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# The Adler Planetarium

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**Financial Report**  
**June 30, 2023**

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## **Independent Auditor's Report**

To the Board of Trustees  
The Adler Planetarium

### **Report on the Audits of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of The Adler Planetarium (the "Adler"), which comprise the statement of financial position as of June 30, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, 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 Adler as of June 30, 2023 and 2022 and the changes in its net assets, functional expenses, and 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Adler and to meet our 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 Adler's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

#### ***Auditor's Responsibilities for the Audits 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 audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees  
The Adler Planetarium

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Adler'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 Adler'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 on our consideration of the Adler's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Adler's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Adler's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 26, 2023

Statement of Financial Position

June 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 10,491,135	\$ 6,370,005
Accounts receivable (Note 7)	2,177,487	3,474,347
Prepaid expenses	324,732	323,827
Investments (Note 5)	32,150,648	29,203,580
Interest rate swap asset (Notes 5 and 12)	2,164,765	1,587,373
Property, equipment, exhibits, and shows - Net (Note 4)	19,824,650	21,101,575
	<u>\$ 67,133,417</u>	<u>\$ 62,060,707</u>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 375,975	\$ 287,242
Contract liabilities (Note 8)	998,247	1,229,705
Accrued expenses and other liabilities	1,291,075	1,087,865
Finance lease liabilities (Note 13)	44,011	35,306
Bonds payable (Note 11)	27,000,000	27,000,000
Defined benefit pension plan liability (Note 9)	1,245,510	2,946,268
	<u>30,954,818</u>	<u>32,586,386</u>
Total liabilities		
<b>Net Assets</b>		
Without donor restrictions	24,445,100	19,594,466
With donor restrictions (Notes 14 and 15)	11,733,499	9,879,855
	<u>36,178,599</u>	<u>29,474,321</u>
Total net assets		
Total liabilities and net assets	<u>\$ 67,133,417</u>	<u>\$ 62,060,707</u>

## Statement of Activities and Changes in Net Assets

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>						
Support:						
Distributions from the Aquarium and Museum Purposes Fund of Chicago Park District	\$ 2,146,167	\$ -	\$ 2,146,167	\$ 2,155,122	\$ -	\$ 2,155,122
Other governmental grants and contracts	1,093,495	-	1,093,495	1,552,637	-	1,552,637
COVID-19 governmental grants	-	-	-	5,935,484	-	5,935,484
Contributions, bequests, and foundation grants	1,393,858	3,663,581	5,057,439	1,460,863	2,491,827	3,952,690
Donated services, expenses, and equipment	164,930	-	164,930	47,356	-	47,356
Special event revenue	1,140,717	-	1,140,717	1,407,200	-	1,407,200
Net assets released from restrictions	2,230,129	(2,230,129)	-	1,904,424	(1,904,424)	-
Total support	8,169,296	1,433,452	9,602,748	14,463,086	587,403	15,050,489
Revenue:						
Admission charges	5,944,504	-	5,944,504	2,254,246	-	2,254,246
Membership dues	396,956	-	396,956	345,504	-	345,504
Auxiliary activities	792,498	-	792,498	438,204	-	438,204
Interest and dividends - Net	872,026	106,558	978,584	543,191	12,055	555,246
Private event revenue	1,117,640	-	1,117,640	942,867	-	942,867
Other	232,132	-	232,132	648,284	-	648,284
Total revenue	9,355,756	106,558	9,462,314	5,172,296	12,055	5,184,351
Total revenue and support	17,525,052	1,540,010	19,065,062	19,635,382	599,458	20,234,840
<b>Expenses</b>						
Program Services:						
Museum experience and observatory	8,331,213	-	8,331,213	7,215,302	-	7,215,302
Science engagement and visualization	2,869,001	-	2,869,001	2,754,217	-	2,754,217
Collections and curatorial	439,484	-	439,484	452,438	-	452,438
Total program services	11,639,698	-	11,639,698	10,421,957	-	10,421,957
Support Services:						
Development and membership	1,067,313	-	1,067,313	1,235,421	-	1,235,421
Fundraising events	253,839	-	253,839	98,090	-	98,090
General and administration	3,231,760	-	3,231,760	2,895,174	-	2,895,174
Total support services	4,552,912	-	4,552,912	4,228,685	-	4,228,685
Total expenses	16,192,610	-	16,192,610	14,650,642	-	14,650,642
<b>Net Operating Income</b>	1,332,442	1,540,010	2,872,452	4,984,740	599,458	5,584,198

