Financial Statements and Report of Independent Certified Public Accountants

Los Angeles County Museum of Natural History Foundation
(a California not-for-profit corporation)

June 30, 2021 (with summarized comparative financial information for June 30, 2020)

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Los Angeles County Museum of Natural History Foundation

We have audited the accompanying financial statements of Los Angeles County Museum of Natural History Foundation (the “Foundation”), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Grant Thornton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles County Museum of Natural History Foundation 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.

Other matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statement of activities and changes in net assets for the year ended June 30, 2021, is presented for purposes of additional analysis, rather than to present the results of operations of the individual entities, and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on 2020 summarized comparative financial information

We have previously audited the Foundation's 2020 financial statements (not presented herein), and we have expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2020. In our opinion, the accompanying summarized comparative financial information 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.

Grant Thornton LLP

Los Angeles, California
December 8, 2021

Los Angeles County Museum of Natural History Foundation
(a California not-for-profit corporation)

STATEMENT OF FINANCIAL POSITION

June 30, 2021
(With summarized comparative financial information at June 30, 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 41,997,038	$ 14,096,568
Accounts receivable	1,592,562	87,850
Grants and contributions receivable, net	14,516,645	32,179,048
Prepaid expenses and other assets	252,738	205,645
Right-of-use lease assets, net	574,283	-
Investments	209,827,435	161,673,709
Investments held in trust under split-interest agreement	134,342	153,864
Leasehold improvements, equipment and exhibits, net	96,055,064	102,374,579
Total assets	$ 364,950,107	$ 310,771,263
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 6,324,875	$ 3,883,170
Paycheck Protection Program Loan	-	4,790,800
Obligations under split-interest agreement	181,599	78,504
Deferred revenue	78,212	23,050
Right-of-use lease liabilities, net	574,283	-
Bonds payable, net	128,827,833	89,063,032
Interest rate swaps	-	29,296,298
Total liabilities	135,986,802	127,134,854
Net assets		
Without donor restrictions	172,420,558	128,044,779
With donor restrictions	56,542,747	55,591,630
Total net assets	228,963,305	183,636,409
Total liabilities and net assets	$ 364,950,107	$ 310,771,263

The accompanying notes are an integral part of this financial statement.

Los Angeles County Museum of Natural History Foundation
(a California not-for-profit corporation)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2021
(With summarized comparative financial information for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Operating revenue and support:				
Private gifts, grants and contracts	$ 2,107,418	$ 3,283,044	$ 5,390,462	$ 14,336,947
Endowment income	6,394,371	-	6,394,371	9,500,148
Government grants	9,980,513	608,000	10,588,513	19,685,485
Museum admission fees	1,123,831	-	1,123,831	6,122,743
Support from the County of Los Angeles	17,592,000	-	17,592,000	17,711,306
Membership dues	1,417,406	2,440	1,419,846	2,761,595
Program income	157,079	8,059	165,138	1,544,168
Museum use and services	475,939	-	475,939	412,641
Museum shops, cafeteria and photo experience	170,213	-	170,213	720,064
Miscellaneous revenue	17,394	-	17,394	22,056
Special events revenue, net of cost of direct benefit to donors of $159,320 and $0, respectively	731,130	-	731,130	-
Total revenue and support	40,167,294	3,901,543	44,068,837	72,817,153
Net assets released from restrictions	2,873,532	(2,873,532)	-	-
Total operating revenue and support and net assets released from restrictions	43,040,826	1,028,011	44,068,837	72,817,153
Operating expense:				
Program services				
Education and exhibits	14,426,416	-	14,426,416	19,044,339
Research and collections	11,380,667	-	11,380,667	12,441,704
Total program services	25,807,083	-	25,807,083	31,486,043
Supporting services				
General and administration	3,400,575	-	3,400,575	3,613,237
Fundraising	4,137,296	-	4,137,296	4,636,480
Total supporting services	7,537,871	-	7,537,871	8,249,717

The accompanying notes are an integral part of this financial statement.

Los Angeles County Museum of Natural History Foundation
(a California not-for-profit corporation)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

For the year ended June 30, 2021
(With summarized comparative financial information for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Operating expense (continued):				
Other expenses				
Museum use and services	$ 400,153	$ -	$ 400,153	$ 491,611
Provision (recovery) for doubtful accounts	(36,830)	-	(36,830)	355,699
Depreciation	8,233,491	-	8,233,491	8,294,301
Amortization	43,805	-	43,805	43,735
Total other expenses	8,640,619	-	8,640,619	9,185,346
Total operating expenses	41,985,573	-	41,985,573	48,921,106
Change in net assets from operations	1,055,253	1,028,011	2,083,264	23,896,047
Non-operating activities:				
Interest and dividend income, net	(407,798)	302,932	(104,866)	(444,956)
Debt service payments	(3,890,582)	-	(3,890,582)	(4,289,450)
Realized and unrealized gain on investments, net	54,332,089	(24,463)	54,307,626	7,602,186
Realized and unrealized gain (loss) on interest rate swaps	166,298	-	166,298	(8,014,926)
Loss on extinguishment/restructure of debt	(717,857)	-	(717,857)	-
Change in value of obligations under split-interest agreement	-	(122,616)	(122,616)	165
Endowment distributed for operations	(6,161,623)	(232,748)	(6,394,371)	(9,500,148)
Total non-operating activities	43,320,527	(76,895)	43,243,632	(14,647,129)
Change in net assets	44,375,780	951,116	45,326,896	9,248,918
Net assets, beginning of the year	128,044,779	55,591,630	183,636,409	174,387,491
Net assets, end of year	$ 172,420,559	$ 56,542,746	$ 228,963,305	$ 183,636,409

The accompanying notes are an integral part of this financial statement.

