916	104,240
Deferred revenue/refundable advances	(8,816)	(646,630)
Net cash provided by operating activities	<u>580,551</u>	<u>251,295</u>
Cash flows from investing activities:		
Purchases of marketable securities	(2,190,830)	(2,733,350)
Sales of marketable securities	2,332,100	2,919,105
Purchases of property and equipment	(1,714,489)	(1,459,088)
Net cash used by investing activities	<u>(1,573,219)</u>	<u>(1,273,333)</u>
Cash flows from financing activities:		
Collections of contributions restricted for capital purchases	1,070,000	950,000
Principal payments on loans payable	(170,518)	(165,328)
Net cash provided by financing activities	<u>899,482</u>	<u>784,672</u>
Net decrease in cash and cash equivalents	(93,186)	(237,366)
Cash and cash equivalents, beginning of year	<u>3,286,725</u>	<u>3,524,091</u>
Cash and cash equivalents, end of year	<u>\$ 3,193,539</u>	<u>\$ 3,286,725</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, 2023 (with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest during the year	\$ 14,648	\$ 19,837
Non-cash investing and financing activities:		
Property and equipment purchases financed through accounts payable	\$ 45,766	\$ -
Reconciliation to cash and cash equivalents on Statement of Financial Position		
Cash and cash equivalents	\$ 1,461,890	\$ 1,278,217
Cash and cash equivalents restricted for purchase of property and equipment	1,731,649	2,008,508
	<u>\$ 3,193,539</u>	<u>\$ 3,286,725</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, 2023

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.

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) as 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 (the “Board”) and/or management for general operating purposes.

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. 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, 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 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).

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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, contributions for capital and related expenses, investment earnings (including interest and dividends and realized and unrealized investment gains or losses, net of investment fees), and gains/losses related to pension withdrawal liability.

Adopted Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (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 longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and functional expenses. This ASU is effective for annual periods beginning after December 15, 2021. On October 1, 2022, the Science Center adopted this ASU using the modified retrospective method with the available practical expedients permitted under the transition guidance within the new standard on accounting for leases, which allows the Science Center to carry forward the historical assessments of whether contracts are, or contain, leases, lease classification and initial direct costs. The Science Center also elected to not record lease right-of-use assets or lease liabilities for leases with an original term of 12 months or less. There was no material impact resulting from the adoption of this standard.

Functional Allocation of Expenses

The costs of providing the Science Center's various programs and 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 and employee salary allocations based upon estimates of employee service efforts per functional area.

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.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 1: Summary of Significant Accounting Policies (continued)

Cash and 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.

Accounts Receivable 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, 2023, 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 the contributions depend are substantially satisfied. 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 estimated fair value assuming their respective payment terms and appropriate discount rates as of the dates the pledges are 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.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition

Earned revenue sources primarily include membership revenue, admissions revenue, educational program revenue, facility rentals, and contract income (café, store, and garage).

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

Membership revenue is recognized over time, over the membership period (output method). Membership normally spans one year from the date of purchase. 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.

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.

Fundraising 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 fiscal year. The practical expedient method was also used for fundraising revenues.

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 Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Science Center had \$1,378,480 of revenue recognized over time for the year ended September 30, 2023, which consisted of membership revenue and educational programs revenue. The Science Center had \$3,094,378 of revenue recognized at a point in time at September 30, 2023, which included contract income and admissions revenue.

Receivables were \$78,192 and \$91,193 at September 30, 2023 and 2022, respectively. Contract liabilities were \$767,889 and \$641,926 at September 30, 2023 and 2022, respectively.

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

Deferred Membership Revenue

Deferred membership revenue consists of unearned membership revenues. Membership revenue is recognized evenly over the term of the memberships. Any unearned amounts are presented as deferred membership revenue on the accompanying statement of financial position.

Deferred Revenue/Refundable Advances

Deferred revenue primarily consists of 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. Amounts received in advance on conditional contributions are reported as refundable advances.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 1: Summary of Significant Accounting Policies (continued)

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

At various times during the year, the Science Center's cash and cash equivalents 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.

As of September 30, 2023, 58% of the Science Center's pledges receivable was due from one source.

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.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 1: Summary of Significant Accounting Policies (continued)

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 an organization that is a “private foundation” within the meaning of Section 509(a) of the IRC.

In accordance with the “Income Taxes” topic of the FASB ASC, uncertain income tax positions are evaluated at least annually by management. Any penalties and interest would be shown as income tax expense on the statement of functional expenses. As of September 30, 2023, 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 Pronouncement

In June 2016, the FASB issued an amendment on the measurement of credit losses on the financial assets held by a reporting entity at each reporting date (ASU 2016-13, *Financial Instruments - Credit Losses*). The guidance requires the use of a new current expected credit loss (CECL) model in estimating allowance for doubtful accounts with respect to accounts receivable. The CECL model requires that the Science Center estimate its lifetime expected credit loss with respect to these receivables and record allowances that, when deducted from the balance of the receivables, represent the estimated amounts expected to be collected. This guidance is effective for fiscal years beginning after December 15, 2022. The Science Center does not expect this standard to have a material effect on its financial statements.

