

THE WESTERN RESERVE HISTORICAL SOCIETY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

THE WESTERN RESERVE HISTORICAL SOCIETY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Western Reserve Historical Society

Opinion

We have audited the financial statements of The Western Reserve Historical Society (“WRHS,” a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WRHS as of June 30, 2022, 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 (“GAAS”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WRHS 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WRHS'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 WRHS'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.

Other Matter

Report on Summarized Comparative Information

We have previously audited WRHS's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Cleveland, OH
November 29, 2022

THE WESTERN RESERVE HISTORICAL SOCIETY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

	2022	2021
Assets		
Cash and cash equivalents	\$ 3,273,472	\$ 2,778,444
Accounts receivable	95,142	22,620
Prepaid expenses	21,797	28,948
Inventory	101,241	96,321
Pledges receivable, net	1,269,096	937,197
Property and equipment, net of accumulated depreciation	15,463,076	14,724,845
Collections (see Note 1)	--	--
Assets restricted by donors for investment in property and equipment	--	179,358
Investments	15,930,693	19,742,257
Beneficial interests in trusts	5,780,393	7,237,354
Total Assets	<u>\$ 41,934,910</u>	<u>\$ 45,747,344</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 346,533	\$ 74,698
Accrued expenses	106,329	56,595
Capital accounts payable	112,373	374,282
Contract liability	639,186	702,240
Refundable advances	138,587	698,920
Line of credit	528,197	600,197
Gift annuity obligations	34,362	36,300
Total Liabilities	<u>1,905,567</u>	<u>2,543,232</u>
Net Assets		
Without donor restrictions	17,411,199	13,600,885
With donor restrictions	22,618,144	29,603,227
Total Net Assets	<u>40,029,343</u>	<u>43,204,112</u>
Total Liabilities and Net Assets	<u>\$ 41,934,910</u>	<u>\$ 45,747,344</u>

The accompanying notes are an integral part of these financial statements.

THE WESTERN RESERVE HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Operating Revenues and Support				
Gifts, grants and project support	\$ 935,983	\$ 2,101,296	\$ 3,037,279	\$ 2,233,079
Contributions for capital projects	--	1,975,000	1,975,000	2,910,000
Federal coronavirus pandemic funding	672,621	--	672,621	608,750
Admissions	640,420	--	640,420	374,510
Earned income, other	904,754	--	904,754	557,335
Other income	16,580	--	16,580	111,676
Income from perpetual trusts	364,620	--	364,620	327,266
Endowment support for current operations	44,268	776,472	820,740	811,680
Net assets released from donor restrictions	<u>6,842,710</u>	<u>(6,842,710)</u>	<u>--</u>	<u>--</u>
Total Operating Revenues and Support	<u>10,421,956</u>	<u>(1,989,942)</u>	<u>8,432,014</u>	<u>7,934,296</u>
Operating Expenses				
Program services:				
Library, archives and museums	4,039,132	--	4,039,132	3,110,730
Hale Farm & Village	1,341,502	--	1,341,502	930,178
Other historic properties	<u>82,286</u>	<u>--</u>	<u>82,286</u>	<u>73,370</u>
Total program services	5,462,920	--	5,462,920	4,114,278
Management and general	884,482	--	884,482	793,464
Fundraising	<u>380,118</u>	<u>--</u>	<u>380,118</u>	<u>329,033</u>
Total Operating Expenses	<u>6,727,520</u>	<u>--</u>	<u>6,727,520</u>	<u>5,236,775</u>
Change in Net Assets from Operations	<u>3,694,436</u>	<u>(1,989,942)</u>	<u>1,704,494</u>	<u>2,697,521</u>
Non-Operating Change				
Net investment (loss) return	(194,062)	(2,761,708)	(2,955,770)	4,257,606
Less: endowment support for current operations	(44,268)	(776,472)	(820,740)	(811,680)
Proceeds from deaccessioned collections	352,985	--	352,985	2,599
Purchases of collections	(1,700)	--	(1,700)	--
Gain on disposal of property	9,253	--	9,253	--
Change in beneficial interests in trusts	--	(1,456,961)	(1,456,961)	1,225,183
Change in fair value of split-interest agreements	<u>(6,330)</u>	<u>--</u>	<u>(6,330)</u>	<u>(8,148)</u>
Total Non-Operating Change	<u>115,878</u>	<u>(4,995,141)</u>	<u>(4,879,263)</u>	<u>4,665,560</u>

The accompanying notes are an integral part of these financial statements.