Los Angeles County Museum of Natural History Foundation
(a California not-for-profit corporation)

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021
(With summarized comparative financial information at June 30, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 45,326,896	$ 9,248,918
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,233,491	8,294,301
Amortization of bond issuance costs	43,805	43,735
Amortization of bond premium	(205,663)	-
Provision for doubtful accounts	36,830	355,699
Realized and unrealized gain on investments, net	(54,307,626)	(7,602,186)
Realized and unrealized (gain) loss on interest rate swaps	(166,298)	8,014,926
Loss on extinguishment/restructure of debt	717,857	-
Decrease in value of investments held in trust	19,522	29,882
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,578,581)	325,829
Decrease (increase) in grants and contributions receivable	17,699,441	(20,889,512)
Increase in prepaid expenses and other assets	(47,093)	(113,363)
Increase (decrease) in accounts payable and accrued expenses	2,048,156	(1,481,477)
Increase (decrease) in deferred revenues	55,162	(276,890)
Net cash provided by (used in) provided by operating activities	17,875,899	(4,050,138)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	53,368,716	35,602,487
Purchases of investments	(47,214,816)	(25,974,564)
Purchases of building improvements, equipment and exhibits	(1,520,426)	(4,109,922)
Net cash provided by investing activities	4,633,474	5,518,001
Cash flows from financing activities:		
Proceeds from issuance of bonds	122,520,000	-
Payoff of bonds	(89,757,505)	-
Premium on issuance of bond	7,793,497	-
Bond cost of issuance	(1,347,190)	-
Termination of swap	(29,130,000)	-
Forgiveness of/proceeds from paycheck protection program loan	(4,790,800)	4,790,800
Increase (decrease) in obligations under split-interest agreement	103,095	(30,047)
Net cash provided by financing activities	5,391,097	4,760,753
Net change in cash and cash equivalents	27,900,470	6,228,616
Cash and cash equivalents, beginning of year	14,096,568	7,867,952
Cash and cash equivalents, end of year	$ 41,997,038	$ 14,096,568
Supplemental cash flow information:		
Contributions of non-cash gifts	$ 132,665	$ 79,793
Cash paid for interest	$ 2,258,076	$ 4,055,215
Supplemental disclosure of noncash activities:		
Right-of-use lease assets	$ 574,283	$ -
Right-of-use lease liabilities	$ 547,283	$ -
Forgiveness of PPP Loan	$ 4,790,800	$ -

The accompanying notes are an integral part of this financial statement.

NOTE 1 - NATURE OF THE ORGANIZATION

The Los Angeles County Museum of Natural History Foundation (the "Foundation"), a California not-for-profit corporation, was incorporated in 1965 for the purpose of providing financial and other support to the Los Angeles County Museum of Natural History (the "Museum"). The County of Los Angeles (the "County"), through its Department of Museum of Natural History (the "Department"), in partnership with the Foundation, owns, operates and maintains the Museum. The mission of the Museum is to inspire wonder, discovery and responsibility for our natural and cultural worlds. This is accomplished through permanent and traveling exhibits, public programming, and educational and research programs.

The Foundation supports and assists in the maintenance and development of the Museum's educational, scientific and cultural programs and services, and in the expansion of its collections.

A Board of Governors appointed by the County's Board of Supervisors is the governing body of the Department. To better coordinate and facilitate management of the Museum and its operations, members of the Board of Governors also serve on the Foundation's Board of Trustees, and the Director of the Department also serves as the President of the Foundation.

The County reimburses the Foundation for certain services it provides for the Museum, and the amount of the reimbursement is reflected as part of the Foundation's revenue and support in the accompanying statement of activities and changes in net assets. In addition, the County provides funds directly to providers of services to the Museum, which are not included in the accompanying statement of activities and changes in net assets. As further discussed in Note 14 and in the supplemental combining statement of activities and changes in net assets for the fiscal year ended June 30, 2021, the County provided $4,835,337 in funds directly to these providers of services. If the County's entire contribution under the funding agreement were to be included in the Foundation's statement of activities and changes in net assets, the Foundation's total revenue, including support from the County, would be $48,904,174 for the fiscal year ended June 30, 2021.

The Foundation and the County, through the Department, currently share responsibility for the following family of museums:

Natural History Museum of Los Angeles County

In 1913, the Natural History Museum was the first cultural institution open to the public in Los Angeles. Located within Exposition Park, it has become a national leader in collections, research, exhibitions and education. It is one of the preeminent natural and cultural museums in the United States, with millions of specimens and artifacts in its collections covering 4.5 billion years of Earth and human history.

The La Brea Tar Pits and Museum

Established in 1977, the La Brea Tar Pits and Museum is recognized for having the largest and most diverse assemblage of extinct Ice Age plants and animals in the world, consisting of more than 600 species. During the summer, the public can observe paleontological fieldwork. The excavated fossils are cleaned, repaired and identified in a paleontology laboratory inside the Museum, which can be viewed by the public.

William S. Hart Museum

The William S. Hart Museum was the home of William S. Hart, an American silent Western film star, which he bequeathed on his death to the County of Los Angeles. It contains the original furnishings, a collection of Western art, and memorabilia of early Hollywood and Native American artifacts. The William S. Hart

Museum is situated in Hart Park in Newhall, California and also contains historic buildings and offers hiking trails, picnic areas and camping.

Measure of Operations

The Foundation includes in its measure of operations all revenues and expenses that are integral to its current programs and supporting activities as well as net assets released from restrictions to support operating expenditures. The measure of operations also includes investment returns earned on net assets with donor restrictions and net assets without donor restrictions available for operations in accordance with the Foundation's spending policy as discussed below. The measure of operations excludes investment return in excess of amounts available for operations under the spending policy; capital project depreciation expense, and extraordinary items.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation classifies net assets, revenues, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the Foundation's primary objectives.

With Donor Restrictions - Net assets that are subject to donor restrictions, which the Foundation has defined into two categories:

> *Time or purpose restricted net assets* - Net assets that are subject to donor-imposed stipulations, either as to purpose or as to time, that may or will be met either by actions of the Foundation and/or the passage of time. As the restrictions are satisfied, time or purpose restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded under net assets without donor restrictions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported under net assets with donor restrictions until the assets are placed in service. Releases from restriction for the year ended June 30, 2021 are comprised of utilization of endowment earnings and time or purpose restrictions on other gifts.
>
> *Perpetual endowments* - Net assets for which the donor has stipulated that the principal be maintained in perpetuity. The income earned on related investments is available for general Foundation operations unless otherwise restricted by the donor.

Comparative Amounts

The financial statements include certain prior-year summarized comparative information in total. 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 the Foundation's financial statements for the fiscal year ended June 30, 2020, from which the summarized information was derived.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents consist of short-term, highly liquid invested funds with original maturities of three months or less. Cash and cash equivalents that are held for long-term purposes are not reported with cash and cash equivalents in the statement of financial position and cash flows, but rather are reported as investments.

Investments

The Foundation's investments are reflected on the statement of financial position at fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities and changes in net assets. The Foundation's investments consist of public and private equities, fixed income securities, mutual funds and alternative investments.

