

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, 2022 (with summarized comparative  
information for the year ended June 30, 2021)

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

**Opinion**

We have audited the financial statements of Los Angeles County Museum of Natural History Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

**Basis for opinion**

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of management for the financial statements**

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

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

#### **Other 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, 2022, 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 2021 summarized comparative information*

We have previously audited the Foundation's 2021 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Grant Thornton LLP*

San Jose, California  
December 22, 2022

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

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2022**

(with summarized comparative information for the year ended June 30, 2021)

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 66,992,676	\$ 41,997,038
Accounts receivable	782,978	1,592,562
Grants and contributions receivable, net	14,919,818	14,516,645
Prepaid expenses and other assets	367,295	252,738
Right-of-use lease assets, net	18,618,265	574,283
Investments	179,064,373	209,827,435
Investments held in trust under split-interest agreement	90,965	134,342
Leasehold improvements, equipment and exhibits, net	96,643,378	96,055,064
	<b>\$ 377,479,748</b>	<b>\$ 364,950,107</b>
Total assets	<b>\$ 377,479,748</b>	<b>\$ 364,950,107</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 7,613,356	\$ 6,324,875
Obligations under split-interest agreement	150,731	181,599
Deferred revenue	456,151	78,212
Right-of-use lease liabilities, net	18,863,401	574,283
Bonds payable, net	128,611,873	128,827,833
	<b>155,695,512</b>	<b>135,986,802</b>
Total liabilities	<b>155,695,512</b>	<b>135,986,802</b>
<b>Net assets</b>		
Without donor restrictions	144,054,443	172,420,558
With donor restrictions	77,729,793	56,542,747
	<b>221,784,236</b>	<b>228,963,305</b>
Total net assets	<b>221,784,236</b>	<b>228,963,305</b>
Total liabilities and net assets	<b>\$ 377,479,748</b>	<b>\$ 364,950,107</b>

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

**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, 2022**

**(With summarized comparative information for the year ended June 30, 2021)**

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>Operating revenue and support:</b>				
Private gifts, grants and contracts	\$ 2,298,704	\$ 7,633,845	\$ 9,932,549	\$ 5,390,462
Endowment income	7,477,303	121,749	7,599,052	6,394,371
Government grants	16,265,953	15,767,782	32,033,735	10,588,513
Museum admission fees	7,437,805	-	7,437,805	1,123,831
Support from the County of Los Angeles	18,781,000	-	18,781,000	17,592,000
Membership dues	2,139,044	1,385	2,140,429	1,419,846
Program income	167,255	15,685	182,940	165,138
Museum use and services	2,459,796	-	2,459,796	475,939
Museum shops, cafeteria and photo experience	1,011,787	-	1,011,787	170,213
Miscellaneous revenue	107,863	-	107,863	17,394
Special events revenue, net of cost of direct benefit to donors of \$0 and \$159,320, respectively	-	-	-	731,130
Total revenue and support	58,146,510	23,540,446	81,686,956	44,068,837
Net assets released from restrictions	3,139,950	(3,139,950)	-	-
Total operating revenue and support and net assets released from restrictions	61,286,460	20,400,496	81,686,956	44,068,837
<b>Operating expense:</b>				
Program services				
Education and exhibits	20,014,180	-	20,014,180	14,426,416
Research and collections	14,266,640	-	14,266,640	11,380,667
Total program services	34,280,820	-	34,280,820	25,807,083
Supporting services				
General and administration	5,633,281	-	5,633,281	3,400,575
Fundraising	5,311,617	-	5,311,617	4,137,296
Total supporting services	10,944,898	-	10,944,898	7,537,871