THE WESTERN RESERVE HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Change in Net Assets	\$ 3,810,314	\$ (6,985,083)	\$ (3,174,769)	\$ 7,363,081
Net Assets - Beginning	<u>13,600,885</u>	<u>29,603,227</u>	<u>43,204,112</u>	<u>35,841,031</u>
Net Assets - Ending	<u>\$ 17,411,199</u>	<u>\$ 22,618,144</u>	<u>\$ 40,029,343</u>	<u>\$ 43,204,112</u>

The accompanying notes are an integral part of these financial statements.

THE WESTERN RESERVE HISTORICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	Library, Archives, and Museums	Hale Farm & Village	Other Historic Properties	Total Program Services	Management and General	Fundraising	2022 Total	2021 Total
Salaries and related costs	\$ 1,563,473	\$ 662,127	\$ --	\$ 2,225,600	\$ 591,510	\$ 312,309	\$ 3,129,419	\$ 2,357,380
Exhibit and educational programming materials	359,278	73,136	13,577	445,991	2,302	2,302	450,595	159,419
Merchandise	41,063	41,501	--	82,564	--	--	82,564	44,302
Event catering	64,338	26,053	--	90,391	--	31,999	122,390	37,608
Purchased services and office expenses	215,783	44,998	2,444	263,225	210,631	23,805	497,661	458,391
Occupancy	615,649	211,935	32,456	860,040	4,112	1,828	865,980	691,444
Liability insurance	101,358	11,619	7,963	120,940	8,776	--	129,716	122,146
Advertising	16,275	39,970	--	56,245	16,050	16,050	88,345	60,155
Other operating expenses	90,492	14,055	400	104,947	42,536	20,701	168,184	133,798
Interest expense	11,274	--	--	11,274	1,537	--	12,811	14,176
Depreciation	<u>1,024,487</u>	<u>242,161</u>	<u>25,446</u>	<u>1,292,094</u>	<u>7,028</u>	<u>3,123</u>	<u>1,302,245</u>	<u>1,195,564</u>
Overall Expenses	4,103,470	1,367,555	82,286	5,553,311	884,482	412,117	6,849,910	5,274,383
Less: expenses netted against revenues within:								
Gifts, grants and project support	--	--	--	--	--	31,999	31,999	13,282
Earned income	<u>64,338</u>	<u>26,053</u>	<u>--</u>	<u>90,391</u>	<u>--</u>	<u>--</u>	<u>90,391</u>	<u>24,326</u>
Total Operating Expenses	<u>\$ 4,039,132</u>	<u>\$ 1,341,502</u>	<u>\$ 82,286</u>	<u>\$ 5,462,920</u>	<u>\$ 884,482</u>	<u>\$ 380,118</u>	<u>\$ 6,727,520</u>	<u>\$ 5,236,775</u>
Percent of Total Operating Expenses	<u>60.1%</u>	<u>19.9%</u>	<u>1.2%</u>	<u>81.2%</u>	<u>13.1%</u>	<u>5.7%</u>	<u>100.0%</u>	

The accompanying notes are an integral part of these financial statements.