The Foundation's equity investments and fixed income securities are generally publicly traded on national securities exchanges and have readily available quoted market values. The Foundation's investments in alternative investments are carried at estimated fair value. Management established fair value of these nonmarketable investments based on valuations provided by investment advisors and custodians. The Foundation believes that the net asset value ("NAV") of these nonmarketable investments is a reasonable estimate of fair value. Because of the inherent uncertainty of valuation of nonmarketable investments, the estimated fair value may differ significantly from the values that would have been used had a ready market for such investments existed.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Grants and Contributions Receivable

Grants and contributions, which may include unconditional promises to give, are recognized as revenue in the period received or pledged. Conditional promises to give - those with a measurable performance or other barrier and a right of return - are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions to be received after one year are recorded at the present value of expected future cash flows. The Foundation uses an interest rate commensurate with the risks involved to discount the contribution receivable ("pledge"). The discount rates used were between 0.16% to 2.05% for the fiscal year ended June 30, 2021 and between 0.22% to 1.63% for the fiscal year ended June 30, 2020. The discount rates will be applied over the life of the pledge. An allowance for uncollectible pledges has been established for recorded pledges. The allowance was determined based on review of individual pledges and ranges from 5.0% to 75% for the fiscal year ended June 30, 2021 and 5.0% for the fiscal year ended June 30, 2020.

Leasehold Improvements, Equipment and Exhibits

Leasehold improvements, equipment and exhibits are carried at cost, if purchased, or at fair value on the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	10 to 30 years
Equipment and furnishings	5 years
Exhibits	2 to 15 years

The Foundation reviews leasehold improvements, equipment and exhibits for impairment whenever events or changes in circumstances indicate that the carrying value of leasehold improvements, equipment and exhibits may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the fiscal years ended June 30, 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amount of the leasehold improvements, equipment or exhibits might not be recoverable.

The County owns all of the Museum buildings. The County owns the land on which the La Brea Tar Pits and Museum is located and the land on which the William S. Hart Museum is located. The State owns the land on which the Natural History Museum in Exposition Park is located. Under a ground lease, the County has leased the land from the State of California for a 75-year period, which expires in 2081. The County and the Foundation have entered into a funding agreement that extends to 2081 and the Foundation is occupying the buildings and land under this agreement, as referenced in Note 14. The fair value of the use of the buildings is not estimable and, therefore, not recorded in the accompanying financial statements.

Collections

The Foundation’s collections that have been acquired through purchases, contributions and other acquisitions since the Foundation’s inception are not recognized as assets in the accompanying statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors. Proceeds from deaccession or insurance recoveries are reflected as increases in the appropriate net asset classes.

Split-Interest Agreement

The Foundation has legal title to a gift annuity agreement subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are released.

The Foundation uses the actuarial method of recording the gift annuity agreement. Under this method, the asset was recorded at fair value when the gift was received. The present value of the aggregate annuity payable was recorded as a liability, based upon life expectancy tables, and the remainder was recorded as a contribution to the appropriate net asset category in the year received. The liability account is charged with payments to beneficiaries. Annual adjustments are made between the liability account and the net asset account for investment income and gains as well as actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at the Foundation’s credit-adjusted rate of 2.52% at the time such agreement was recorded and over the beneficiaries’ estimated lives according to the Annuity 2000 Mortality Table.

Interest Rate Swap Agreement

The Foundation uses an overall interest rate risk-management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in interest expenses that are caused by interest rate volatility. An interest rate swap agreement involves the exchange of fixed-rate and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 815, *Derivatives and Hedging*, all derivative instruments are recognized on the statement of financial position at their fair values and changes in fair value are recognized in the statement of activities and changes in net assets. The interest rate swap agreement was terminated in September, 2020.

Contributed Materials and Services

The value of significant donated exhibit materials and equipment is reflected as contributions in the accompanying financial statements at the fair value of such exhibit materials and equipment at the date of contribution.

Contributed services are recognized if services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Foundation receives a significant amount of contributed services that do not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation has also been recognized by the California Franchise Tax Board as a Foundation that is exempt from California franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

During the fiscal years ended June 30, 2021 and 2020, the Foundation performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

Estimated Fair Value of Financial Instruments

As defined in FASB ASC Topic No. 820, *Fair Value Measurements and Disclosures* ("ASC 820"), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses the market or income approach. Based on this approach, the Foundation utilizes certain assumptions about the risk or risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Includes inputs other than quoted prices that are directly or indirectly observable, including inputs in markets that are not considered to be active.

Level 3 - Unobservable inputs which are supported by little or no market activity.

For the fiscal year ended June 30, 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the fair value of financial instruments whether measured at fair value or historical cost:

- For cash and cash equivalents, accounts receivable, grants and contributions receivable, and accounts payable and accrued expenses, the carrying amounts represent a reasonable estimate of fair values or amounts to be collected due to their short-term maturity. Certain long-term grants and contributions receivable have been discounted using applicable market rates to approximate fair value. The split-interest agreement liabilities are reflected at their estimated fair values when received using the methodology described above.

- The basis of fair value for the Foundation's investments and revenue bond trust accounts differs depending on the investment type. For certain investments, market value is based on quoted market prices. These are classified within Level 1 of the valuation hierarchy. The Foundation establishes Level 2 investments, if any, through observation of trading activity reported at net asset value or market values of similar observable or underlying assets. The Foundation establishes Level 3 investments, if any, through a documented valuation process including review of audited reports for the investment funds, verification of the fair value of marketable securities in the funds, regular review of fund manager valuation approaches, and monitoring of fund activities. For other investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, they are valued, as a practical expedient, utilizing the net asset valuations provided by their respective investment manager or general partner. These investments that are measured using the net asset value practical expedient (NAV) are categorized separately from the levels in the fair value hierarchy.

- The Foundation uses the income approach to determine the estimated fair value of its interest rate swaps. This approach generally represents a discounted cash flow model, which uses observable inputs such as credit ratings and historic default rates, credit spreads, credit default swap rates or other similar measures for similar observable instruments; these are classified within Level 2 of the fair value hierarchy. The interest rate swaps were terminated in September, 2020.

Revenue Recognition

Annual membership dues and admissions are nonrefundable and recognized as revenue immediately. Membership benefits are made available upon purchase. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Revenues from grants and contracts that are reimbursable are reported as increases in net assets without donor restriction, as allowable expenditures under such agreements are incurred.

Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management. Of the items classified on the statement of activities and changes in net assets as "other expenses," depreciation is primarily a program expense and the remainder of the expenses are primarily support expenses.

Non-Operating Income (Expense)

Non-operating income (expense) consists of amounts which, due to their nature, are not considered by management as part of operations. Specific items include investment results and other non-recurring items. All other activities are considered operating income (expense).