Subsequent Events

In preparing these financial statements, the Science Center has evaluated events and transactions for potential recognition or disclosure through November 30, 2023, 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.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 2: Fair Value Measurements (continued)

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 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).

Financial assets consisted of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 170,170	\$ -	\$ -	\$ 170,170
Equities	190,812	-	-	190,812
Mutual funds:				
Fixed-income	1,383,749	-	-	1,383,749
Large-cap equity	1,979,666	-	-	1,979,666
Mid-cap equity	213,358	-	-	213,358
Small-cap equity	17,429	-	-	17,429
International equity	247,319	-	-	247,319
Emerging markets	143,739	-	-	143,739
Alternatives	703,800	-	-	703,800
Held at community foundation	<u>-</u>	<u>-</u>	<u>12,517</u>	<u>12,517</u>
	<u>\$ 5,050,042</u>	<u>\$ -</u>	<u>\$ 12,517</u>	<u>\$ 5,062,559</u>

As of September 30, 2023, marketable securities as presented on the accompanying statement of financial position also included \$18,772 of accrued interest.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 3: Pledges and Grants Receivable

The pledges and grants receivable at September 30, 2023 are scheduled to be collected as follows:

Payable within one year	\$ 1,320,144
Less: allowance for doubtful accounts	<u>(85,000)</u>
Pledges and grants receivable, net	\$ <u>1,235,144</u>

The Science Center had unconditional promises to give receivable of \$23,195 due from related parties at September 30, 2023. Contribution revenue from related parties for the year ended September 30, 2023 was \$223,637.

During fiscal 2021, the Science Center determined that it had qualified for the Employee Retention Credit (“ERC”). The Science Center considered funding under this federal program to be a conditional promise to give. The revenue was recognized during the year ended September 30, 2021, when management deemed the conditions were met. In fiscal 2023, the Science Center’s application was submitted for \$234,540. The ERC receivable of \$234,540 is included in accounts receivable in the statement of financial position at September 30, 2023.

Note 4: Property and Equipment

The following is a summary of property and equipment at September 30, 2023:

Buildings	\$ 50,237,402
Exhibits	17,744,873
Furniture and equipment	6,614,850
Construction in progress	<u>1,396,816</u>
Property and equipment, at cost	75,993,941
Less: accumulated depreciation	<u>(51,458,480)</u>
Property and equipment, net	\$ <u>24,535,461</u>

As of September 30, 2023, 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.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

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, 2023 was \$107,656.

The Science Center entered into a service agreement with ABM Industry Groups, LLC (“ABM”) through December 31, 2021. Under this agreement, ABM manages and operates 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, 2023 was \$42,525.

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

2024	\$ 121,234
2025	14,167
2026	<u>14,780</u>
	\$ <u>150,181</u>

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 6: Line of Credit

In March 2020, the Science Center entered into a revolving line of credit agreement with a commercial bank. During 2023, the line of credit was amended to extend the maturity date to February 28, 2024. 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 the daily Bloomberg Short Term Bank Yield Index (“BSBY”) plus 1.90% (7.33% at September 30, 2023). The Science Center had \$-0- outstanding on this line of credit as of September 30, 2023.

Note 7: Leases

Lessee

The Science Center has long-term operating leases for various office equipment. The long-term operating leases are not material to the financial statements.

Short-term lease expense for the year ended September 30, 2023 was \$252,149.

Lessor

During 2021, the Science Center entered into a lease agreement with the Cleveland Browns. The lease term extends through July 31, 2026. Under the terms of the agreement, the Science Center has permitted the Cleveland Browns to use the parking garage for each Cleveland Browns home game.

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, and is subsequently continuing on a month-to-month basis. 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.

The components of lease income are as follows for the year ended September 30, 2023:

Lease income from the Cleveland Browns	\$ 244,000
Lease income from the District	<u>96,000</u>
	\$ <u>340,000</u>

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 7: Leases (continued)

Scheduled minimum future payments on operating leases with original terms of one year or longer are as follows (number of home games is variable):

2023 NFL season (October 2023 – February 2024)	\$	25,000 per home game
2024 NFL season (August 2024 – February 2025)	\$	26,000 per home game
2025 NFL season (August 2025 – February 2026)	\$	27,000 per home game

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 possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Science Center.
- (7) 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 perpetual endowment fund and transfer it to net assets without donor restrictions (Board-designated). The Science Center is conducting a campaign that includes a \$4 million goal of securing endowment funds.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

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

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2023:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 285,195	\$ 4,585,619	\$ 4,870,814
Investment return, net:			
Interest and dividends	9,857	158,489	168,346
Investment management fees	(1,512)	(24,298)	(25,810)
Net realized and unrealized gain	<u>20,590</u>	<u>331,082</u>	<u>351,672</u>
Total investment return, net	28,935	465,273	494,208
Appropriation of endowment assets for expenditure	<u>(16,612)</u>	<u>(267,079)</u>	<u>(283,691)</u>
Endowment net assets, end of year	\$ <u>297,518</u>	\$ <u>4,783,813</u>	\$ <u>5,081,331</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the Science Center to retain. A deficiency of this nature existed in certain donor-restricted endowment funds at September 30, 2023. The funds had an original gift value of \$527,442 and a fair value of \$500,385, resulting in a deficiency of \$27,057. This deficiency resulted from accumulated net realized and unrealized losses on these endowment funds as of September 30, 2023.

