

**THE WESTERN RESERVE HISTORICAL SOCIETY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

# THE WESTERN RESERVE HISTORICAL SOCIETY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**The Western Reserve Historical Society**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of The Western Reserve Historical Society (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

***Opinion***

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

***Report on Summarized Comparative Information***

We have previously audited The Western Reserve Historical Society's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Cleveland, OH  
November 22, 2021

# THE WESTERN RESERVE HISTORICAL SOCIETY

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 2,778,444	\$ 1,547,493
Accounts receivable	22,620	41,411
Prepaid expenses	28,948	17,514
Inventory	96,321	106,456
Pledges receivable, net	937,197	867,118
Property and equipment, net of accumulated depreciation	14,724,845	13,037,751
Collections (see Note 1)	--	--
Assets restricted by donors for investment in property and equipment	179,358	--
Investments	19,742,257	16,213,779
Investment held for sale	--	78,344
Beneficial interests in trusts	<u>7,237,354</u>	<u>6,012,171</u>
<b>Total Assets</b>	<u>\$ 45,747,344</u>	<u>\$ 37,922,037</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 74,698	\$ 93,126
Accrued expenses	56,595	49,829
Capital accounts payable	374,282	--
Contract liability	702,240	708,162
Refundable advances	698,920	591,368
Line of credit	600,197	600,197
Gift annuity obligations	<u>36,300</u>	<u>38,324</u>
<b>Total Liabilities</b>	<u>2,543,232</u>	<u>2,081,006</u>
<b>Net Assets</b>		
Without donor restrictions	13,600,885	13,268,277
With donor restrictions	<u>29,603,227</u>	<u>22,572,754</u>
<b>Total Net Assets</b>	<u>43,204,112</u>	<u>35,841,031</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 45,747,344</u>	<u>\$ 37,922,037</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, 2021**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>Operating Revenues and Support</b>				
Gifts, grants and project support	\$ 758,692	\$ 1,474,387	\$ 2,233,079	\$ 2,256,280
Contributions for capital projects	250,000	2,660,000	2,910,000	--
Federal coronavirus pandemic funding	608,750	--	608,750	--
Admissions	374,510	--	374,510	719,191
Earned income, other	557,335	--	557,335	707,722
Other income	111,676	--	111,676	88,393
Income from perpetual trusts	327,266	--	327,266	339,622
Endowment support for current operations	43,752	767,928	811,680	802,500
Net assets released from donor restrictions	<u>2,305,732</u>	<u>(2,305,732)</u>	<u>--</u>	<u>--</u>
<b>Total Operating Revenues and Support</b>	<u>5,337,713</u>	<u>2,596,583</u>	<u>7,934,296</u>	<u>4,913,708</u>
<b>Operating Expenses</b>				
Program services:				
Library, archives and museums	3,110,730	--	3,110,730	3,506,216
Hale Farm & Village	930,178	--	930,178	1,275,103
Other historic properties	<u>73,370</u>	<u>--</u>	<u>73,370</u>	<u>89,924</u>
Total program services	4,114,278	--	4,114,278	4,871,243
Management and general	793,464	--	793,464	792,753
Fundraising	<u>329,033</u>	<u>--</u>	<u>329,033</u>	<u>402,318</u>
<b>Total Operating Expenses</b>	<u>5,236,775</u>	<u>--</u>	<u>5,236,775</u>	<u>6,066,314</u>
<b>Change in Net Assets from Operations</b>	<u>100,938</u>	<u>2,596,583</u>	<u>2,697,521</u>	<u>(1,152,606)</u>
<b>Non-Operating Change</b>				
Net investment return	280,971	3,976,635	4,257,606	111,956
Less: endowment support for current operations	(43,752)	(767,928)	(811,680)	(802,500)
Proceeds from deaccessioned collections	2,599	--	2,599	627
Impairment loss on investment held for sale	--	--	--	(116,656)
Change in beneficial interests in trusts	--	1,225,183	1,225,183	(382,506)
Change in fair value of split-interest agreements	<u>(8,148)</u>	<u>--</u>	<u>(8,148)</u>	<u>(6,278)</u>
<b>Total Non-Operating Change</b>	<u>231,670</u>	<u>4,433,890</u>	<u>4,665,560</u>	<u>(1,195,357)</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, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>Change in Net Assets</b>	\$ 332,608	\$ 7,030,473	\$ 7,363,081	\$ (2,347,963)
<b>Net Assets - Beginning</b>	<u>13,268,277</u>	<u>22,572,754</u>	<u>35,841,031</u>	<u>38,188,994</u>
<b>Net Assets - Ending</b>	<u>\$ 13,600,885</u>	<u>\$ 29,603,227</u>	<u>\$ 43,204,112</u>	<u>\$ 35,841,031</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, 2021**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