Use of Estimates

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

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. Certain investments in the table in Note 3 have been reclassified from the table to the net asset value as a practical expedient ("NAV") category.

Concentration of Credit Risk

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, investments, pledges and receivables, and the interest rate swaps.

Cash and cash equivalents generally consist of cash, money market accounts and money market funds which have original maturity dates of three months or less. At times, such cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. At June 30, 2021, the Foundation held $40,315,479 of cash in excess of FDIC insurance limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

With respect to pledges and receivables, the Foundation routinely assesses the financial strength of its debtors and believes that the related credit risk exposure is limited.

Debt Issuance Costs

Certain costs related to the issuance of debt are deferred and amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Debt issuance costs that have been deferred are a direct deduction from the carrying amount of the respective debt liability. Debt issuance costs, net of accumulated amortization, as of June 30, 2021 and 2020, were $1,280,002 and $726,968, respectively. Amortization of the debt issuance costs for the years ended June 30, 2021 and 2020 was $34,693 and $43,735 respectively, and is reported under other expenses.

Debt Premium

A premium on the issuance of debt is amortized over the term of the debt using the straight-line method, which approximates the effective interest method. The unamortized premium is reported in the statement of financial position as an addition to the face amount of the bonds. Amortization of the premium for the fiscal year ended June 30, 2021 was $205,663.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard redefines the term "lease" to mean "conveys the right to control the use of identified property, plant and equipment for a period of time in exchange for consideration." The customer has right to control if it receives both the (1) right to obtain substantially all economic benefits from using an asset and (2) right to direct the use of that asset.

- Lessee Impact: The key impact to lessees is the requirement to show operating leases on the statement of financial position through recognizing a Right of Use ("ROU") asset and liability, with the lease liability measured at the present value of the future lease payments and the asset measured at the lease liability adjusted for payments made before lease commencement and initial indirect costs. The leases would be classified into financing leases (recognize interest expense and amortization based on the interest method) and operating leases (recognize rent expense on a straight-line basis over the lease term).

- Lessor Impact: The impact to lessors is minimal, remaining similar to today's standards. For direct financing leases, the lessor will recognize any loss up front, defer profit and account for investment in the lease using the interest method; and for operating leases, recognize an asset sale and account for investment in the lease using the interest method of the lease term.

The Foundation implemented the ASU during the year ending June 30, 2021 using the modified retrospective approach. In order to adopt this ASU, the Foundation elected certain practical expedients permitted under the standard's transition guidance. The practical expedients eliminate the requirement to reassess the lease classification of expired or existing leases, the need to separately assess lease and non-lease components, and the need to reassess initial direct costs for any existing leases. The Foundation also elected the short-term lease practical expedient, and accordingly, does not record right-of-use lease assets or lease liabilities with terms of less than twelve months. The Foundation's adoption of this ASU on July 1, 2020 resulted in recording a right of use asset and liability.

NOTE 3 - INVESTMENTS

The Foundation's investments consist of operating reserves, board-designated funds functioning as endowment, and funds which have been restricted by the donor as endowment. The Foundation's investments are governed by the Foundation's investment policy, which sets asset allocation ranges for marketable and nonmarketable investments. Management establishes the fair value of Level 1 investments based on quoted market prices, and establishes the fair value of NAV investments based on valuations provided by investment advisors/custodians.

Investments at June 30 are stated at fair value and consist of the following:

	2021	2020
Cash and money market funds	$ 3,761,666	$ 2,475,896
Common and preferred stock and mutual funds	141,481,254	98,595,663
Corporate bonds	24,171,275	25,061,857
Government securities	536,637	555,498
Alternative investments	17,432,372	22,793,055
Private equity	23,497,866	13,188,172
Other	240	803
	210,881,310	162,670,944
Less investments held in trust under split-interest agreement	(134,342)	(153,864)
Less cash held in trust under split-interest agreement	(919,533)	(843,371)
	$ 209,827,435	$ 161,673,709

Management fees paid for the fiscal years ended June 30, 2021 and 2020 were $751,325 and $586,671, respectively.

Significant Concentration of Investments

At both June 30, 2021 and 2020, the Foundation had a position in the Angeles Absolute Return Fund, LTD with a NAV of $17,432,372 and $22,793,055, respectively. At June 30, 2021 and 2020, the Foundation had a position in the Angeles Global Equity Opportunities Fund, LLC with a NAV of $140,830,732 and $97,597,585, respectively. At June 30, 2021 and 2020, the Foundation had a position in the Angeles Diversified Income Fund, LLC with a NAV of $13,934,153 and $22,539,008 respectively.

Valuation

As of June 30, 2021, the fair value of the Foundation's investments was classified as follows:

	Level 1	Level 2	Level 3	NAV	Total
Cash and money market funds	$ 343,169	$ -	$ -	$ 3,418,497	$ 3,761,666
Stocks and mutual funds	650,522	-	-	140,830,732	141,481,254
Corporate bonds	10,237,122	-	-	13,934,153	24,171,275
Government securities	536,637	-	-	-	536,637
Alternative investments	-	-	-	17,432,372	17,432,372
Private equity	-	-	-	23,497,866	23,497,866
Other funds	240	-	-	-	240
Total investments	$15,186,187	$ -	$ -	$ 195,695,123	$ 210,881,310

As of June 30, 2020, the fair value of the Foundation's investments was classified as follows:

	Level 1	Level 2	Level 3	NAV	Total
Cash and money market funds	$ 1,155,301	$ -	$ -	$ 1,320,595	$ 2,475,896
Stocks and mutual funds	998,078	-	-	97,597,585	98,595,663
Corporate bonds	2,522,849	-	-	22,539,008	25,061,857
Government securities	555,498	-	-	-	555,498
Alternative investments	-	-	-	22,793,055	22,793,055
Private equity	-	-	-	13,188,172	13,188,172
Other funds	803	-	-	-	803
Total investments	$ 6,553,124	$ -	$ -	$ 156,117,820	$ 162,670,944

Investments Valued at NAV

As of June 30, 2021, the Foundation's investments valued at NAV totaled $195,695,123. The investments are composed of the funds described below:

Stocks and Commingled Funds

$140,830,732 is invested in the Angeles Global Equity Opportunities Fund, LLC, a multi-manager fund investing assets with a group of independent investment managers, primarily pursuing long-only public equity strategies accessed via managed account arrangements and underlying investment funds. As of June 30, 2021, approximately 68% of the Angeles Global Equity Opportunities Fund was invested in U.S., global, and emerging market long-only equity strategies through both managed accounts and investee funds. Approximately 31% was invested in passively managed exchange-traded funds ("ETFs") tracking the performance of selected market indices. This strategy focuses on bottom-up fundamental company analysis and investment across sectors in the equity market, both long and short. The remaining 1% of the fund was held in cash and cash equivalents.