## The Adler Planetarium

# Statement of Activities and Changes in Net Assets (Continued)

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Nonoperating Revenue (Expense)</b>						
Pension (loss) income	\$ (127,541)	\$ -	\$ (127,541)	\$ 107,578	\$ -	\$ 107,578
Interfund borrowings interest (expense) income (Notes 14 & 15)	(19,000)	19,000	-	(19,000)	19,000	-
Net realized and unrealized gains (losses) on investments	1,614,819	294,634	1,909,453	(3,363,271)	(440,914)	(3,804,185)
Net nonoperating revenue (expense)	1,468,278	313,634	1,781,912	(3,274,693)	(421,914)	(3,696,607)
<b>Increase in Net Assets - Before other changes</b>	2,800,720	1,853,644	4,654,364	1,710,047	177,544	1,887,591
<b>Other Changes in Net Assets</b>						
Pension-related changes other than net periodic pension cost	1,472,522	-	1,472,522	1,047,043	-	1,047,043
Unrealized gain on interest rate swaps (Note 12)	577,392	-	577,392	2,829,357	-	2,829,357
Total other changes in net assets	2,049,914	-	2,049,914	3,876,400	-	3,876,400
<b>Increase in Net Assets</b>	4,850,634	1,853,644	6,704,278	5,586,447	177,544	5,763,991
<b>Net Assets - Beginning of year</b>	19,594,466	9,879,855	29,474,321	14,008,019	9,702,311	23,710,330
<b>Net Assets - End of year</b>	<b>\$ 24,445,100</b>	<b>\$ 11,733,499</b>	<b>\$ 36,178,599</b>	<b>\$ 19,594,466</b>	<b>\$ 9,879,855</b>	<b>\$ 29,474,321</b>

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Support Services				Total
	Museum Experience and Observatory	Science Engagement and Visualization	Collections and Curatorial	Total Program Services	Development and Membership	Fundraising Events	General and Administrative	Total Support Services	
Salaries and wages	\$ 2,907,240	\$ 1,836,050	\$ 170,753	\$ 4,914,043	\$ 749,501	\$ -	\$ 2,074,087	\$ 2,823,588	\$ 7,737,631
Employee benefits	574,635	362,763	33,918	971,316	140,569	-	392,082	532,651	1,503,967
Professional fees	57,692	14,272	870	72,834	96,538	71,128	360,866	528,532	601,366
Contract services	212,345	249,558	107,098	569,001	28,294	85,430	174,518	288,242	857,243
Advertising and promotion	15,568	57	36	15,661	9	-	6,909	6,918	22,579
Office expenses and supplies	308,426	103,042	6,632	418,100	7,454	8,961	44,465	60,880	478,980
Information technology	99,270	51,639	5,951	156,860	12,700	-	34,951	47,651	204,511
Occupancy	420,543	17,736	11,400	449,679	2,827	-	10,002	12,829	462,508
Travel expenses	25,754	38,946	552	65,252	3,675	8,695	8,355	20,725	85,977
Interest	678,666	-	-	678,666	-	-	-	-	678,666
Depreciation	2,033,161	32,176	45,451	2,110,788	2,977	-	10,536	13,513	2,124,301
Insurance	191,788	11,899	7,648	211,335	1,896	-	6,710	8,606	219,941
Cleaning and maintenance	413,372	25,136	16,156	454,664	4,006	-	14,175	18,181	472,845
Equipment and repairs	327,770	28,706	25,672	382,148	3,284	-	30,164	33,448	415,596
In-kind goods and services	52,799	26,950	2,700	82,449	6,750	70,906	4,825	82,481	164,930
Miscellaneous	12,184	70,071	4,647	86,902	6,833	8,719	59,115	74,667	161,569
<b>Total functional expenses</b>	<b>\$ 8,331,213</b>	<b>\$ 2,869,001</b>	<b>\$ 439,484</b>	<b>\$ 11,639,698</b>	<b>\$ 1,067,313</b>	<b>\$ 253,839</b>	<b>\$ 3,231,760</b>	<b>\$ 4,552,912</b>	<b>\$ 16,192,610</b>



Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				Support Services				Total
	Museum Experience and Observatory	Science Engagement and Visualization	Collections and Curatorial	Total Program Services	Development and Membership	Fundraising Events	General and Administrative	Total Support Services	
Salaries and wages	\$ 2,070,638	\$ 1,695,477	\$ 215,557	\$ 3,981,672	\$ 881,288	\$ -	\$ 1,887,737	\$ 2,769,025	\$ 6,750,697
Employee benefits	409,100	338,754	43,761	791,615	170,008	-	367,137	537,145	1,328,760
Professional fees	8,741	42,252	53	51,046	13	60,000	299,970	359,983	411,029
Contract services	207,518	387,542	91,820	686,880	33,487	31,359	150,749	215,595	902,475
Advertising and promotion	6,621	-	-	6,621	-	-	8,824	8,824	15,445
Office expenses and supplies	171,813	47,975	3,873	223,661	6,549	5,730	44,409	56,688	280,349
Information technology	90,256	56,658	5,300	152,214	14,859	-	32,919	47,778	199,992
Occupancy	331,321	16,373	10,524	358,218	2,609	-	9,233	11,842	370,060
Travel expenses	10,812	8,487	166	19,465	4,919	1,001	3,816	9,736	29,201
Interest	681,405	-	-	681,405	-	-	-	-	681,405
Depreciation	2,541,409	38,443	42,272	2,622,124	4,522	-	20,524	25,046	2,647,170
Insurance	175,178	11,177	7,184	193,539	1,781	-	6,303	8,084	201,623
Cleaning and maintenance	245,535	14,218	9,138	268,891	2,266	-	8,018	10,284	279,175
Equipment and repairs	245,212	39,144	21,030	305,386	2,004	-	25,441	27,445	332,831
In-kind goods and services	16,631	26,675	-	43,306	4,050	-	-	4,050	47,356
Miscellaneous	3,112	31,042	1,760	35,914	107,066	-	30,094	137,160	173,074
<b>Total functional expenses</b>	<b>\$ 7,215,302</b>	<b>\$ 2,754,217</b>	<b>\$ 452,438</b>	<b>\$ 10,421,957</b>	<b>\$ 1,235,421</b>	<b>\$ 98,090</b>	<b>\$ 2,895,174</b>	<b>\$ 4,228,685</b>	<b>\$ 14,650,642</b>