	Library, Archives, and Museums	Hale Farm & Village	Other Historic Properties	Total Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries and related costs	\$ 1,114,839	\$ 393,975	\$ --	\$ 1,508,814	\$ 565,961	\$ 282,605	\$ 2,357,380	\$ 2,947,654
Exhibit and educational programming materials	110,482	32,302	14,865	157,649	885	885	159,419	288,666
Merchandise	10,796	33,506	--	44,302	--	--	44,302	88,649
Event catering	7,599	16,727	--	24,326	--	13,282	37,608	83,522
Purchased services and office expenses	243,083	35,311	1,062	279,456	161,697	17,238	458,391	424,338
Occupancy	513,948	131,606	35,137	680,691	7,411	3,342	691,444	685,832
Liability insurance	95,502	10,948	7,427	113,877	8,269	--	122,146	118,252
Advertising	11,022	27,095	--	38,117	11,019	11,019	60,155	99,366
Other operating expenses	91,637	10,993	--	102,630	23,222	7,946	133,798	131,024
Interest expense	12,475	--	--	12,475	1,701	--	14,176	19,037
Depreciation	906,946	254,442	14,879	1,176,267	13,299	5,998	1,195,564	1,263,496
<b>Overall Expenses</b>	<b>3,118,329</b>	<b>946,905</b>	<b>73,370</b>	<b>4,138,604</b>	<b>793,464</b>	<b>342,315</b>	<b>5,274,383</b>	<b>6,149,836</b>
Less: expenses netted against revenues within:								
Gifts, grants, and project support	--	--	--	--	--	13,282	13,282	33,804
Earned income	7,599	16,727	--	24,326	--	--	24,326	49,718
<b>Total Operating Expenses</b>	<b>\$ 3,110,730</b>	<b>\$ 930,178</b>	<b>\$ 73,370</b>	<b>\$ 4,114,278</b>	<b>\$ 793,464</b>	<b>\$ 329,033</b>	<b>\$ 5,236,775</b>	<b>\$ 6,066,314</b>
<b>Percent of Total Operating Expenses</b>	<u>59.4%</u>	<u>17.8%</u>	<u>1.4%</u>	<u>78.6%</u>	<u>15.2%</u>	<u>6.2%</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, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 7,363,081	\$ (2,347,963)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(2,972,958)	(189,500)
Depreciation	1,195,564	1,263,496
Net realized and unrealized (gains) losses on investments	(3,958,821)	343,504
Impairment loss on investment held for sale	--	116,656
Change in beneficial interests in trusts	(1,225,183)	382,506
Changes in operating assets and liabilities:		
Accounts receivable	18,791	57,164
Prepaid expenses	(11,434)	2,035
Inventory	10,135	(5,789)
Pledges receivable, net	(70,079)	343,678
Accounts payable	(18,428)	(71,632)
Accrued expenses	6,766	23,504
Contract liability	(5,922)	(26,171)
Refundable advances	107,552	591,368
Gift annuity obligations	(2,024)	(1,990)
<b>Net Cash Provided by Operating Activities</b>	<u>437,040</u>	<u>480,866</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(2,508,376)	(693,748)
(Purchase) sale of assets restricted by donors for investment in property and equipment	(179,358)	142,908
Purchases of long-term investments	(6,070,335)	(4,293,757)
Proceeds from sale of long-term investments	<u>6,579,022</u>	<u>4,652,915</u>
<b>Net Cash Used in Investing Activities</b>	<u>(2,179,047)</u>	<u>(191,682)</u>
<b>Cash Flows from Financing Activities</b>		
Collection of contributions restricted for long-term purposes	<u>2,972,958</u>	<u>189,500</u>

*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, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

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	<u>2021</u>	<u>2020</u>
<b>Net Increase in Cash and Cash Equivalents</b>	\$ 1,230,951	\$ 478,684
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,547,493</u>	<u>1,068,809</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,778,444</u>	<u>\$ 1,547,493</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 13,958	\$ 19,037

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

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### 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.