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, 2022**

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022 Total</b>	<b>2021 Total</b>
<b>Operating expense (continued):</b>				
Other expenses				
Museum use and services	\$ 497,724	\$ -	\$ 497,724	\$ 400,153
Recovery for doubtful accounts	(141,669)	-	(141,669)	(36,830)
Depreciation	7,996,212	-	7,996,212	8,233,491
Amortization	43,823	-	43,823	43,805
	8,396,090	-	8,396,090	8,640,619
Total other expenses				
Total operating expenses	53,621,808	-	53,621,808	41,985,573
<b>Change in net assets from operations</b>	7,664,652	20,400,496	28,065,148	2,083,264
<b>Non-operating activities:</b>				
Interest and dividend income, net	348,227	1,222,346	1,570,573	(104,866)
Debt service payments	(4,028,417)	-	(4,028,417)	(3,890,582)
Realized and unrealized gain (loss) on investments, net	(25,157,808)	(17,003)	(25,174,811)	54,307,626
Realized and unrealized gain (loss) on interest rate swaps	-	-	-	166,298
Loss on extinguishment/restructure of debt	-	-	-	(717,857)
Change in value of obligations under split-interest agreement	-	(12,510)	(12,510)	(122,616)
Endowment distributed for operations	(7,192,770)	(406,282)	(7,599,052)	(6,394,371)
	(36,030,768)	786,551	(35,244,217)	43,243,632
Total non-operating activities				
<b>CHANGE IN NET ASSETS</b>	(28,366,116)	21,187,047	(7,179,069)	45,326,896
<b>Net assets, beginning of the year</b>	172,420,559	56,542,746	228,963,305	183,636,409
<b>Net assets, end of year</b>	\$ 144,054,443	\$ 77,729,793	\$ 221,784,236	\$ 228,963,305

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)

**STATEMENTS OF CASH FLOWS**

**For the year ended June 30, 2022**  
(With summarized comparative information for the year ended June 30, 2021)

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (7,179,069)	\$ 45,326,896
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	7,996,212	8,233,491
Amortization of bond issuance costs	43,823	43,805
Amortization of bond premium	(259,783)	(205,663)
Provision for doubtful accounts	141,662	36,830
Realized and unrealized (gain) loss on investments, net	25,174,811	(54,307,626)
Realized and unrealized (gain) loss on interest rate swaps	-	(166,298)
Loss on extinguishment/restructure of debt	-	717,857
Decrease in value of investments held in trust	43,377	19,522
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	496,254	(1,578,581)
Decrease (increase) in grants and contributions receivable	(231,505)	17,699,441
Increase in prepaid expenses and other assets	(18,732,822)	(47,093)
Increase in accounts payable and accrued expenses	18,984,057	2,048,156
Increase in deferred revenues	377,940	55,162
	<u>26,854,958</u>	<u>17,875,899</u>
Net cash provided by provided by operating activities		
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	57,903,969	53,368,716
Purchases of investments	(52,315,718)	(47,214,816)
Purchases of building improvements, equipment and exhibits	(7,416,703)	(1,520,426)
	<u>(1,828,452)</u>	<u>4,633,474</u>
Net cash provided by (used in) investing activities		
<b>Cash flows from financing activities:</b>		
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)
Increase (decrease) in obligations under split-interest agreement	(30,868)	103,095
	<u>(30,868)</u>	<u>103,095</u>
Net cash provided by (used in) financing activities		
	<u>(30,868)</u>	<u>5,391,097</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>24,995,638</b>	<b>27,900,470</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>41,997,038</b>	<b>14,096,568</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 66,992,676</b>	<b>\$ 41,997,038</b>
<b>Supplemental cash flow information:</b>		
Contributions of non-cash gifts	\$ 95,842	\$ 132,665
Cash paid for interest	4,288,200	2,258,076
<b>Supplemental disclosure of noncash activities:</b>		
Right-of-use lease assets	\$ 18,043,982	\$ 574,283
Right-of-use lease liabilities	18,043,982	547,283
Forgiveness of PPP Loan	-	4,790,800

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

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

**NOTES TO FINANCIAL STATEMENTS**

**For the year ended June 30, 2022**

**(With summarized comparative information for the year ended June 30, 2021)**

**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, 2022, the County provided \$3,616,748 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 \$85,303,704 for the fiscal year ended June 30, 2022.