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 6,704,278	\$ 5,763,991
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	2,124,301	2,647,170
Pension-related changes other than net periodic pension cost	(1,472,522)	(1,047,043)
Unrealized gain on interest rate swaps	(577,392)	(2,829,357)
Realized and unrealized (gains) losses on investments	(1,909,453)	3,804,185
Bad debt expense	-	100,000
Noncash donation of stock	(70,330)	(42,425)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	1,296,860	(3,177,147)
Prepaid expenses	(905)	(49,605)
Pledges receivable	-	(8,299)
Accounts payable	(9,056)	(15,918)
Accrued expenses and other liabilities	197,924	(128,060)
Contract liabilities	(231,458)	(333,179)
Defined benefit pension plan liability	(228,236)	(455,578)
Net cash and cash equivalents provided by operating activities	5,824,011	4,228,735
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(697,017)	(3,328,872)
Proceeds from sales and maturities of investments	2,270,219	21,611,532
Purchases of investments	(3,237,504)	(21,855,310)
Net cash and cash equivalents used in investing activities	(1,664,302)	(3,572,650)
<b>Cash Flows Used in Financing Activities - Payments on finance leases</b>	(38,579)	(43,482)
<b>Net Increase in Cash and Cash Equivalents</b>	4,121,130	612,603
<b>Cash and Cash Equivalents - Beginning of year</b>	6,370,005	5,757,402
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 10,491,135</b>	<b>\$ 6,370,005</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 696,442	\$ 506,179
Capital expenditures included in accounts payable and accrued expenses	170,882	67,807
Right-of-use assets obtained in exchange for new finance lease liabilities	47,283	-

**Note 1 - Nature of Organization**

The Adler Planetarium (the "Adler") is a nonprofit museum founded in 1930 to be the world's premier center for experiencing and learning space science. In this capacity, the Adler is a public museum devoted to education and research. The Adler's principal sources of support and revenue are museum admission charges, contributions and grants, tax levies, and investment income. The Adler is located in Chicago, Illinois.

**Note 2 - Significant Accounting Policies**

***Basis of Presentation***

The financial statements of the Adler have been prepared on the accrual basis of accounting in accordance with nonprofit reporting principles and practices.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on hand and all highly liquid investments with an original maturity of three months or less when purchased. The Adler maintains cash and cash equivalents in bank deposit accounts that at times may exceed federally insured limits. Uninsured cash deposits totaled \$10,279,909 and \$6,260,176 as of June 30, 2023 and 2022, respectively.

***Accounts Receivable***

Accounts receivable consist of admission revenue from third-party admission programs and grants due to the Adler at year end. The receivables are valued at management's estimate of the amount that will ultimately be collected. An allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Adler's historical collection experience. No allowance was deemed necessary at June 30, 2023 and 2022.

***Investments***

Investments are presented in the financial statements at fair value. The fair values of investments are based on quoted market prices, when available, for those investments. Both realized and unrealized gains and losses are reported in the statement of activities and changes in net assets. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

***Property, Equipment, Exhibits, and Shows***

Property, equipment, exhibits, and shows are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives.

Artwork is not depreciated. Costs incurred related to construction of exhibits and shows in progress are capitalized but are not depreciated until construction is complete.

Building and other improvements represent costs incurred by the Adler to improve land, buildings, and equipment used by the Adler under a long-term use agreement with the Chicago Park District (see Note 3).

***Contract Liabilities***

Contract liabilities consist of amounts received but intended for and to be recognized as revenue in future periods, including payments for private events, membership dues, Star Pass annual admissions, special event revenue, and summer camps. At July 1, 2021, the opening balance balance of contract liabilities amounted to \$1,562,884.

**Note 2 - Significant Accounting Policies (Continued)**

***Interest Rate Swaps***

The Adler uses interest rate swaps to manage its overall exposure to variable-rate debt. The interest rate swaps are recognized as an asset or a liability on the statement of financial position and are measured at fair value. Any changes in the fair value of an interest rate swap agreement are recognized in the statement of activities and changes in net assets.