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *NEW ACCOUNTING PRONOUNCEMENTS*

##### Accounting Standards Codification 606

On July 1, 2020, WRHS adopted the guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 606 (“ASC 606”), *Revenue from Contracts with Customers*. ASC 606 is a comprehensive new revenue recognition standard that supersedes previous revenue recognition guidance for exchange transactions. 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(s) 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 adopted ASC 606 using a modified retrospective approach, applying the guidance to contracts with customers that were not substantially complete as of July 1, 2020. The cumulative effect of initially applying the guidance in ASC 606 would be recognized as an adjustment to the opening balance of net assets. WRHS has analyzed this effect and determined that the adoption of ASC 606 did not have a material impact on its financial statements. Therefore, management determined that no adjustments to the opening balance of net assets were necessary.

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.

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)*

##### Accounting Standards Codification 606 (continued)

##### 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 goods 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.

##### 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.

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)*

##### Accounting Standards Codification 606 (continued)

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.

##### Accounting Standards Update 2018-13

During the year ended June 30, 2021, WRHS also adopted the guidance in Accounting Standards Update (“ASU”) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. For nonpublic entities, ASU 2018-13 removes certain requirements surrounding fair value measurement, including the requirement to disclose transfers between Level 1 and Level 2 of the fair value hierarchy, the requirement to present information about the valuation processes for assets contained within Level 3 of the fair value hierarchy, and to disclose the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. The ASU modifies other disclosures, including the requirement to present a roll forward of Level 3 assets, requiring instead disclosure of transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. The adoption of ASU 2018-13 did not materially impact the financial statements of WRHS other than the modifications reflected in Note 4 below.

#### ***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.

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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.

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.

#### *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.

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 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 U.S. generally accepted accounting principles ("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.

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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 on a first-in first-out (“FIFO”) basis. 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.

#### *PROPERTY AND EQUIPMENT*

Property and equipment are recorded at cost when purchased. WRHS has not capitalized the original value of land and museum buildings donated.

WRHS capitalizes these types of expenditures for costs 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

Routine expenditures for repairs and maintenance are expensed as incurred.

#### *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 WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *COLLECTIONS (CONTINUED)*

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.

#### *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 interests 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 \$736,372 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 2021 tax year.

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *INCOME TAXES (CONTINUED)*

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, 2021. During the year ended June 30, 2021, WRHS did not record any penalties or interest associated with uncertain tax positions. There are currently no examinations pending or in progress.

#### *CONCENTRATIONS OF RISK*

WRHS has cash on hand at financial institutions which may, at times, exceed federally insured amounts.

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 a significant amount of donated services from approximately 200 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, 2021 as the recognition criteria above were not met.

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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.

#### *COMPARATIVE TOTALS*

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. Accordingly, such information should be read in conjunction with WRHS's financial statements for the fiscal year ended June 30, 2020, from which the summarized information was derived.

#### *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 22, 2021, 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 THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 2 - AVAILABILITY AND LIQUIDITY 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, 2021

Cash and cash equivalents	\$ 2,778,444
Accounts receivable	22,620
Pledges receivable, net	937,197
Investments	19,742,257
Beneficial interests in trusts	<u>7,237,354</u>
Total Financial Assets	<u>30,717,872</u>
Less: amounts not available for general expenditure within one year, due to:	
Funds with donor restrictions	(1,065,248)
Funds with board designations, including a liquidity reserve	(721,153)
Reserve to fund gift annuity payments	(36,300)
Unappropriated by auxiliaries	(257,672)
Pledges receivable due in greater than one year	(71,047)
Investments held at community foundations	(59,058)
Endowments, less amounts appropriated within one year	(18,376,702)
Beneficial interests in trusts, less amounts receivable within one year	<u>(6,920,182)</u>
Total amounts not available for general expenditure within one year:	<u>(27,507,362)</u>
<b>Financial Assets Available for General Expenditure Within One Year</b>	<b><u>\$ 3,210,510</u></b>

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 2 - AVAILABILITY AND LIQUIDITY 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	\$ 922,200
Gross receivables due in one to five years	71,047
Less allowance for uncollectible pledges	(46,700)
Less present value discount	<u>(9,350)</u>
<b>Pledges Receivable, Net</b>	<b><u>\$ 937,197</u></b>

As of June 30, 2021, 86% of gross outstanding pledges are due from two donors and 12% of operating revenues were contributed by these donors. One other donor contributed 32% of operating revenues for a capital project.