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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**For the year ended June 30, 2022**

**(With summarized comparative information for the year ended June 30, 2021)**

***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, 2022 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**For the year ended June 30, 2022**

**(With summarized comparative information for the year ended June 30, 2021)**

***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, 2021, 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 1.82% to 3.17% for the fiscal year ended June 30, 2022 and between 0.16% to 2.05% for the fiscal year ended June 30, 2021. 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% to 50% for the fiscal year ended June 30, 2022 and 5% to 75% for the fiscal year ended June 30, 2021.

**Los Angeles County Museum of Natural History Foundation  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**For the year ended June 30, 2022**

**(With summarized comparative information for the year ended June 30, 2021)**

***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, 2022 and 2021, 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.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**For the year ended June 30, 2022**

**(With summarized comparative information for the year ended June 30, 2021)**

***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, 2022 and 2021, 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.

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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, 2022, 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 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.

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***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.

***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, 2022, the Foundation held \$65,125,825 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, 2022 and 2021, were \$1,236,179 and \$1,280,002, respectively. Amortization of the debt issuance costs for the years ended June 30, 2022 and 2021 was \$43,823 and \$34,693 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, 2022 was \$259,783.



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***Recent Accounting Pronouncements***

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a separate line-item for contributed nonfinancial assets on the statement of activities, apart from contributed cash and other financial assets. ASU 2020-07 should be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021. The Foundation reviewed the guidance in the current fiscal year and determined that there was no impact as a result of ASU 2020-07.

**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:

	2022	2021
Cash and money market funds	\$ 8,197,860	\$ 3,761,666
Common and preferred stock and mutual funds	110,685,362	141,481,254
Corporate bonds	13,749,320	24,171,275
Government securities	4,438,644	536,637
Alternative investments	3,308,157	17,432,372
Private equity	39,605,329	23,497,866
Other	-	240
	179,984,672	210,881,310
Less investments held in trust under split-interest agreement	(90,965)	(134,342)
Less cash held in trust under split-interest agreement	(829,334)	(919,533)
	\$ 179,064,373	\$ 209,827,435

Management fees paid for the fiscal years ended June 30, 2022 and 2021 were \$1,305,676 and \$751,325, respectively.

***Significant Concentration of Investments***

At both June 30, 2022 and 2021, the Foundation had a position in the Angeles Absolute Return Fund, LTD with a NAV of \$3,308,157 and \$17,432,372, respectively. At June 30, 2022 and 2021, the Foundation had a position in the Angeles Global Equity Opportunities Fund, LLC with a NAV of \$108,189,772 and \$140,830,732, respectively. At June 30, 2022 and 2021, the Foundation had a position in the Angeles Diversified Income Fund, LLC with a NAV of \$8,971,894 and \$13,934,153, respectively. At June 30, 2022 and 2021, the Foundation had a position in the Angeles Private Market Fund 2 LP of \$12,404,261 and \$8,534,153, respectively.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**For the year ended June 30, 2022**

**(With summarized comparative information for the year ended June 30, 2021)**

**Valuation**

As of June 30, 2022, 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	\$ 2,684,258	\$ -	\$ -	\$ 5,513,602	\$ 8,197,860
Stocks and mutual funds	2,495,590	-	-	108,189,772	110,685,362
Corporate bonds	4,777,426	-	-	8,971,894	13,749,320
Government securities	4,438,644	-	-	-	4,438,644
Alternative investments	-	-	-	3,308,157	3,308,157
Private equity	-	-	-	39,605,329	39,605,329
<b>Total investments</b>	<b>\$ 14,395,918</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 165,588,754</b>	<b>\$ 179,984,672</b>

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
<b>Total investments</b>	<b>\$ 11,767,690</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 199,113,620</b>	<b>\$ 210,881,310</b>

**Investments Valued at NAV**

As of June 30, 2022, the Foundation's investments valued at NAV totaled \$165,588,754. The investments are composed of the funds described below:

Stocks and Commingled Funds

\$108,189,772 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, 2022, approximately 49% 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 38% 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 13% of the fund was held in cash and cash equivalents.

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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

\$8,971,894 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, 2022, approximately 54% 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 36% was invested in passively managed ETFs tracking the performance of selected market indices. The remaining balance of approximately 10% 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.