THE WESTERN RESERVE HISTORICAL SOCIETY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (3,174,769)	\$ 7,363,081
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(1,641,207)	(2,972,958)
Depreciation	1,302,245	1,195,564
Realized and unrealized losses (gains) on investments	3,522,830	(3,958,821)
Gain on disposal of property	(9,253)	--
Change in beneficial interests in trusts	1,456,961	(1,225,183)
Proceeds from deaccessioned collections	(352,985)	(2,599)
Purchases of collections	1,700	--
Changes in operating assets and liabilities:		
Accounts receivable	(72,522)	18,791
Prepaid expenses	7,151	(11,434)
Inventory	(4,920)	10,135
Pledges receivable, net	(331,899)	(70,079)
Accounts payable	271,835	(18,428)
Accrued expenses	49,734	6,766
Contract liability	(63,054)	(5,922)
Refundable advances	(560,333)	107,552
Gift annuity obligations	(1,938)	(2,024)
Net Cash Provided by Operating Activities	399,576	434,441
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,385,566)	(2,508,376)
Proceeds from disposal of property	92,434	--
Sale (purchase) of assets restricted by donors for investment in property and equipment	179,358	(179,358)
Purchases of long-term investments	(2,044,080)	(6,070,335)
Proceeds from sale of long-term investments	2,332,814	6,579,022
Proceeds from deaccessioned collections	352,985	2,599
Purchases of collections	(1,700)	--
Net Cash Used in Investing Activities	(1,473,755)	(2,176,448)

The accompanying notes are an integral part of these financial statements.

THE WESTERN RESERVE HISTORICAL SOCIETY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Financing Activities		
Collection of contributions restricted for long-term purposes	1,641,207	2,972,958
Repayments on line of credit	<u>(72,000)</u>	<u>--</u>
Net Cash Provided by Financing Activities	<u>1,569,207</u>	<u>2,972,958</u>
Net Increase in Cash and Cash Equivalents	\$ 495,028	\$ 1,230,951
Cash and Cash Equivalents - Beginning of Year	<u>2,778,444</u>	<u>1,547,493</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,273,472</u>	<u>\$ 2,778,444</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 12,234	\$ 13,958

The accompanying notes are an integral part of these financial statements.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

The Western Reserve Historical Society (“WRHS”) is a nonprofit institution that preserves and uses its collections, historic sites and museums to inspire people to discover the American experience by exploring the tangible history of Northeast Ohio.

Collections and exhibitions focus on the Western Reserve, placing this Northeast Ohio region in its larger historical context. WRHS’s holdings and exhibits provide an educational resource for library and museum users, including school children, the general public and scholars. In order to communicate effectively with these audiences, exhibits, whenever appropriate, employ modern interactive technologies and techniques. WRHS seeks to make its research materials, exhibits and programs accessible to a diverse and inclusive audience.

WRHS’s headquarters in Cleveland is known as the Cleveland History Center and includes the research library, exhibit galleries, two historic homes, collections storage and administrative offices. The renowned WRHS costume collection, one of the largest of its kind in the country, and the exhibit galleries of the Crawford Auto Aviation Collection, are located in the Cleveland History Center.

WRHS also owns and operates Hale Farm & Village, a 90 acre living history museum in the Cuyahoga Valley south of Cleveland, and three other historic properties.

WRHS’s revenues are from contributions and exchange transactions with individuals and organizations located primarily in Northeast Ohio.

BASIS OF ACCOUNTING

WRHS prepares its financial statements on the accrual basis of accounting. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION

WRHS reports information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions: These comprise net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of WRHS. WRHS’s board may designate assets without restrictions for specific purposes from time to time.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Net assets with donor restrictions: These comprise net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature because those restrictions will be met by actions of WRHS or by the passage of time. Other donor restrictions are perpetual in nature because the donor has stipulated the funds or property be maintained in perpetuity.

SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total, but not by net asset class and related notes are not presented. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Accordingly, such information should be read in conjunction with WRHS’s financial statements for the fiscal year ended June 30, 2021, from which the summarized information was derived.

NEW ACCOUNTING PRONOUNCEMENT

Accounting Standards Update 2020-07

On July 1, 2021, WRHS adopted the guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. If significant discernable categories of contributed nonfinancial assets are received during the year this information should be disaggregate by major category. Disclosures are required to include a description of the entity’s policy as to whether such contributed nonfinancial assets are either monetized or utilized in operations as well as information about valuation techniques, if used to arrive at a fair value measurement at the date of initial recognition. The amendments in this ASU are required to be applied retrospectively to all prior periods presented. Management has determined that the adoption of ASU 2020-07 did not materially impact the financial statements of WRHS.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

WRHS records earned revenue under the guidance in FASB Accounting Standards Codification (“ASC”) 606. The core principle of ASC 606 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. In accomplishing this, ASC 606 utilizes a five-step approach: (i) identify the contract with a customer; (ii) identify the performance obligations within the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

WRHS’s earned revenue sources include admissions, parking, gift shop and concession sales, fees for service, and facility rentals.