### 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 THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### 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, 2021.

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 THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2021**

### NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Financial assets consisted of the following at June 30, 2021:

	Level 1	Level 2	Level 3	Total
<b>Assets Measured at Fair Value:</b>				
Mutual Funds:				
Equity	\$ 11,686,324	\$ --	\$ --	\$ 11,686,324
Fixed income	5,824,488	--	--	5,824,488
Stable value	<u>367,557</u>	<u>--</u>	<u>--</u>	<u>367,557</u>
	17,878,369	--	--	17,878,369
Beneficial interests in trusts	<u>--</u>	<u>--</u>	<u>7,237,354</u>	<u>7,237,354</u>
<b>Total Assets in the Fair Value Hierarchy</b>	<u>\$ 17,878,369</u>	<u>\$ --</u>	<u>\$ 7,237,354</u>	<u>\$ 25,115,723</u>

	Unfunded Commitments	Redemption Notice Period	Redemption Frequency	Net Asset Value
<b>Assets Measured at Net Asset Value:</b>				
GLASfunds SPC	None	60 days	Quarterly	\$ 1,778,925
Hatteras Institutional Fund	None	45 days	Quarterly	25,905
Pooled investments held at community foundations	None	(A)	(A)	<u>59,058</u>
<b>Total Assets Measured at Net Asset Value</b>				<u>\$ 1,863,888</u>
<b>Total Assets at Fair Value</b>				<u>\$26,979,611</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, 2021:

	Level 1	Level 2	Level 3	Total
<b>Liabilities Measured at Fair Value:</b>				
Gift Annuity Obligations	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 36,300</u>	<u>\$ 36,300</u>

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### 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, 2021, property and equipment consisted of the following:

Land	\$ 1,702,727
Building and land improvements	27,793,927
Equipment, furniture and fixtures	982,316
Construction in progress	<u>2,605,682</u>
	33,084,652
Less: accumulated depreciation	<u>(18,359,807)</u>
<b>Total</b>	<b><u>\$14,724,845</u></b>

Construction in progress consists of a library and administrative office renovation project at the Cleveland History Center. This project is scheduled to be completed during the fiscal year ending June 30, 2022.

### 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, 2021:

Quasi-endowment	\$ 1,029,736
Various projects	400,216
Reserve to pay gift annuity obligations	28,589
Liquidity reserve	<u>320,937</u>
<b>Total</b>	<b><u>\$ 1,779,478</u></b>

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2021:

Projects with donor purpose restrictions	\$ 3,982,495
Unappropriated from auxiliaries	257,672
Held by external trustees in perpetuity with payments made to WRHS from investment earnings	7,237,354
Donor-restricted endowments:	
Original donor-restricted endowments and amounts to be retained as principal	8,254,223
Portion subject to appropriation under UPMIFA	5,426,977
Term endowments subject to purpose and period restrictions	<u>4,444,506</u>
<b>Total</b>	<b><u>\$ 29,603,227</u></b>

### 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, 2021:

Satisfaction of donor purpose restrictions	\$ 1,300,239
Passage of time restrictions	221,580
Appropriations from auxiliaries	15,985
Appropriations from donor restricted endowments	<u>767,928</u>
<b>Total</b>	<b><u>\$ 2,305,732</u></b>

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### 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

#### *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. There were no deficiencies of this nature as of June 30, 2021. WRHS does not modify its spending policy for underwater funds.