Members of this fund may withdraw all or some of such member's capital account on each withdrawal date (i.e., the last business day of each month) upon at least 16 business days' prior written notice to the manager. Withdrawal proceeds will generally be paid within 30 days of the relevant withdrawal date. These terms are dependent on the fund's ability to make withdrawals from the underlying strategies.

Corporate Bonds

$13,934,153 is invested in the Angeles Diversified Income Fund, LLC, a multi-manager fund investing assets with a group of independent investment managers, primarily pursuing global fixed income strategies accessed via managed account arrangements and underlying investment funds. As of June 30, 2021, approximately 48% of the Angeles Diversified Income Fund was invested in actively managed global and emerging markets fixed income strategies through both managed accounts and investee funds. Approximately 45% was invested in passively managed ETFs tracking the performance of selected market indices. The remaining balance of approximately 7% of the fund was held in cash and cash equivalents.

Members of this fund may withdraw all or some of such member's capital account on each withdrawal date (i.e., the last business day of each month) upon at least 15 business days' prior written notice to the manager. Withdrawal proceeds will generally be paid within 30 days of the relevant withdrawal date. These terms are dependent on the fund's ability to make withdrawals from the underlying strategies.

<u>Alternative Investments</u>

$17,432,372 is invested in the Angeles Absolute Return Fund LTD, a fund of hedge funds. Approximately 53% of the Angeles Absolute Return Fund LTD includes investments in US, global, and emerging market long/short equity strategies. These strategies focus on bottom-up fundamental company analysis and investments across sectors in the equity market, both long and short. Approximately 2% is in activist strategies. These strategies invest in equities and take an active ownership approach with the intent to create value at the companies. Approximately 5% of this fund includes investments in multi-strategy funds. These strategies invest in corporate credit, equity, and structured credit, with a focus on event driven situations. Approximately 25% of this fund includes investments in credit-related strategies. These strategies focus on stressed and distressed corporate securities and may also include structured credit. Approximately 7% of this fund includes investments in passively managed exchange-traded funds ("EFT"s) tracking the performance of selected market indices. The remaining 8% of the fund was held in cash and cash equivalents.

This fund has a one-year lock-up where no redemptions are permitted, which has been met. After one year, redemptions are permitted quarterly after 90 days' prior written notice. Proceeds will generally be paid within 40 days of the redemption date. These terms are dependent on the fund's ability to make withdrawals from the underlying strategies. There are no remaining capital commitments outstanding.

<u>Private Equity</u>

The Foundation has a total investment of $23,497,866 in and unfunded commitments of $24,967,668 to eight private investment funds as of June 30, 2021: Angeles Private Markets Fund 2, Angeles Private Markets Fund 3, and Angeles Private Markets Fund 4, funds that allow investors to gain exposure to private equity, private debt, real estate and other real assets through an efficient and diversified fund of funds structure; Bain Capital Fund XII, a fund that focuses on businesses with sustainable competitive advantage and opportunities to drive transformational operational change; Dover Street IX L.P., a fund seeking to provide access to a global, diversified portfolio of secondary investments in private equity assets in leveraged buyout, growth equity, and venture capital strategies; Marlin Equity Fund V and Marlin Heritage Fund II, funds primarily focused on making investments in businesses that are experiencing operational or financial stress or special situations; and Oaktree Power Opportunities Fund V, a fund focused on control investments in mid-sized companies that provide equipment, services and software used in the generation, transmission, distribution, marketing or consumption of energy.

Investors in these funds are not permitted to make voluntary withdrawals from capital accounts and must be committed to the fund until dissolution, which is generally expected to occur ten years from either (a) the inception/commencement date of the fund or (b) the end of the fund's investment period (scheduled to occur 24 months following the termination of the investor contribution period but may be extended or shortened at the manager's discretion). Additionally, managers of these funds generally retain the ability to extend the funds for three to four successive 12-month periods following the lapse of the initial terms described in the preceding sentence. The Foundation initially invested in these funds between December 2015 and December 2019.

For the fiscal year ended June 30, 2021, the changes in fair value of the Foundation's investments valued at NAV are as follows:

Balance, beginning of year	$ 156,117,820
Purchases	9,815,541
Sales	(23,561,617)
Realized gains (losses), net	4,128,616
Unrealized gains (losses), net	49,194,763
Balance, end of year	$ 195,695,123

For the fiscal year ended June 30, 2020, the changes in fair value of the Foundation's investments valued at NAV are as follows:

Balance, beginning of year	$ 157,563,379
Purchases	4,843,533
Sales	(14,633,988)
Realized gains (losses), net	856,257
Unrealized gains (losses), net	7,488,639
Balance, end of year	$ 156,117,820

NOTE 4 - GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30 are expected to be received as follows:

	2021	2020
Due within one year	$ 5,963,222	$ 21,699,360
Due in between one and five years	4,036,250	6,410,000
Due after five years	8,632,500	8,132,500
	18,631,972	36,241,860
Less present value discount	(3,097,082)	(3,007,528)
	15,534,890	33,234,332
Less allowance for uncollectible pledges	(1,018,245)	(1,055,284)
Total	$ 14,516,645	$ 32,179,048

Unconditional contributions receivable includes amounts from members of the Foundation's Board of Trustees of $3,103,000 and $2,665,208 as of June 30, 2021 and 2020, respectively.

NOTE 5 - LEASEHOLD IMPROVEMENTS, EQUIPMENT AND EXHIBITS

Leasehold improvements, equipment and exhibits consisted of the following at June 30:

	2021	2020
Leasehold improvements	$ 119,825,766	$ 119,825,766
Exhibits	54,914,567	54,914,567
Equipment and furnishings	13,361,519	13,361,519
Construction in progress	16,592,821	14,678,845
	204,694,673	202,780,697
Less accumulated depreciation	(108,639,609)	(100,406,118)
Total	$ 96,055,064	$ 102,374,579

Depreciation expense for the fiscal years ended June 30, 2021 and 2020 was $8,233,491 and $8,294,301, respectively.

NOTE 6 - COLLECTIONS

The Foundation's collections are comprised of artifacts of historical significance, scientific specimens and art objects that are held for educational, research, scientific and curatorial purposes. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for the collections. The Foundation's collections are not recognized as assets on the statement of financial position.