***Pension***

The Adler's accounting for the pension plan reflects the accounting standards of *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. These standards require employers to recognize the overfunded or underfunded positions (the difference between the fair value of the plan assets and the projected benefit obligation) of defined benefit pension plans as an asset or liability in the statement of financial position and to recognize changes in that funded status in changes in net assets without donor restrictions in the year in which the changes occur.

***Classification of Net Assets***

Net assets of the Adler are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Adler.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Adler or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

***Tax Levy Revenue***

Revenue from the Adler's allocable share of the tax levy of the Aquarium and Museum Purposes Fund, which is administered by the Chicago Park District, is recorded when collected. Distributions are received by the Adler the year following the year of the tax levy. The Chicago Park District determines the allocation on an annual basis.

***Grant Revenue***

Revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as a contract liability. Amounts that have been awarded but not yet recognized as revenue are treated as conditional contributions and are not reflected in the accompanying financial statements. As of June 30, 2023 and 2022, the Adler is eligible to receive and recognize \$1,765,728 and \$2,026,538, respectively, of these conditional contributions upon the occurrence of future qualifying expenses.

**Note 2 - Significant Accounting Policies (Continued)**

***Contributions***

Unconditional promises to give cash and other assets to the Adler are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the contributions are received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions of marketable securities are recorded at fair value as of the date of the gift. It is the Adler's practice to liquidate such gifts of securities at the time of receipt.

***Contributed Nonfinancial Assets***

A substantial number of individuals and organizations have volunteered their services to the Adler. The estimated value of such donated services has not been recorded in the financial statements. However, certain donated services (those requiring specific expertise) have been reflected in the financial statements at their fair value based on current rates for similar services, which was approximately \$28,000 and \$9,000 for 2023 and 2022, respectively. Donations of catering, marketing, travel expenses, and equipment have been reflected in the financial statements at their fair value at the date the expenses were incurred or the equipment was received. The fair value is based on current invoice prices for similar expenses incurred. These donations totaled approximately \$137,000 and \$39,000 for 2023 and 2022, respectively.

***Special Event Revenue***

Special event revenue includes revenue for the Celestial Bash. The Celestial Bash raised approximately \$1,141,000 and \$1,407,000 in 2023 and 2022, respectively. Direct expenses incurred in relation to the Celestial Bash are included in fundraising expense under support services on the statement of activities and changes in net assets and totaled approximately \$254,000 and \$98,000 for 2023 and 2022, respectively.

***Revenue Recognition for Contracts with Customers***

The Adler's revenue streams under contracts with customers are composed of admission charges, membership dues, Star Pass admissions, auxiliary activities, private event revenue, and other revenue.

For each revenue stream identified above, revenue recognition is subject to the completion of performance obligations. For each contract with a customer, the Adler determined whether the performance obligations in the contracts are distinct or should be bundled. Factors to be considered include the pattern of transfer, whether members or customers can benefit from the resources, and whether the resources are readily available. The Adler's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. The Adler recognizes the revenue over a period of time if the customer receives and consumes the benefits that the Adler provided or if the Adler's performance does not create an asset with an alternative use and has an enforceable right to payment for the performance. The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods.

**Note 2 - Significant Accounting Policies (Continued)**

The transaction price is calculated as the amount of consideration to which the Adler expects to be entitled (such as merchant price, event agreements, price of membership, and program fees set in advance). In some situations, the Adler collects cash prior to the satisfaction of the performance obligation, which results in the Adler recognizing contract liabilities upon receipt of payment.

The following explains the performance obligations related to each revenue stream and how they are recognized:

**Admission charges:** The Adler sells tickets to guests for single-day access to exhibits and shows. The Adler recognizes revenue as the performance obligation is met, which occurs when the customer presents the ticket for entry. The majority of tickets are sold online in advance, with some tickets sold on the day of entry. The Adler recognizes contract liabilities for payments received in advance of the day of the visit.

**Star Pass admissions:** The Adler offers a 12-month advance purchase admissions plan titled Star Pass. The Adler recognizes the Star Pass admission revenue as the performance obligation is met, ratably over the 12 months, commencing in the month of purchase. The Adler recognizes contract liabilities for the payments received prior to the satisfaction of the performance obligation. Star Pass admissions amounted to \$366,301 and \$58,328 as of June 30, 2023 and 2022, respectively, and are included in admission charges on the statement of activities and changes in net assets.

**Membership dues:** The Adler sold memberships for one-year and two-year periods. Memberships provide unlimited entry for the membership term. The Adler recognizes the membership revenue as the performance obligation is met, ratably over the length of the membership, commencing in the month of purchase. The Adler recognizes contract liabilities for the payments received prior to the satisfaction of the performance obligation. The Adler suspended the membership program upon reopening to the public in March 2022. Existing memberships will be honored until the term is complete.