Admissions

WRHS charges patrons admission fees to the Cleveland History Center and Hale Farm & Village locations. Tickets are purchased for admission on a specific date and revenue from those ticket sales is recognized at the point in time when the ticket is valid for entry. WRHS members receive general admission to the Cleveland History Center and Hale Farm & Village at no additional cost. Revenue from annual membership sales that is attributed to admissions is recognized ratably over the timeframe of the related membership.

Parking

WRHS collects daily parking fees at the Cleveland History Center. Revenue from parking is recognized at the point in time when the customer purchases a parking ticket and utilizes the parking services. WRHS members receive discounted parking at the Cleveland History Center. Revenue from annual membership sales that is attributed to parking is recognized over the timeframe of the related membership.

Gift Shop and Concession Sales

WRHS operates a gift shop and concessions at both the Cleveland History Center and Hale Farm & Village locations. Revenue from gift shop and concession sales is recognized at the point in time when the customer purchases the merchandise or the food and beverage. WRHS has an open return policy for gift shop items, provided the item returned is resalable. No amounts have been recognized for returns because historically item returns have been negligible.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Fees for Service

WRHS has contracts with third parties for which WRHS provides curatorial, interpretive, and educational services. Revenue from fees for service is recognized over the term of the related contract as WRHS fulfills its performance obligations.

Facility Rentals

WRHS rents space to groups at the Cleveland History Center and Hale Farm & Village locations. Revenue from space rentals is recognized when the related event occurs or when non-refundable cancellations occur. WRHS collects a deposit in advance of a rental at the time the rental contract is signed, with the remaining rental amount due 30 days prior to the rental event. Advance payments are generally nonrefundable when customers cancel events.

WRHS partners with third party caterers to provide food and service at rental events, for which WRHS receives a commission. Revenue from rentals also includes the direct sale of alcoholic beverages to rental groups. Revenue from catering commissions and the sale of alcoholic beverages is recognized at the point in time when the related rental event occurs.

Revenue from membership sales is bifurcated between earned revenue and contribution revenue. The earned revenue component is determined using fair values of admissions, parking, and store discounts, and any remaining amount is considered contribution revenue. Revenue attributed to parking and store discounts is classified as admissions because the relative values are negligible.

CONTRIBUTIONS

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from donor restrictions.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS (CONTINUED)

Contributions of cash or other assets restricted to the acquisition of long-lived assets are recorded as donor-restricted. In the absence of explicit donor stipulations otherwise, donor restrictions are considered to be met once the long-lived assets are placed-in-service and the related net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributed long-lived assets are recorded at fair value when received.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP 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.

RECLASSIFICATIONS

Certain reclassifications have been made to amounts in the prior year financial statements to conform to the current year financial statement presentation. Such reclassifications had no effect on change in net assets as previously reported.

CASH AND CASH EQUIVALENTS

WRHS considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

INVENTORY

Inventory is stated at the lower of cost or net realizable value, with cost being determined by the first-in first-out ("FIFO") method. WRHS capitalizes museum store inventory when purchased and expenses it when sold.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in net investment return under non-operating change in the statement of activities and change in net assets.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Expenditures for routine repairs and maintenance are expensed as incurred and expenditures for major renovations are capitalized. The cost of property and equipment retired or sold and the related accumulated depreciation are removed from the accounts and any related gain or loss is included in change in net assets in the accompanying statement of activities and change in net assets. WRHS has not capitalized the original value of land and museum buildings donated.

WRHS capitalizes property and equipment expenditures that exceed \$1,000. Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

Building and land improvements	5 - 40 years
Equipment, furniture and fixtures	3 - 20 years

WRHS reviews its long lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is determined to be less than the carrying amount of the asset, an impairment loss is recognized for the difference. For the year ended June 30, 2022, management determined that no impairment losses exist.