NOTE 7 - PAYCHECK PROTECTION PROGRAM (PPP) LOAN

The Foundation applied for and received a Paycheck Protection Program ("PPP") loan in the amount of $4,790,800 on April 8, 2020. The PPP is a federal program initiated under the CARES Act and administered by the Small Business Association (the "SBA") designed as a direct incentive for employers with fewer than 500 employees to keep their employees on the payroll during the COVID-19 pandemic. The SBA forgives loans if all employee retention criteria are met, and the funds are used for eligible expenses.

The Foundation applied for forgiveness at the end of the measurement period in September, 2020, and received full forgiveness of both principal and accrued interest in the amounts of $4,790,800 and $56,957, respectively, in June, 2021. The forgiven amounts for principal and interest are included in the Statement of Activities and Changes in Net Assets as government grants revenue for the fiscal year ended June 30, 2021.

NOTE 8 - LINE OF CREDIT

The Foundation has an uncollateralized $4,500,000 revolving line of credit with a bank that expires on December 31, 2021. During the fiscal years ended June 30, 2021 and 2020, no amounts were outstanding under the line of credit. Interest is payable monthly at .25% below the bank's prime rate, which was 3.25% at June 30, 2021 and 3.25% at June 30, 2020.

NOTE 9 - BONDS PAYABLE

At June 30, 2021 and 2020, bonds payable was comprised of the following:

	2021	2020
Bonds issued through California Infrastructure and Economic Development Bank: Series 2020	$ 122,520,000	$ -
Bonds issued through Wells Fargo Municipal Capital Strategies, LLC: Series 2008 ("2008 Bonds")	-	89,790,000
	122,520,000	89,790,000
Unamortized cost of issuance	(1,280,002)	(726,968)
Unamortized premium (discount), net	7,587,835	-
Total	$ 128,827,833	$ 89,063,032

Pursuant to an Indenture of Trust dated September 1, 2020 (the "Indenture") by and between the California Infrastructure and Economic Development Bank, a public instrumentality of the State of California (the Issuer), and MUFG Union Bank, N.A., as trustee (the "Trustee"), $122,520,000 of tax-exempt fixed-rate Refunding Revenue Bonds Series 2020 (the "2020 Bonds") were issued. The 2020 Bonds become due July 1, 2050, with one-half bearing interest at a rate of 3% and the other half at a rate of 4%, payable each January 1 and July 1. The Bonds are subject to optional redemption by the Issuer on or after July 1, 2030. The bonds are general unsecured obligations of the Foundation.

The Issuer lent the proceeds of the 2020 Bonds to the Foundation pursuant to a Loan Agreement (the "Loan Agreement") by and between the Issuer and the Foundation. Such proceeds received by the Foundation were used to (i) refund the 2008 Bonds, (ii) pay final termination payments on two interest rate swap transactions relating to the 2008 Bonds as described in Footnote 10, (iii) fund working capital expenses of the Foundation, and (iv) pay certain costs of issuance related to the 2020 Bonds.

The 2008 Bonds were defeased through the issuance of the 2020 Bonds. A loss of $717,857 was recognized for the year ending June 30, 2021, representing the difference between the amount of defeased bonds and the net carrying value of the new debt.

Interest expense was $4,039,285 and $4,037,407 for the years ended June 30, 2021 and 2020, respectively.

Principal amount is due as follows:

	Series 2020
July 1, 2050	$122,520,000

NOTE 10 - INTEREST RATE SWAPS

In April 2008, the Foundation entered into a 29-year interest rate swap agreement with a bank to reduce the impact of changes in interest rate on its 2008 Bonds.

In September 2020, the swaps were terminated with the issuance of the 2020 Bonds. At that time, the Foundation recognized a net realized gain of $166,298.

Prior to the swap termination, the Foundation had a $25,000,000 Standby Letter of Credit with US Bank, which was posted with the counterparty to the interest rate swap agreement as collateral against the swap termination fee. This Standby Letter of Credit was canceled upon termination of the swaps.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Operating Leases - Lessee

Effective July 1, 2020 the Foundation adopted ASU 2016-02 – Leases and accounts for leases in accordance with Topic 842. The Foundation leases storage facilities and office equipment under several non-cancelable operating leases expiring at various dates through the fiscal year ending June 30, 2023. For the fiscal year ended June 30, 2021, rent expense relating to these leases amounted to $420,021 which is recorded in the statement of activities and changes in net assets. The future minimum lease payments required under these operating leases are as follows:

Years Ending June 30,	
2022	$ 462,101
2023	116,859
Total	$ 578,960

Litigation and Examinations

In the normal course of operations, the Foundation may be named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the Foundation’s financial position and cash flows.

Certain federal grants which the Foundation administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The Foundation expects that such amounts, if any, would not have a material impact on the financial position and cash flows of the Foundation.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020, net assets with donor restrictions consists of the following:

	2021	2020
Restricted as to time and/or purpose	$ 48,629,005	$ 47,600,994
Unappropriated endowment earnings	3,024,424	3,101,319
Subtotal	51,653,429	50,702,313
Endowment	4,889,317	4,889,317
Total net assets with donor restrictions	$ 56,542,746	$ 55,591,630

NOTE 13 - ENDOWMENT

The Foundation's endowment consists of various individual donor-restricted and Board-designated endowment funds. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as perpetual endowment (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in perpetual endowment is classified as time or purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the following factors are to be considered in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund,
- The purposes of the Foundation and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Foundation, and
- The investment policies of the Foundation.

The following table presents the Foundation's endowment composition and net asset classification as of June 30, 2021:

		With Donor Restrictions		
	Without Donor Restrictions	Time or Purpose Restricted	Perpetual Endowment	Total
Donor-restricted endowment funds	$ -	$ 3,024,424	$ 4,889,317	$ 7,913,741
Board-designated endowment funds	201,838,286	-	-	$ 201,838,286
Endowment, end of year	$ 201,838,286	$ 3,024,424	$ 4,889,317	$ 209,752,027

Changes in endowment assets for the fiscal year ended June 30, 2021 were as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Time or Purpose Restricted	Perpetual Endowment	Total
Endowment, beginning of year	$ 154,161,002	$ 3,101,319	$ 4,889,317	$ 162,151,638
Investment return				
Investment income (net)	(492,113)	302,933	-	(189,180)
Net realized and unrealized gains (losses)	54,332,089	(147,080)	-	54,185,009
Total investment return	53,839,976	155,853	-	53,995,829
Additional appropriation of endowment assets for fiscal year 2021	(6,161,623)	-	-	(6,161,623)
Release of restrictions for spending	-	(232,748)	-	(232,748)
Other	(1,069)	-	-	(1,069)
Endowment, end of year	$ 201,838,286	$ 3,024,424	$ 4,889,317	$ 209,752,027

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 the Foundation to retain as funds of perpetual duration. At June 30, 2021, the Foundation had no endowment funds with fair values below the original gift amount.