**Auxiliary activities:** The Adler outsources the food service and gift shop operations to third-party vendors. The Adler receives a percentage of revenue the outsourced vendors generate from transaction-based restaurant, catering, and merchandise sales. Revenue is recognized in the period the performance obligation is met when the sales occur and the guest takes possession of the item purchased. The Adler records accounts receivable for amounts recognized but not yet remitted by the outsourced vendor.

**Private event revenue:** External parties rent space at the Adler to hold events for specific dates. The performance obligation is met on the date of the event. A deposit of 50 percent of the rental fee is due on execution of the rental agreement, and the remainder is due 60 days before the event date. The Adler does not have an obligation to issue a refund in the event the room rental is canceled. The Adler recognizes contract liabilities for payments received prior to the rental date.

**Other revenue:** Customers register for various programs at the Adler. Revenue is recognized in the period the performance obligation is met, which is when the program takes place. The Adler recognizes contract liabilities for the payments received prior to the satisfaction of the performance obligation.

**Operations**

The Adler considers all revenue and expenses to be related to operations except for the following:

- Nonoperating revenue and expenses consist of acquisitions for collections, pension expense for the frozen defined benefit pension plan, interest expense and income on interfund borrowings, and investment gains and losses.
- Other changes in net assets consist of actuarial gains or losses on the pension plan and unrealized gains or losses on interest rate swaps.

**Note 2 - Significant Accounting Policies (Continued)**

***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. Costs are charged to program services and support services on an actual basis when available. In addition, some costs have been allocated between the various program and support services based on estimates determined by management:

- Information technology - By personnel head count
- Depreciation (for certain allocated areas not directly charged to a function) - By building square footage
- Occupancy - By building square footage
- Salaries - By estimates of time and effort

Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***Leases***

The Adler has finance leases for equipment, as described in Note 13. The Adler recognizes expense for finance leases on a straight-line basis over the lease term. The Adler made a policy election not to separate lease and nonlease components for its leases. Therefore, all payments are included in the calculation of the right-of-use assets and lease liabilities.

The Adler elected to use the incremental borrowing rate for finance leases.

***Federal Income Taxes***

The Adler, an Illinois not-for-profit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law except for taxes pertaining to unrelated business income, if any.

***Collections***

In conformity with the accounting practices generally followed by museums, the Adler's collections, which were acquired through purchases and contributions since the Adler's inception, are not recognized as assets on the 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. The Adler's collections are made up of approximately 7,000 artifacts of historical significance that are held for educational, research, scientific, and curatorial purposes. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections or to support the direct care of collections. Direct care of collections is defined by the Adler as costs that prolong the life and usefulness of the collection; costs providing benefits that enhance the quality and protection of the collection; and costs that make a physical impact on collection objects, increasing or restoring their cultural or scientific value. Routine and ongoing expenditures are not considered direct care of collections.

***Impairment or Disposal of Long-lived Assets***

The Adler reviews the recoverability of long-lived assets, including buildings, equipment, and internal-use software, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. There were no impairment losses recorded in 2023 or 2022.

June 30, 2023 and 2022

**Note 2 - Significant Accounting Policies (Continued)**

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including October 26, 2023, which is the date the financial statements were available to be issued.

***Upcoming Accounting Pronouncement***

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Adler's accounts receivable, by requiring the Adler to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The new guidance will be effective for the Adler's fiscal year ending June 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Adoption of the new standard is not expected to have a significant impact on the Adler's financial statements.

**Note 3 - Use and Occupancy Agreement with the Commissioners of the Chicago Park District**

The Chicago Park District owns the land and buildings used by the Adler. Under the terms of a 99-year use and occupancy agreement, which commenced in 1976, the Adler pays no occupancy costs other than normal maintenance and repairs.

The Adler has an option to renew this agreement for an additional 99-year period. The value of this agreement is not reflected in the accompanying financial statements, as it is not subject to objective determination.

**Note 4 - Property, Equipment, Exhibits, and Shows**

The cost of property, equipment, exhibits, and shows is summarized as follows:

	2023	2022	Depreciable Life - Years
Building and other improvements	\$ 49,786,319	\$ 49,674,603	10-30
Equipment	8,253,611	8,055,237	3-20
Exhibits and shows	21,590,508	21,590,508	3-10
Furniture and fixtures	858,743	832,245	5-7
Other artwork	253,540	253,540	-
Construction in progress	570,828	60,041	-
Total cost	81,313,549	80,466,174	
Less accumulated depreciation	61,488,899	59,364,599	
Net property, equipment, exhibits, and shows	<u>\$ 19,824,650</u>	<u>\$ 21,101,575</u>	

Depreciation expense for 2023 and 2022 was \$2,124,301 and \$2,647,170, respectively.



June 30, 2023 and 2022

**Note 4 - Property, Equipment, Exhibits, and Shows (Continued)**

As of June 30, 2023 and 2022, the Adler had no outstanding construction commitments.