Alternative Investments

\$3,308,157 is invested in the Angeles Absolute Return Fund LTD, a fund of hedge funds. 100% of the Angeles Absolute Return Fund LTD holdings are designated investments, which are primarily private credit funds. Designated Investment Shares are not redeemable but will be held until the corresponding investment is realized or deemed realized.

Private Equity

The Foundation has a total investment of \$39,605,329 in and unfunded commitments of \$25,587,023 to ten private investment funds as of June 30, 2022: 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; Angeles Private Credit Fund 2, a fund seeking to achieve attractive risk-adjusted returns by primarily pursuing credit-oriented investment strategies; 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.

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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, 2022, the changes in fair value of the Foundation's investments valued at NAV are as follows:

Balance, beginning of year	\$ 195,695,123
Purchases	17,809,808
Sales	(29,045,536)
Realized gains (losses), net	2,001,754
Unrealized gains (losses), net	<u>(26,385,997)</u>
Total	160,075,152
Redemptions in transit	<u>5,513,602</u>
Balance, end of year	<u>\$ 165,588,754</u>

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	<u>49,194,763</u>
	195,695,123
Redemptions in transit	<u>3,418,497</u>
Balance, end of year	<u>\$ 199,113,620</u>

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**NOTE 4 - GRANTS AND CONTRIBUTIONS RECEIVABLE**

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

	2022	2021
Due within one year	\$ 8,429,915	\$ 5,963,222
Due in between one and five years	1,683,750	4,036,250
Due after five years	8,712,500	8,632,500
	18,826,165	18,631,972
Less present value discount	(3,059,772)	(3,097,082)
	15,766,393	15,534,890
Less allowance for uncollectible pledges	(846,576)	(1,018,245)
Total	\$ 14,919,817	\$ 14,516,645

Unconditional contributions receivable includes amounts from members of the Foundation's Board of Trustees of \$2,490,000 and \$3,103,000 as of June 30, 2022 and 2021, respectively.

**NOTE 5 - LEASEHOLD IMPROVEMENTS, EQUIPMENT AND EXHIBITS**

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

	2022	2021
Leasehold improvements	\$ 119,825,766	\$ 119,825,766
Exhibits	54,914,567	54,914,567
Equipment and furnishings	13,576,983	13,361,519
Construction in progress	24,961,883	16,592,821
	213,279,199	204,694,673
Less accumulated depreciation	(116,635,821)	(108,639,609)
Total	\$ 96,643,378	\$ 96,055,064

Depreciation expense for the fiscal years ended June 30, 2022 and 2021 was \$7,996,212 and \$8,233,491, respectively.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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**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 had an uncollateralized \$4,500,000 revolving line of credit with a bank that expired on December 31, 2021. During the fiscal years ended June 30, 2022 and 2021, no amounts were outstanding under the expired line of credit hence no interest was payable.

**NOTE 9 - BONDS PAYABLE**

At June 30, 2022 and 2021, bonds payable was comprised of the following:

	2022	2021
Bonds issued through California Infrastructure and Economic Development Bank: Series 2020	\$ 122,520,000	\$ 122,520,000
	122,520,000	122,520,000
Unamortized cost of issuance	(1,236,179)	(1,280,002)
Unamortized premium (discount), net	7,328,052	7,587,835
Total	\$ 128,611,873	\$ 128,827,833

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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 Variable Rate Demand Refunding Revenue Bonds: Series 2008A and Series 2008B ("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 \$4,288,200 and \$4,039,285 for the years ended June 30, 2022 and 2021, respectively.

The principal amount is due as described in the chart below:

	<u>Series 2020</u>
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.