COLLECTIONS

WRHS's collections of historically significant artifacts, art objects and other materials are held for education, research and public exhibition, and are not capitalized by WRHS. The cost of collection items purchased is recorded as an expense in the year acquired.

The Board of Directors considers staff recommendations regarding collection items to be deaccessioned and sold, which may occur because the items are duplicates or no longer meet the mission or purposes of WRHS. Net proceeds are used to acquire new collection items as well as provide for the direct care of existing collection items. Direct care of existing items includes restoration of collection items and other preservation activities, including environmental controls and general storage. Proceeds from deaccessioned collections are reflected in the statement of activities and change in net assets under non-operating change.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BENEFICIAL INTERESTS IN TRUSTS

WRHS is the beneficiary of certain trusts administered by others. The trusts' assets are invested in debt and equity securities, and WRHS records its interests in these trusts at the fair value of the trust assets, unless facts and circumstances indicate that the fair value of the beneficial interest differs from the fair value of the underlying trust assets. Unless otherwise specified by the donor, trust distributions are recognized as income from perpetual trusts without donor restrictions in the statement of activities and change in net assets. Subsequent changes in the fair value of the beneficial interests in trusts' assets are recognized as non-operating activity in the statement of activities and change in net assets.

CONTRACT LIABILITY

Contract liability consists of rental fees and monies received for services yet to be performed.

INCOME TAXES

WRHS is tax-exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state laws. However, WRHS engages in activities subject to Federal income taxes that are considered unrelated to its exempt purpose. There is a net operating loss carry forward of \$778,089 to offset future income tax liabilities. The tax benefit of the net operating loss carryforward is offset by a valuation allowance. Accordingly, WRHS has not recorded a deferred tax benefit for the effect of the net operating loss carry forward. Net operating loss carry forwards begin to expire in the 2023 tax year.

WRHS accounts for uncertain tax provisions under FASB ASC 740, *Income Taxes*, which provides a framework for how entities should recognize, measure, present and disclose uncertain tax positions in their financial statements. WRHS may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. WRHS does not have any uncertain tax positions as of June 30, 2022. During the year ended June 30, 2022, WRHS did not record any penalties or interest associated with uncertain tax positions. There are currently no examinations pending or in progress.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS OF CREDIT RISK

WRHS places its cash with regulated financial institutions. At times these balances may exceed federally insured limits.

WRHS invests in a professionally managed investment portfolio that contains common shares of publicly-traded companies, mutual funds, alternative investments, and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

CONTRIBUTED SERVICES

WRHS receives donated services from unpaid volunteers who assist in program, fund-raising and special project initiatives. WRHS would recognize significant contributions of services received when those services (a) create or enhance nonfinancial 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. WRHS did not recognize revenue from contributed services for the year ended June 30, 2022 as the recognition criteria above were not met.

AUXILIARY ORGANIZATIONS

Included in the assets of WRHS are the accounts of the following auxiliary organizations:

African American Archives Auxiliary
Genealogical Committee
Friends of Cleveland History Center
Citizens of Hale Farm & Village

Donations to these organizations are made for the benefit of WRHS. The organizations remit to WRHS funds they have received to invest on their behalf. WRHS tracks the funds and earnings for each organization and will disburse the funds as requested by the organization to further the purposes of WRHS.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and related costs and office expenses, which are allocated based on estimates of time and effort, occupancy and depreciation, which are allocated on a square footage basis, and liability insurance, which is allocated according to relative asset valuation.

ADVERTISING

Advertising costs are expensed when incurred.