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.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

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

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.

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The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised for the following at September 30, 2023:

Subject to expenditure for specified purpose or period:	
Capital campaign	\$ 270,881
Cleveland Creates	26,000
Sponsorship – Cleveland Creates	500,000
Education programs	464,189
Endowment earnings not yet appropriated for expenditure – time restrictions	272,684
Eclipse event – future operations	65,000
Exhibits	1,602,274
Mather exhibit planning	938,278
Maintenance funds – Cleveland Creates	250,000
Operational	4,750
Other	<u>330</u>
	4,394,386
To be held in perpetuity:	
Donor-restricted endowment	<u>4,511,129</u>
Total net assets with donor restrictions:	\$ <u>8,905,515</u>

Net assets with donor restrictions were released from restriction for the following purposes during the year ended September 30, 2023:

Cleveland Creates	\$ 310,417
Endowment earnings appropriated for expenditure	267,079
Education programs	230,818
Exhibits	1,717,726
Operational	<u>2,500</u>
	\$ <u>2,528,540</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 \$38,347 during the year ended September 30, 2023.

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

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

The Science Center has entered into a service agreement with ABM through September 30, 2026. Under this agreement, ABM manages and operates the parking garage for a management fee equal to 3% of gross revenues, plus reimbursement of operating expenses. The management fee was \$20,649 during the year ended September 30, 2023.

In September 2017, the Science Center entered into an agreement with Levy Premium Foodservice (“Levy”). Under this agreement, Levy manages 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 \$147,924 of fees and amortization of additions during the year ended September 30, 2023, 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 provide retail space to Event Network through May 18, 2017. The agreement contained an automatic five-year renewal, which was exercised during 2017. During fiscal 2022, the Science Center signed an amendment extending the agreement through May 18, 2025. In accordance with the terms of the agreement, Event Network manages the retail store and pays 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 \$116,692 during the year ended September 30, 2023, which has been included in contract income on the accompanying statement of activities.

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.

The Science Center has an operating agreement with the City of Cleveland for the land on which the Science Center is located. The agreement 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 agreement with the State of Ohio for the submerged land upon which the Science Center is located. The agreement term is for a period of 50 years with the option to renew for an additional 49 years upon expiration of the original term.

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

The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

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

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, 2023.

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, 2023.

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 an 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 up to 2% of an employee's salary. Employees vest in the matching contributions immediately. The employer match for the year ended September 30, 2023 was \$23,745.

Note 13: Donated Services

The Science Center deploys volunteers in the furtherance of its programs. During the year ended September 30, 2023, 9 volunteers (unaudited) provided 1,711 hours of service (unaudited) to the Science Center. Using a blended hourly rate of \$12 per hour, this resulted in approximately \$20,532 (unaudited) of donated time from the volunteers during the year ended September 30, 2023. These amounts were excluded from the accompanying statements of activities and functional expenses, as such services were not provided by those possessing specialized skills. Thus, they did not meet the criterion for recognition in the statements of activities and functional expenses 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, 2023

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 \$964,189 (\$464,189 for education programs and \$500,000 for sponsorship – Cleveland Creates) at September 30, 2023. 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, 2023. This line can be drawn upon by management as needed to supplement the cash flow of the Science Center.

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The Great Lakes Museum of Science, Environment and Technology

Notes to Financial Statements

September 30, 2023

Note 14: Liquidity and Availability of Resources (continued)

The Science Center's financial assets available within one year of September 30, 2023 for general expenditures are as follows:

Cash and cash equivalents	\$ 1,461,890
Accounts receivable	364,881
Pledges and grants receivable, net	1,235,144
Marketable securities	5,081,331
Cash and cash equivalents restricted for purchase of property and equipment	<u>1,731,649</u>
Total financial assets	<u>9,874,895</u>
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors – purpose or time	(2,491,919)
Restricted by donors – held in perpetuity	<u>(4,511,129)</u>
	(7,003,048)
Amounts unavailable to management without Board's approval:	
Board-designated endowment	(297,518)
Amounts made available through Board-approved endowment spending policy	<u>267,041</u>
Total financial assets unavailable within one year	<u>(7,033,525)</u>
Total financial assets available to management for general expenditures within one year	\$ <u>2,841,370</u>

**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 of
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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

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

Report on 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 financial statements. 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
November 30, 2023