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**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

***Operating Leases - Lessee***

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, 2042. For the fiscal year ended June 30, 2022, rent expense relating to these leases amounted to \$867,268 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:

<u>Years Ending June 30,</u>		
2023	\$	792,204
2024		965,886
2025		999,775
2026		1,034,767
2026		1,070,984
Thereafter		<u>20,928,418</u>
Total	\$	<u>25,792,035</u>

***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, 2022 and 2021, net assets with donor restrictions consists of the following:

	<u>2022</u>	<u>2021</u>
Restricted as to time and/or purpose	\$ 68,084,739	\$ 48,629,005
Unappropriated endowment earnings	<u>3,810,976</u>	<u>3,024,424</u>
Subtotal	71,895,715	51,653,429
Endowment	<u>5,864,146</u>	<u>4,889,317</u>
Total net assets with donor restrictions	<u>\$ 77,759,861</u>	<u>\$ 56,542,746</u>



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**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, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Perpetual Endowment	
Donor-restricted endowment funds	\$ -	\$ 3,810,976	\$ 5,864,146	\$ 10,897,456
Board-designated endowment funds	169,907,707	-	-	169,907,707
Endowment, end of year	<u>\$ 169,907,707</u>	<u>\$ 3,810,976</u>	<u>\$ 5,864,146</u>	<u>\$ 179,582,829</u>

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Changes in endowment assets for the fiscal year ended June 30, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Perpetual Endowment	
Endowment, beginning of year	\$ 201,838,286	\$ 3,024,424	\$ 4,889,317	\$ 209,752,027
Investment return				
Investment income (net)	2,868,297	(1,228,764)	-	1,639,533
Net realized and unrealized gains (losses)	<u>(25,157,808)</u>	<u>(17,003)</u>	<u>-</u>	<u>(25,174,811)</u>
Total investment return	<u>(22,289,511)</u>	<u>(1,245,766)</u>	<u>-</u>	<u>(23,535,278)</u>
Additional appropriation of endowment assets for fiscal year 2022	(7,192,770)	-	-	(7,192,770)
Release of restrictions for spending		(406,282)	-	(406,282)
Other	<u>(2,448,298)</u>	<u>2,438,600</u>	<u>974,829</u>	<u>965,132</u>
Endowment, end of year	<u>\$ 169,907,707</u>	<u>\$ 3,810,976</u>	<u>\$ 5,864,146</u>	<u>\$ 179,582,829</u>

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, 2022, 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**For the year ended June 30, 2022**

**(With summarized comparative information for the year ended June 30, 2021)**

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, 2022 and 2021, was 5.0% to cover operations and debt service-related payments. In the fiscal year ended June 30, 2022, the actual draw was 5.0%. In the fiscal year ended June 30, 2021, the Board approved an additional draw of up to .50%, for a total actual draw of 5.50%, 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 \$22,397,748 and \$22,427,337 to the Foundation for the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021, \$18,781,000 and \$17,592,000, 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 \$3,616,748 and \$4,835,337, 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, 2022 and 2021, the Foundation provided \$62,905,956 and \$25,868,837, respectively, excluding unrealized gains and losses on investments, representing 281% of the amounts provided by the County for 2022 and 115% for 2021.

**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 \$684,416 for the fiscal year ended June 30, 2022.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**For the year ended June 30, 2022**

**(With summarized comparative information for the year ended June 30, 2021)**

**NOTE 16 - AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Foundation's financial assets as of June 30, 2022, 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.

	2022	2021
Cash and equivalents	\$ 66,992,676	\$ 41,997,038
Investments	179,064,373	209,827,435
Investments held in trust under split-interest agreement	90,965	134,342
Accounts receivable	782,978	1,592,562
Grants and contributions receivable, net	14,919,818	14,516,645
Total financial assets	261,850,810	268,068,022
Receivables scheduled to be collected in more than one year (see Note 4)	(6,251,151)	(8,553,423)
Contractual or donor-imposed restrictions:		
Endowment funds (including funds which are perpetual in nature)	(10,897,457)	(7,913,741)
Other donor restrictions	(71,118,052)	(40,250,693)
Investment held in charitable remainder trust	(90,965)	(134,342)
Board designations:		
Endowment funds, net of fiscal year 2023 appropriation of \$7,840,867	(160,844,505)	(193,047,122)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,648,680	\$ 18,168,701

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 \$19.3 million in July 2022 (for fiscal year 2023) and \$18.1 million in July 2021 (for fiscal year 2022).