**Note 5 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Adler has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Adler's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Adler's assets measured at fair value on a recurring basis at June 30, 2023 and 2022 and the valuation techniques used by the Adler to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2023					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2023
<b>Assets - Investments</b>					
Bond funds - Domestic	\$ 6,655,629	\$ -	\$ -	\$ -	\$ 6,655,629
Equity mutual funds and exchange-traded funds - Domestic	12,158,805	-	-	-	12,158,805
Equity mutual funds - International	6,655,207	-	-	-	6,655,207
Real asset funds	1,490,959	-	-	-	1,490,959
Hedged equity funds	1,570,446	-	-	-	1,570,446
Total investments	<u>\$ 28,531,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,531,046</u>
<b>Assets - Interest rate swaps</b>	<u>\$ -</u>	<u>\$ 2,164,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,164,765</u>

June 30, 2023 and 2022

**Note 5 - Fair Value Measurements (Continued)**

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2022
<b>Assets - Investments</b>					
Bond funds - Domestic	\$ 6,685,030	\$ -	\$ -	\$ -	\$ 6,685,030
Equity mutual funds and exchange-traded funds - Domestic	9,238,903	-	-	-	9,238,903
Equity mutual funds - International	5,349,328	-	-	-	5,349,328
Real asset funds	1,514,929	-	-	-	1,514,929
Hedged equity funds	1,554,520	-	-	-	1,554,520
Total investments	<u>\$ 24,342,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,342,710</u>
<b>Assets - Interest rate swaps</b>	<u>\$ -</u>	<u>\$ 1,587,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,587,373</u>

Not included in the above tables are \$3,619,602 and \$4,860,870 in cash and cash equivalents in brokerage accounts as of June 30, 2023 and 2022, respectively.

**Level 1 Inputs**

Estimated fair values for the Adler's publicly traded bond funds, equity mutual funds and exchange-traded funds, real asset funds, and hedged equity funds were based on quoted market prices. Real asset funds consist of mutual funds, which invest in natural resources and commodities. The natural resources funds consist of investments in companies that own, explore, mine, process, or otherwise develop natural resource commodities. The main areas of investment generally include oil and natural gas exploration and production companies, drilling services companies, and industrial and precious metals producers. The commodities fund consists of investments in commodity-linked derivative instruments, backed by investment-grade, fixed-income investments with an average duration of less than one year. The fair value of real asset funds, which are readily marketable, is determined by obtaining quoted prices on nationally recognized securities exchanges.

**Level 2 Inputs**

Interest rate swaps are not traded on an exchange and are recorded at fair value based on a variety of observable inputs, including contractual terms, interest rate curves, credit curves, measure of volatility, and correlations of such inputs. Valuation adjustments may be made in the determination of fair value, which was obtained by an independent third-party advisor. These adjustments include amounts to reflect counterparty credit quality and liquidity risk.

**Note 6 - Investments**

Investment returns for 2023 and 2022 were as follows:

	2023	2022
Interest and dividends - Net	\$ 978,584	\$ 555,246
Net unrealized and realized gains (losses)	<u>1,909,453</u>	<u>(3,804,185)</u>
Total	<u>\$ 2,888,037</u>	<u>\$ (3,248,939)</u>

June 30, 2023 and 2022

**Note 6 - Investments (Continued)**

Investment fees for 2023 and 2022 were \$60,485 and \$66,259, respectively, and are included in interest and dividends on the statement of activities and changes in net assets.

The Chicago Community Trust (CCT) holds investments valued at \$1,530,173 and \$1,426,771 at June 30, 2023 and 2022, respectively, in a designated endowment fund for which the Adler is named beneficiary of its income. CCT distributed \$59,290 and \$56,454 in the fiscal years ended June 30, 2023 and 2022, respectively. The Adler has not reflected an asset on its statement of financial position for a beneficial interest because this is a designated trust for which CCT has variance power to redirect the benefits.

**Note 7 - Accounts Receivable**

Accounts receivable at June 30, 2023 and 2022 were composed of the following:

	2023	2022
Grants receivable	\$ 1,821,396	\$ 3,110,585
Third-party admission programs	224,694	242,050
Outsourced operations	100,811	90,842
Other	30,586	30,870
Total	<u>\$ 2,177,487</u>	<u>\$ 3,474,347</u>

At July 1, 2021, the opening balance of accounts receivable pertaining to third-party admissions and outsourced operations amounted to \$13,342.

The Adler applied for the refundable tax credit, Employee Retention Tax Credit (ERTC), offered to businesses that meet one or both of the following criteria: forced to partially or fully suspend or limit operations by a governmental order or experienced a 50 percent decline in gross receipts during any quarter in 2020 versus the same quarter in 2019. The purpose was to encourage businesses to keep employees on payroll. As the barriers were met as of June 30, 2022, the Adler recognized revenue and the related receivable of \$1,788,983, which is included in grants receivable as of June 30, 2022. During 2023, the Adler received \$789,613 of this amount, and the remaining amount receivable of \$999,370 is included in grants receivable as of June 30, 2023.