SUBSEQUENT EVENTS

WRHS has evaluated subsequent events through November 29, 2022, the date these financial statements were available to be issued. There were no subsequent events that required recognition or disclosure in these financial statements.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects WRHS's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of internal designations or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

Financial Assets at June 30, 2022

Cash and cash equivalents	\$ 3,273,472
Accounts receivable	95,142
Pledges receivable, net	1,269,096
Investments	15,930,693
Beneficial interests in trusts	<u>5,780,393</u>
Total Financial Assets	<u>26,348,796</u>
Less: amounts not available for general expenditure within one year, due to:	
Funds with donor restrictions	(1,483,056)
Funds with board designations, including a liquidity reserve	(1,208,348)
Reserve to fund gift annuity payments	(34,362)
Unappropriated by auxiliaries	(191,973)
Pledges receivable due in greater than one year	(48,962)
Investments held at community foundations	(49,371)
Endowments, less amounts appropriated within one year	(14,607,433)
Beneficial interests in trusts, less amounts receivable within one year	<u>(5,458,205)</u>
Total amounts not available for general expenditure within one year:	<u>(23,081,710)</u>
Financial Assets Available for General Expenditure Within One Year	<u>\$ 3,267,086</u>

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

WRHS is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, WRHS must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of WRHS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, WRHS invests cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus as a liquidity reserve. In the event of an unanticipated liquidity need, WRHS also could draw upon its available line of credit.

NOTE 3 - PLEDGES RECEIVABLE

Outstanding pledges were discounted to their present value assuming their respective terms, using a discount rate of 5%. The discounted pledges are scheduled to be collected as follows:

Gross receivables due in less than one year	\$ 1,285,500
Gross receivables due in one to five years	48,962
Less allowance for uncollectible pledges	(56,700)
Less present value discount	<u>(8,666)</u>

Pledges Receivable, Net \$ 1,269,096

As of June 30, 2022, 84% of gross outstanding pledges are due from two donors and 24% of operating revenues were contributed by these donors.

NOTE 4 - FAIR VALUE MEASUREMENTS

GAAP requires disclosure of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories:

Level 1 - Quoted unadjusted prices for identical instruments in active markets to which WRHS has access at the date of measurement.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists, or in instances where prices vary substantially over time or among brokered market makers.

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 used by WRHS are intended to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2022.

Equity mutual funds – equity mutual funds invest primarily in common stock of domestic and international corporations in a variety of industries. Quoted prices in active markets are used to value the equity mutual funds and therefore they are classified as Level 1.

Fixed income mutual funds – fixed income mutual funds are invested in a variety of instruments including U.S. Treasuries, mortgage-backed securities, and corporate bonds of both domestic and international corporations. Quoted prices in active markets are used to value the fixed income mutual funds and therefore they are classified as Level 1.

Stable value – money market funds are invested primarily in government obligations and have an established value of \$1.00 per share and therefore they are classified as Level 1.

Beneficial interests in trusts – the fair values of the underlying assets are used to determine the fair value, based on WRHS's proportionate beneficial interest in the investment pool.

Gift annuity obligations – valued by estimating the future cash payout requirements based on actuarial assumptions on the annuitants' lives, net of a discount applied to the obligation using a discount rate of 5.0%.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Financial assets consisted of the following at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Assets Measured at Fair Value:				
Mutual Funds:				
Equity	\$ 9,048,603	\$ --	\$ --	\$ 9,048,603
Fixed income	4,841,062	--	--	4,841,062
Stable value	<u>289,961</u>	<u>--</u>	<u>--</u>	<u>289,961</u>
	14,179,626	--	--	14,179,626
Beneficial interests in trusts	<u>--</u>	<u>--</u>	<u>5,780,393</u>	<u>5,780,393</u>
Total Assets Measured at Fair Value	<u>\$ 14,179,626</u>	<u>\$ --</u>	<u>\$ 5,780,393</u>	<u>\$ 19,960,019</u>

	Unfunded Commitments	Redemption Notice Period	Redemption Frequency	Net Asset Value
Assets Measured at Net Asset Value:				
GLASfunds SPC	None	60 days	Quarterly	\$ 1,652,767
GLASfunds PE	None	60 days	Quarterly	24,791
Hatteras Institutional Fund	None	45 days	Quarterly	24,138
Pooled investments held at community foundations	None	(A)	(A)	<u>49,371</u>
Total Assets Measured at Net Asset Value				<u>\$ 1,751,067</u>
Total Assets Measured at Fair Value and Net Asset Value				<u>\$ 21,711,086</u>

(A) – WRHS’s board of directors can request distributions of principal from these funds; however, the amount and frequency of any such distributions is subject to approval by the related community foundation board of trustees.