The Foundation has adopted an investment and spending policy for endowment assets that attempts to provide sufficient income to sustain funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as funds functioning as endowment. Under this policy, the long-term investment objective is to attain an inflation-adjusted total return (net of investment management fees and other costs) at least equal to the contemplated spending rate and to meet the Foundation's need for short-term, medium-term and long-term funding. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate consistent with the Foundation's long-term objectives.

To satisfy its long-term objectives, the Foundation 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). The Foundation targets a diversified asset allocation with a mix of equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year a percentage of the prior twelve calendar quarters' trailing average of the fair market value at June 30. The allowable spending rate under the policy for the fiscal years ended June 30, 2021 and 2020, was 5.0% to cover operations and debt service-related payments. In the fiscal year ended June 30, 2021, the actual draw was 4.0%. In the fiscal year ended June 30, 2020, the Board approved an additional draw of up to 0.5%, for a total actual draw of 5.5%, to cover campaign expenses.

NOTE 14 - AFFILIATION WITH THE COUNTY OF LOS ANGELES

As discussed in Note 1, the Foundation provides support and assistance in the maintenance and development of the Museum's educational, scientific and cultural programs and services and expansion of collections. In connection with this assistance, the County and the Foundation have entered into a funding agreement that extends to June 30, 2081. Under the terms of the funding agreement, the County provided $22,427,337 and $23,004,749 to the Foundation for the fiscal years ended June 30, 2021 and 2020, respectively. These funds were used to operate and generally administer the Museum and maintain and preserve the Museum and all structures and facilities in good repair and working order.

During the fiscal years ended June 30, 2021 and 2020, $17,592,000 and $17,711,306, respectively, were received directly by the Foundation as reimbursements for certain Foundation services and are included in the accompanying statement of activities and changes in net assets as support from the County. The remaining amounts of $4,835,337 and $5,293,443, respectively, were provided directly by the County to other providers of services to the Museum and are not reflected in the accompanying financial statements.

The amount provided under the agreement with the County will be adjusted annually by the Consumer Price Index, but no such annual adjustment shall exceed 5%. The Foundation is responsible for contributing each fiscal year towards its operations for the benefit of the Museum an amount no less than 80% of the amount provided by the County. For the fiscal years ended June 30, 2021 and 2020, the Foundation provided $25,868,837 and $55,105,848, respectively, excluding unrealized gains and losses on investments, representing 115% of the amounts provided by the County for 2021 and 240% for 2020.

NOTE 15 - RETIREMENT PLAN

The Foundation maintains certain defined contribution retirement plans (the "Plans"), which are offered to all of its eligible employees. Contributions are made by the Foundation as well as voluntarily by employees.

Effective January 1, 2017, the Foundation began automatically enrolling employees in the plan at a 3% employee contribution. Employees can choose to contribute more, less or opt-out completely. The Foundation contributes 3% of employees' eligible pay whether the employee contributes or not. Additionally, the Foundation matches 40% of employee deferrals up to a total of 5% of eligible pay. The Foundation's contributions are vested after two years of service. The Foundation has the right to terminate its involvement with the Plans at any time. The Plans are funded as incurred. The Foundation's contributions were suspended during the fiscal year ended June 30, 2021. The Foundation's contribution totaled $1,012,827 for the fiscal year ended June 30, 2020.

NOTE 16 - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of June 30, 2021, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include endowment funds set aside for long-term investing that could be drawn upon with the approval of the Board of Trustees.

	2021	2020
Cash and equivalents	$ 41,997,038	$ 14,096,568
Investments	209,827,435	161,673,709
Investments held in trust under split-interest agreement	134,342	153,864
Accounts receivable	1,592,562	87,850
Grants and contributions receivable, net	14,516,645	32,179,049
Total financial assets	268,068,022	208,191,040
Receivables scheduled to be collected in more than one year (see Note 4)	(8,553,423)	(10,479,689)
Contractual or donor-imposed restrictions:		
Endowment funds (including funds which are perpetual in nature)	(7,913,741)	(7,990,636)
Other donor restrictions	(40,250,693)	(39,197,682)
Investment held in charitable remainder trust	(134,342)	(153,864)
Board designations:		
Endowment funds, net of fiscal year 2022 appropriation of $8,791,164	(193,047,122)	(144,918,568)
Financial assets available to meet cash needs for general expenditures within one year	$ 18,168,701	$ 5,450,601

At the beginning of each fiscal year, the Foundation receives a lump-sum payment from the County representing the operational transfer in accordance with the funding agreement between the County and the Foundation. The Foundation received $18.1 million in July 2021 (for fiscal year 2022) and $17.7 million in July 2020 (for fiscal year 2021).

NOTE 17 - ANALYSIS OF EXPENSES

The financial statements report certain categories of expenses (e.g., depreciation, amortization) that are attributable to one or more program or supporting services of the Foundation. Those expenses include the Executive Office, Guest Relations department, Marketing and Communications department and Administration (includes Operations department, and the Offices of Finance, Human Resources and Information Technology). The costs of these departments are allocated based on management's evaluation of where efforts are made.

Expenses by function and natural classification for the year ended June 30, 2021 is:

	Education and Exhibits	Research and Collections	Total	General and Administration	Fundraising	Total	Total Expenses	2020 Total Expenses
Operating expenses								
Salaries and wages	$ 10,734,509	$ 8,252,290	$ 18,986,799	$ 1,395,286	$ 2,971,480	$ 4,366,766	$ 23,353,565	$ 27,054,612
Professional fees	1,007,354	726,305	1,733,659	608,328	591,297	1,199,625	2,933,284	1,594,339
Museum use services and services	764,554	698,391	1,462,945	1,142,652	154,531	1,297,184	2,760,128	3,583,178
Occupancy	47,102	489,153	536,255	16,176	23,006	39,182	575,437	-
Insurance/ participation fees and travel	185,335	220,083	405,418	173,404	36,300	209,704	615,122	846,068
Advertising and printing	281,995	12,079	294,074	2,102	123,414	125,516	419,590	1,375,431
Exhibit building and supply costs	16,256	7,272	23,528	-	-	-	23,528	320,264
Information technology	325,812	266,371	592,182	134,134	89,596	223,730	815,912	674,377
Repair and maintenance	581,566	340,666	922,233	339,851	72,813	412,664	1,334,896	1,535,781
Office expense	45,692	41,809	87,501	24,121	51,479	75,600	163,100	338,126
Other	436,241	326,248	762,489	(35,327)	23,379	(11,948)	750,541	2,905,195
Recovery of allowance for doubtful pledges	-	-	-	(36,830)	-	(36,830)	(36,830)	355,699
Depreciation	3,562,151	2,810,099	6,372,250	839,665	1,021,576	1,861,241	8,233,491	8,294,301
Amortization	-	-	-	43,805	-	43,805	43,805	43,735
Total operating expenses	$ 17,988,567	$ 14,190,766	$ 32,179,333	$ 4,647,368	$ 5,158,872	$ 9,806,240	$ 41,985,573	$ 48,921,106