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**For the year ended June 30, 2022**

**(With summarized comparative information for the year ended June 30, 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, 2022 is:

	Education and Exhibits	Research and Collections	Total	General and Administration	Fundraising	Total	Total Expenses	2021 Total Expenses
Operating expenses								
Salaries and wages	\$ 13,616,383	\$ 9,266,742	\$ 22,883,125	\$ 2,017,593	\$ 3,116,923	\$ 5,134,516	\$ 28,017,641	\$ 23,353,565
Professional fees	1,217,389	854,705	2,072,094	401,886	818,898	1,220,784	3,292,878	2,933,284
Museum use services and								
Occupancy	1,162,780	1,091,270	2,254,050	2,113,183	255,289	2,368,472	4,622,522	2,760,128
Insurance/	208,959	977,089	1,186,048	20,746	66,226	86,972	1,273,020	575,437
participation fees and travel	285,869	378,997	664,866	246,248	54,621	300,869	965,735	615,122
Advertising and printing	708,097	15,323	723,420	11,743	364,868	376,611	1,100,031	419,590
Exhibit building and supply costs	295,530	4,450	299,980	-	-	-	299,980	23,528
Information technology	519,580	309,210	828,790	245,176	108,787	353,963	1,182,753	815,912
Repair and maintenance	702,433	619,394	1,321,827	700,781	111,319	812,100	2,133,927	1,334,896
Office expense	77,805	97,437	175,242	50,847	131,150	181,997	357,239	163,100
Other	1,219,354	652,025	1,871,379	322,803	283,534	606,337	2,477,716	750,541
Recovery of allowance for doubtful pledges	-	-	-	(141,669)	-	(141,669)	(141,669)	(36,830)
Depreciation	3,538,642	2,522,438	6,061,080	996,002	939,130	1,935,132	7,996,212	8,233,491
Amortization	-	-	-	43,823	-	43,823	43,823	43,805
<b>Total operating expenses</b>	<u>\$ 23,552,821</u>	<u>\$ 16,789,080</u>	<u>\$ 40,341,901</u>	<u>\$ 7,029,162</u>	<u>\$ 6,250,745</u>	<u>\$ 13,279,907</u>	<u>\$ 53,621,808</u>	<u>\$ 41,985,573</u>

**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

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**For the year ended June 30, 2022**

**(With summarized comparative information for the year ended June 30, 2021)**

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**

***Revolving Line of Credit***

Beginning September 7, 2022, the Foundation has a \$5,000,000 revolving line of credit with a bank that expires September 1, 2023. Interest is payable monthly, and the note rate is the greater of (a) 1.75% or (b) the Wall Street Journal prime rate minus 2.00%. The line of credit is subject to a “clean-up period” such that the Foundation will be required to reduce the outstanding amount borrowed to \$0.00 for a period of not less than thirty consecutive days during each twelve-month period.

***Loan Agreement – Funding for the Commons Project***

As of September 1, 2022 the Foundation entered into a loan agreement with First Republic Bank, a California banking corporation (the “Lender”), the California Enterprise Development Authority, a joint exercise of powers authority under the laws of the State of California (the “Issuer”). The Lender will make a loan to the Issuer of up to \$17,000,000 and the Issuer will lend the proceeds to the Foundation to assist with the design, development, construction, installation, equipping and furnishing new museum facilities known as the Commons and to pay certain financing costs and costs of issuance in connection with the loan agreement.

Interest is payable monthly at a rate of 2.95%. The first principal payment is due in year 3 of the loan. The maximum loan balance permitted at each anniversary date is as follows:

<u>Date</u>	<u>Amount</u>
September 1, 2025	\$ 13,000,000
September 1, 2026	\$ 10,000,000
September 1, 2027	\$ 7,000,000
September 1, 2028	\$ 4,000,000

Thereafter, the entire unpaid principal balance of the Borrower Loan and all accrued and unpaid interest thereon shall be due and payable on September 1, 2029.

The Foundation must maintain a Modified Unrestricted Net Asset Coverage Ratio of not less than .90:1, measured annually as of June 30th of each fiscal year. The Foundation was in compliance with this covenant requirement as of June 30, 2022.