Liabilities measured at fair value consisted of the following at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Liabilities Measured at Fair Value:				
Gift Annuity Obligations	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 34,362</u>	<u>\$ 34,362</u>

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Certain alternative investments are measured using net asset per share as a practical expedient which is permitted under GAAP. The significant investment strategy of the investee of these alternative investments is to provide capital appreciation consistent with the return characteristics of alternative investment portfolios in larger endowments, and to provide capital appreciation with less volatility than that of the equity markets.

NOTE 5 - PROPERTY AND EQUIPMENT

At June 30, 2022, property and equipment consisted of the following:

Land	\$ 1,620,155
Building and land improvements	31,712,724
Equipment, furniture and fixtures	1,286,817
Construction in progress	<u>81,101</u>
	34,700,797
Less: accumulated depreciation	<u>(19,237,721)</u>
Total	<u>\$ 15,463,076</u>

Construction in progress consists of renovation projects at Hale Farm & Village and Shandy Hall. These projects are scheduled to be completed during the fiscal year ending June 30, 2023. Construction in progress has not been placed in service as of June 30, 2022 and is not currently being depreciated.

NOTE 6 - BOARD DESIGNATED NET ASSETS

WRHS has board designated net assets, included in without donor restrictions on the accompanying statement of activities and change in net assets, for the following purposes as of June 30, 2022:

Quasi-endowment	\$ 829,170
Various projects	910,931
Reserve to pay gift annuity obligations	25,999
Liquidity reserve	<u>297,416</u>
Total	<u>\$ 2,063,516</u>

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2022:

Projects with donor purpose restrictions	\$ 2,047,797
Unappropriated from auxiliaries	191,973
Held by external trustees in perpetuity with payments made to WRHS from investment earnings	5,780,393
Donor-restricted endowments:	
Original donor-restricted endowments and amounts to be retained as principal	8,254,648
Portion subject to appropriation under UPMIFA	2,764,540
Term endowments subject to purpose and period restrictions	<u>3,578,793</u>
Total	<u>\$ 22,618,144</u>

NOTE 8 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors as follows for the year ended June 30, 2022:

Satisfaction of donor purpose restrictions	\$ 5,795,392
Passage of time restrictions	207,711
Appropriations from auxiliaries	63,135
Appropriations from donor restricted endowments	<u>776,472</u>
Total	<u>\$ 6,842,710</u>

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - ENDOWMENTS

WRHS's endowment consists of 30 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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.

INTERPRETATION OF RELEVANT LAW

WRHS is subject to the State of Ohio's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board of Directors appropriates such amounts for expenditure and any other purpose restrictions have been met. WRHS has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, WRHS considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. WRHS has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

In accordance with UPMIFA, WRHS 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 purposes of WRHS 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 appreciation of investments
- (6) Other resources of WRHS
- (7) Investment policies of WRHS

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - ENDOWMENTS (CONTINUED)

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires WRHS to retain as a fund of perpetual duration. Deficiencies of this nature exist in four donor-restricted endowment funds, which together have an original value of \$568,798, a current fair value of \$525,426, and a deficiency of \$43,372 as of June 30, 2022. These deficiencies resulted from unfavorable market fluctuations during the year ended June 30, 2022, and continued appropriation for certain programs that was deemed prudent by WRHS. WRHS does not modify its spending policy for underwater funds.

RETURN OBJECTIVES AND RISK PARAMETERS

WRHS has adopted investment and spending policies for endowment assets that attempt to provide funds for various operating and maintenance expenses while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that WRHS must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that over time will average the level of the approved endowment spending rate plus inflation. Actual returns in any given year may vary from this targeted growth.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

In order to maintain long-term purchasing power, WRHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WRHS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - ENDOWMENTS (CONTINUED)

SPENDING POLICY AND HOW INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

WRHS has a policy of appropriating for expenditure each year 5% from the endowment, calculated on the basis of market values that are determined at least quarterly and averaged over a period of three years immediately preceding the year in which the appropriation for expenditure was made.