NOTE 18 - COVID-19

In March 2020, the World Health Organization categorized Coronavirus Disease 2019 (COVID-19) as a pandemic. The outbreak of COVID-19 has severely impacted the global economy, including closures of non-essential services, which triggered significant disruptions to local economies and organizations, including the Natural History Museums of Los Angeles County.

In keeping with guidelines from the State of California and the Los Angeles County Department of Public Health, the Museums were closed to the public on March 14, 2020. The leadership team and Board of Trustees responded quickly to evaluate the immediate financial impact and adjusted spending levels based on the estimated reduction of admission and other earned revenue for the remainder of the fiscal year ended June 30, 2020 and for the operating budget for the fiscal year ending June 30, 2021. The outdoor exhibits were allowed to open with reduced capacities for several weeks in late 2020, but closed again on November 11, 2020 as COVID-19 cases increased until March 2021 when they reopened. The indoor Museums opened in April 2021 at limited capacities, increasing to full capacities later in the spring. Digital offerings and outreach were increased to engage community members and donors. The Foundation continues to receive annual funding from individual and institutional donors and has been the recipient of new levels of support from institutions that provided emergency grants for operations during the pandemic-related closure.

NOTE 19 - SUBSEQUENT EVENTS

The Foundation has performed an evaluation of subsequent events through December 8, 2021, which is the date the financial statements were available to be issued, to determine whether any significant events other than those reflected in other footnotes have occurred that would require recognition or disclosure.

The Foundation subsequently received a Shuttered Venue Operators Grant (SVOG) in July 2021 under a program established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The initial grant was $7,685,037 and the Foundation was awarded $2,314,963 from a supplemental grant. The SVOG program provides grants intended to offset the economic hardship brought on by the COVID-19 pandemic for qualifying live event venues, including performing arts centers, movie theaters and museums, and is administered by the SBA. Funds from the grants may be used for specific expenses, which include payroll costs, scheduled debt payments, administrative costs and other ordinary and necessary business expenses, including maintenance costs.

Although the Natural History Museum and the La Brea Tar Pits and Museum are currently open to the public and following the County's public health mandates, the William S. Hart Museum is not expected to re-open until January 2022. It is not possible to reliably estimate the duration and severity of continued COVID-19 consequences, or their impact on the financial position and results of the Foundation for future periods. Management will continue to monitor potential effects on the Foundation's operations.

SUPPLEMENTAL INFORMATION

Los Angeles County Museum of Natural History Foundation
(a California not-for-profit corporation)

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2021

	Los Angeles County Museum of Natural History Foundation	County of Los Angeles	Eliminations	Combined
Operating revenue and support:				
Private gifts, grants and contracts	$ 5,390,462	$ -	$ -	$ 5,390,462
Endowment income	6,394,371	-	-	6,394,371
Government grants	10,588,513	-	-	10,588,513
Museum admission fees	1,123,831	-	-	1,123,831
Appropriation from the County of Los Angeles	-	22,427,337	-	22,427,337
Support from the County of Los Angeles	17,592,000	-	(17,592,000)	-
Membership dues	1,419,846	-	-	1,419,846
Program income	165,138	-	-	165,138
Museum use and services	475,939	-	-	475,939
Museum shops, cafeteria and photo experience	170,213	-	-	170,213
Miscellaneous revenue	17,394			17,394
Special events revenue, net of cost of direct benefit	-	-	-	-
to donors of $159,320 and $0, respectively	731,130	-	-	731,130
Total operating revenue and support	44,068,837	22,427,337	(17,592,000)	48,904,174
Operating expense:				
Program services				
Education and exhibits	14,426,416	6,147,748	-	20,574,164
Research and collections	11,380,667	5,542,317	-	16,922,984
Total program services	25,807,083	11,690,065	-	37,497,148
Supporting services				
General and administration	3,400,575	10,737,272	-	14,137,847
Operating contract with County of Los Angeles - Operational Transfer	-	-	(17,592,000)	(17,592,000)
Fundraising	4,137,296	-	-	4,137,296
Total supporting services	7,537,871	10,737,272	(17,592,000)	683,143

Los Angeles County Museum of Natural History Foundation
(a California not-for-profit corporation)

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2021

	Los Angeles County Museum of Natural History Foundation	County of Los Angeles	Eliminations	Combined
Operating expense (continued):				
Other expenses				
Museum use and services	$ 400,153	$ -	$ -	$ 400,153
Provision (recovery) for doubtful accounts	(36,830)	-	-	(36,830)
Depreciation	8,233,491	-	-	8,233,491
Amortization	43,805	-	-	43,805
Total other expenses	8,640,619	-	-	8,640,619
Total operating expenses	41,985,573	22,427,337	(17,592,000)	46,820,910
Change in net assets from operations	2,083,264	-	-	2,083,264
Non-operating activities:				
Interest and dividend income, net	(104,866)	-	-	(104,866)
Debt service payments	(3,890,582)	-	-	(3,890,582)
Realized and unrealized gain on investments, net	54,307,626	-	-	54,307,626
Realized gain on interest rate swaps	166,298	-	-	166,298
Loss on extinguishment/restructure of debt	(717,857)			(717,857)
Change in value of obligations under split-interest agreement	(122,616)	-	-	(122,616)
Endowment distributed for operations	(6,394,371)	-	-	(6,394,371)
Total non-operating activities	43,243,632	-	-	43,243,632
Change in net assets	45,326,896	-	-	45,326,896
Net assets, beginning of the year	183,636,409	-	-	183,636,409
Net assets, end of year	$ 228,963,305	$ -	$ -	$ 228,963,305