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 9 - ENDOWMENTS (CONTINUED)

#### *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.

#### *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, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment Net Assets – June 30, 2020</b>	\$ 850,325	\$14,963,112	\$15,813,437
Contributions	--	2,958	2,958
Investment return, net	223,163	3,927,564	4,150,727
Appropriation of endowment assets for expenditure	<u>(43,752)</u>	<u>(767,928)</u>	<u>(811,680)</u>
<b>Endowment Net Assets - June 30, 2021</b>	<u>\$1,029,736</u>	<u>\$18,125,706</u>	<u>\$19,155,442</u>

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### 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 Daily LIBOR Rate plus 150 basis points. The interest rate was approximately 1.66% at June 30, 2021. Effective July 15, 2021, the interest calculation is based on the greater of the Daily LIBOR Rate or zero, plus 150 basis points. The line of credit has an expiration date of July 15, 2022, and is secured by endowment assets without donor restrictions and a first mortgage on property owned by WRHS.

### NOTE 11 – FEDERAL CORONAVIRUS PANDEMIC FUNDING

In April 2020, WRHS obtained a Paycheck Protection Program loan (“PPP1”) from the U.S. Small Business Administration (“SBA”) in the amount of \$477,800 under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which was recorded within refundable advances on the statement of financial position for the year ended June 30, 2020. In January 2021, WRHS obtained full forgiveness of the PPP1 loan from SBA and the full \$477,800 has been recorded as contribution revenue within federal coronavirus pandemic funding on the accompanying statement of activities and change in net assets.

On December 1, 2020, WRHS received \$50,000 of funding from the Summit County COVID-19 Arts and Culture Emergency Relief Grant Program Fund, to be used up to 50% toward general operating expenses and the remaining 50% toward COVID-19 specific expenses, as defined in the related agreement. WRHS met the eligible spending requirements during the year ended June 30, 2021, and has recognized \$50,000 as contribution revenue within federal coronavirus pandemic funding on the accompanying statement of activities and change in net assets.

On December 10, 2020, WRHS received \$80,950 of funding from Cuyahoga County through the Cuyahoga Arts and Culture CARES Arts and Cultural Organizations Relief Program, to be used toward necessary expenditures related to the COVID-19 pandemic, as defined in the related agreement. WRHS met the eligible expenditure requirements during the year ended June 30, 2021, and has recognized these amounts as contribution revenue within federal coronavirus pandemic funding on the accompanying statement of activities and change in net assets.

On January 29, 2021, WRHS received a Second Draw Paycheck Protection Program loan (“PPP2”) from SBA under the CARES 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. WRHS expects that the entire amount of the loan will be forgiven under SBA rules. WRHS management has recorded this amount in refundable advances in the accompanying statement of financial position. While certain allowable costs under the PPP2 agreement were incurred by WRHS during the year ended June 30, 2021, management will record contribution revenue for any amounts ultimately forgiven once SBA has made a formal determination.

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### 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, 2021 were \$46,683.

### 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 was established at the Cleveland Foundation. The market value of the Frederick C. and Kathleen S. Crawford Fund was \$21,261,022 as of June 30, 2021. The Cleveland Foundation's grant award from the Frederick C. and Kathleen S. Crawford Fund was \$740,889 for the calendar year ending December 31, 2021. 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. Subsequently, these amounts are reclassified, through net assets released from donor restrictions, into 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 \$10,757,115 as of June 30, 2021. 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 the Western Reserve Historical Society was \$1,516,670 as of June 30, 2021.

# THE WESTERN RESERVE HISTORICAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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### NOTE 14 - CONTRIBUTIONS SUBJECT TO CONDITIONS

At June 30, 2021, donors have made funding commitments that are subject to conditions that WRHS must fulfill in order to be eligible to receive the funds. These amounts are not recorded until amounts are received and conditions are fulfilled under the respective agreement. The commitments are as follows:

Purpose of Commitment	Amount Committed
Library renovations	\$500,000
Capital project at Cleveland History Center	\$750,000
Capital projects at Hale Farm & Village	\$500,000
Youth entrepreneurship education	\$221,120

### NOTE 15 - GLOBAL CORONAVIRUS PANDEMIC

In 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic which spread throughout the United States and the world. WRHS is monitoring the current status of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread and its impact on operations, financial position, and cash flows, in addition to the impact on WRHS’s employees. Due to continued developments and fluidity of this situation, the magnitude and duration of the pandemic and its ultimate impact on WRHS’s operations and liquidity continue to be uncertain as of the date of this report. Management and the Board of Directors continue to monitor the impacts of the pandemic on the operations and liquidity of WRHS and to the extent possible take steps to mitigate any negative impacts.