**Note 8 - Revenue Recognized from Contract Liabilities**

Revenue recognized for the years ended June 30, 2023 and 2022 that was included in the contract liability balance at the beginning of the year is as follows:

	2023	2022
Special event revenue and other	\$ 213,145	\$ 505,038
Membership dues	179,956	145,762
Private event revenue	496,365	468,475
Star Pass admissions	170,260	-
Total	<u>\$ 1,059,726</u>	<u>\$ 1,119,275</u>

**Note 9 - Pension Plans**

The Adler has a noncontributory defined benefit pension plan that covers employees who were hired before September 2009; have completed one year of service by May 1, 2012 in which at least 1,000 hours were worked; and are at least 21 years of age. The plan provides for benefits upon retirement, disability, death, and/or termination of employment. The plan provides defined benefits based on years of service and compensation. The Adler's funding policy is to contribute annually the minimum amount, as determined by the plan's actuaries.

**Note 9 - Pension Plans (Continued)**

An amendment was added to the plan in fiscal year 2008 to provide certain increased benefits to its eligible employees.

Effective September 2009, the Adler froze the defined benefit plan to all new employees. Employees enrolled prior to that date will continue to accrue benefits under the defined benefit plan. Employees hired on or after that date may be eligible to enroll in a defined contribution plan.

In June 2015, the Adler amended the plan to freeze all future benefit accruals under the plan effective as of August 31, 2015. The Adler considered this to be a curtailment.

During 2023, the Adler began the process of liquidating the plan effective for 2024. Subsequent to June 30, 2023, the Adler terminated the plan effective October 1, 2023. During this process, all plan participants were provided with an opportunity to elect a lump sum in lieu of receiving future benefit payments from the plan. Participants who did not elect to receive a lump sum had their benefit liabilities transferred to an insurance company. The Adler contributed additional cash of \$1,017,000 in September 2023 to fully discharge these benefit obligations and the administrative expenses of the plan.

The following sets forth the plan's funded status using a measurement date as of June 30 and amounts recognized in the Adler's financial statements:

***Change in Benefit Obligation***

	2023	2022
Projected benefit obligation - Beginning of year	\$ 13,761,684	\$ 17,565,933
Interest cost	613,244	471,252
Actuarial gain	(871,379)	(3,421,147)
Benefits paid	(820,929)	(854,354)
Projected benefit obligation - End of year	\$ 12,682,620	\$ 13,761,684

***Change in Plan Assets***

	2023	2022
Fair value of plan assets - Beginning of year	\$ 10,815,416	\$ 13,117,044
Actual return on assets	1,094,623	(1,795,274)
Benefits paid	(820,929)	(854,354)
Employer contributions	348,000	348,000
Fair value of plan assets	11,437,110	10,815,416
Plan liabilities in excess of plan assets	1,245,510	2,946,268
Accumulated benefit obligation	\$ 12,682,620	\$ 13,761,684

June 30, 2023 and 2022

**Note 9 - Pension Plans (Continued)**

**Components of Net Periodic Benefit Cost and Other Amounts Recognized in Net Assets without Donor Restrictions**

	2023	2022
<b>Components of Net Periodic Benefit Cost and Other Amounts Recognized in Net Assets without Donor Restrictions</b>		
Interest cost	\$ 613,244	\$ 471,252
Expected return on plan assets	(555,763)	(670,686)
Amortization of net loss	70,060	91,856
Total net periodic pension cost (income)	127,541	(107,578)
<b>Other Changes in Plan Assets and Benefit Obligations Recognized as a Change to Net Assets without Donor Restrictions</b>		
Net gain for the period	(1,402,462)	(955,187)
Amortization of net loss	(70,060)	(91,856)
Total recognized in net assets without donor restrictions	(1,472,522)	(1,047,043)
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ (1,344,981)</u>	<u>\$ (1,154,621)</u>

The net loss recognized in net assets, but not yet in net periodic benefit cost, was \$1,811,317 and \$3,291,616 as of June 30, 2023 and 2022, respectively.

The estimated net loss for the defined benefit plan that will be amortized into net periodic benefit cost in the next fiscal year is \$20,195.

**Assumptions**

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30 are as follows:

	2023	2022
Discount rate	5.20%	4.60%
Expected return on plan assets	5.25%	5.25%

The pension plan weighted-average asset allocations at June 30, 2023 and 2022 by asset category are as follows:

	2023	2022
Asset category:		
Equity securities	63.00 %	58.00 %
Debt securities	37.00	41.00
Other	-	1.00
Total	<u>100.00 %</u>	<u>100.00 %</u>

**Pension Plan Assets**

The investment objective of the Adler's pension plan is to meet the current and future defined benefit payments to participants. The existing assets and required contributions may be invested in both insurance company general investment funds and equity separate accounts. The expected long-term return on plan assets assumption is based on a comprehensive review of historical data. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns, net of inflation, for the asset classes covered by the investment policy and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

**Note 9 - Pension Plans (Continued)**

The majority of the Adler's plan assets are invested in pooled separate accounts, consisting of money market funds, equity mutual funds, and fixed-income mutual funds, which are transacted in active markets and for which quoted prices in those markets exist and are available to the Adler.