Changes in Endowment Net Assets for the fiscal year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets – June 30, 2021	\$ 1,029,736	\$ 18,125,706	\$ 19,155,442
Contributions	--	425	425
Net investment loss	(156,298)	(2,751,678)	(2,907,976)
Appropriation of endowment assets for expenditure	<u>(44,268)</u>	<u>(776,472)</u>	<u>(820,740)</u>
Endowment Net Assets - June 30, 2022	<u>\$ 829,170</u>	<u>\$ 14,597,981</u>	<u>\$ 15,427,151</u>

NOTE 10 - LINE OF CREDIT

WRHS maintains a revolving line of credit with a commercial bank. The line of credit has a maximum allowed borrowing of \$2,500,000. Interest is charged, based on the outstanding balance, at the greater of the Daily LIBOR Rate or zero, plus 150 basis points. The interest rate was approximately 3.29% at June 30, 2022.

Effective July 2022, the interest calculation is based on the Daily Bloomberg Short-Term Bank Yield Index (“BSBY”) Rate, plus 150 basis points. The line of credit has an expiration date of July 15, 2023, and is secured by endowment assets without donor restrictions and a first mortgage on property owned by WRHS.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 - FEDERAL CORONAVIRUS PANDEMIC FUNDING

In January 2021, WRHS received a Second Draw Paycheck Protection Program loan (“PPP2”) from the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act in the amount of \$477,800. The purpose of the loan was to provide operating capital so that WRHS could continue its payroll during the COVID-19 pandemic. In November 2021, WRHS obtained full forgiveness of the PPP2 loan from SBA which has been recorded within federal coronavirus pandemic funding in the accompanying statement of activities and change in net assets.

NOTE 12 - EMPLOYEE BENEFIT PLAN

WRHS maintains a defined contribution salary deferred 403(b) plan (the “Plan”) covering eligible employees. Under the Plan, WRHS may match 100% of employee salary deferrals up to 3%, and matches 50% of employee salary deferrals over 3% up to a maximum of 5%. The match is discretionary on an annual basis based on budgetary considerations by management. Matching contributions during the year ended June 30, 2022 were \$51,649.

NOTE 13 - BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

WRHS is the beneficial recipient of funds held at two public foundations. In accordance with GAAP, WRHS cannot record its beneficial interest in the principal amounts because distributions from these funds are subject to the respective foundations’ variance power to direct fund distributions to other beneficiaries.

In May 2011, the Frederick C. and Kathleen S. Crawford Fund (the “Crawford Fund”) was established at the Cleveland Foundation. The market value of the Crawford Fund was \$17,652,127 as of June 30, 2022. The Cleveland Foundation’s grant award from the Crawford Fund was \$774,095 for the calendar year ending December 31, 2022. This award is recorded in gifts, grants and project support with donor restrictions in the statement of activities and change in net assets until the donor-imposed restrictions are met by actions of WRHS and/or the passage of time. At that time, these amounts are reclassified, through net assets released from donor restrictions, to net assets without donor restrictions in the statement of activities and change in net assets.

The late Ambassador Holsey Gates Handyside established funds at The Cleveland Foundation that are intended to assist in maintaining the property and operations of the historic Holsey Gates Handyside residence in Bedford, Ohio. The market value of the funds was \$9,002,792 as of June 30, 2022. Terms of the fund permit The Cleveland Foundation to expend principal from the fund.

The market value of other community funds established for the benefit of WRHS was \$1,239,449 as of June 30, 2022.

THE WESTERN RESERVE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 14 - CONTRIBUTIONS SUBJECT TO CONDITIONS

At June 30, 2022, donors have made funding commitments that are subject to conditions that WRHS must fulfill in order to be eligible to recognize revenue. These amounts are not recorded until such time as the conditions under the respective agreement have been substantially met. The commitments are as follows:

Purpose of Commitment	Amount Committed
Educational programming	\$323,487