The Foundation has incurred issuance costs of \$210,514 and fees of \$17,000 related to the loan agreement. These costs are to be capitalized and amortized over the term of the loan on a straight-line basis, which approximates the effective interest method.

SUPPLEMENTAL INFORMATION

**Los Angeles County Museum of Natural History Foundation**  
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**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the year ended June 30, 2022

	Los Angeles County Museum of Natural History Foundation	County of Los Angeles	Eliminations	Combined
<b>Operating revenue and support:</b>				
Private gifts, grants and contracts	\$ 9,932,549	\$ -	\$ -	\$ 9,932,549
Endowment income	7,599,052	-	-	7,599,052
Government grants	32,033,735	-	-	32,033,735
Museum admission fees	7,437,805	-	-	7,437,805
Appropriation from the County of Los Angeles	-	22,397,748	-	22,397,748
Support from the County of Los Angeles	18,781,000	-	(18,781,000)	-
Membership dues	2,140,429	-	-	2,140,429
Program income	182,940	-	-	182,940
Museum use and services	2,459,796	-	-	2,459,796
Museum shops, cafeteria and photo experience	1,011,787	-	-	1,011,787
Miscellaneous revenue	107,863	-	-	107,863
Special events revenue, net of cost of direct benefit to donors of \$159,320 and \$0, respectively	-	-	-	-
	-	-	-	-
Total operating revenue and support	<u>81,686,956</u>	<u>22,397,748</u>	<u>(18,781,000)</u>	<u>85,303,704</u>
<b>Operating expense:</b>				
Program services				
Education and exhibits	20,014,180	7,420,541	-	27,434,721
Research and collections	14,266,640	5,569,192	-	19,835,832
Total program services	<u>34,280,820</u>	<u>12,989,733</u>	<u>-</u>	<u>47,270,553</u>
Supporting services				
General and administration	5,633,281	9,408,015	-	15,041,296
Operating contract with County of Los Angeles - Operational Transfer	-	-	(18,781,000)	(18,781,000)
Fundraising	5,311,617	-	-	5,311,617
Total supporting services	<u>10,944,898</u>	<u>9,408,015</u>	<u>(18,781,000)</u>	<u>1,571,913</u>



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**COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED**

For the year ended June 30, 2022

	Los Angeles County Museum of Natural History Foundation	County of Los Angeles	Eliminations	Combined
<b>Operating expense (continued):</b>				
Other expenses				
Museum use and services	\$ 497,724	\$ -	\$ -	\$ 497,724
Provision (recovery) for doubtful accounts	(141,669)	-	-	(141,669)
Depreciation	7,996,212	-	-	7,996,212
Amortization	43,823	-	-	43,823
	<u>8,396,090</u>	<u>-</u>	<u>-</u>	<u>8,396,090</u>
Total other expenses				
	<u>53,621,808</u>	<u>22,397,748</u>	<u>(18,781,000)</u>	<u>57,238,556</u>
Total operating expenses				
	<u>28,065,148</u>	<u>-</u>	<u>-</u>	<u>28,065,148</u>
Change in net assets from operations				
<b>Non-operating activities:</b>				
Interest and dividend income, net	1,570,573	-	-	1,570,573
Debt service payments	(4,028,417)	-	-	(4,028,417)
Realized and unrealized gain on investments, net	(25,174,811)	-	-	(25,174,811)
Realized gain on interest rate swaps	-	-	-	-
Loss on extinguishment/restructure of debt	-	-	-	-
Change in value of obligations under split-interest agreement	(12,510)	-	-	(12,510)
Endowment distributed for operations	(7,599,052)	-	-	(7,599,052)
	<u>(35,244,217)</u>	<u>-</u>	<u>-</u>	<u>(35,244,217)</u>
Total non-operating activities				
	<u>(7,179,069)</u>	<u>-</u>	<u>-</u>	<u>(7,179,069)</u>
CHANGE IN NET ASSETS				
Net assets, beginning of the year	<u>228,963,305</u>	<u>-</u>	<u>-</u>	<u>228,963,305</u>
Net assets, end of year	<u>\$ 221,784,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,784,236</u>