The fair values of the Adler's pension plan assets at June 30, 2023 and 2022 by major asset classes are as follows:

	Fair Value Measurements at June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Total
<b>Asset Classes - Pooled Separate Accounts</b>				
Money market funds	\$ 82,281	\$ -	\$ -	\$ 82,281
Fixed-income mutual funds - Domestic	4,200,273	-	-	4,200,273
Equity mutual funds - Domestic	5,141,914	-	-	5,141,914
Equity mutual funds - International	2,012,642	-	-	2,012,642
<b>Total</b>	<b>\$ 11,437,110</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,437,110</b>

	Fair Value Measurements at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Total
<b>Asset Classes - Pooled Separate Accounts</b>				
Money market funds	\$ 131,372	\$ -	\$ -	\$ 131,372
Fixed-income mutual funds - Domestic	4,369,088	-	-	4,369,088
Equity mutual funds - Domestic	4,607,074	-	-	4,607,074
Equity mutual funds - International	1,707,882	-	-	1,707,882
<b>Total</b>	<b>\$ 10,815,416</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,815,416</b>

**Level 1 Inputs**

Fair value measurements of investments in money market funds, fixed-income mutual funds, and equity mutual funds are based on the daily published NAV values of the funds as of the measurement date.

The tables above present information about the pension plan assets measured at fair value at June 30, 2023 and 2022 and the valuation techniques used by the Adler to determine those fair values.

**Cash Flow as of June 30, 2023 Prior to Plan Termination Effective October 1, 2023**

**Contributions**

The Adler expects to contribute \$174,000 to its pension plan in 2024.

**Note 9 - Pension Plans (Continued)**

**Estimated Future Benefit Payments**

The benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Years Ending</u>	<u>Pension Benefits</u>
2024	\$ 872,000
2025	880,000
2026	886,000
2027	875,000
2028	863,000
2029-2033	4,433,000

**Note 10 - Employee Benefit Plans**

The Adler maintains three 403(b) plans, described as follows:

The Adler Planetarium Defined Contribution Retirement Income Plan (the "DCRIP Plan") was established in January 2010. Employees who do not accrue benefits in the defined benefit pension plan are eligible to participate in the DCRIP Plan. The DCRIP Plan is subject to ERISA. Employees may elect to contribute a portion of their compensation to the DCRIP Plan. The Adler contributes a match of 100 percent of the first 3 percent of base compensation and 50 percent of the next 2 percent of base compensation that a participant contributes to the plan. The Adler's contributions under this plan were \$211,182 and \$205,843 for fiscal years 2023 and 2022, respectively.

The Adler maintains two additional 403(b) plans. The Lincoln Life Adler Planetarium Voluntary Tax Deferred Annuity Program (the "Lincoln Plan") was established in April 1976 and restated in October 2019, effective January 1, 2010. The TIAA-CREF Adler Planetarium 403(b) Plan (the "TIAA-CREF Plan") was established in January 2000 and restated in February 2020, effective January 1, 2010. Neither plan is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), and both plans are funded entirely by participant salary reduction contributions. Effective in November 2018, the Lincoln and TIAA-CREF plans were amended, and no participant was permitted to make a contribution after November 16, 2018.

**Note 11 - Bonds Payable**

In April 1997, the Adler issued \$27,000,000 of Adjustable Rate Demand Revenue Bonds through the Illinois Finance Authority (successor to the Illinois Educational Facilities Authority). The proceeds of the bonds were used to fund the Adler's facility expansion and renovation project. The bonds are currently due in a lump-sum payment in 2031 and bear a rate of interest per annum equal to the higher of prime rate plus 2.00 percent and overnight bank funding rate plus 3.00 percent. Rates of 4.00 percent and 0.95 percent were in effect at June 30, 2023 and 2022, respectively. At the discretion of the Adler, the bonds can be converted to any one of three adjustable interest rate modes or a fixed interest rate mode, in whole or in part, subject to different demand and purchase features, redemption provisions, interest periods, and payment dates, during the term of the bonds.

The bonds are supported by an irrevocable direct-pay letter of credit facility, as amended, in favor of the bond trustee. The letter of credit requires the Adler's compliance with various covenants, including debt service and asset maintenance ratio requirements. The letter of credit agreement expires on August 1, 2025. Any remarketing draws will be due and payable upon demand.

Bond interest expense was \$697,828 and \$64,297 for the years ended June 30, 2023 and 2022, respectively. Various other expenses incurred related to the bonds include letter of credit fees, remarketing fees, and legal expense totaling \$189,926 and \$192,617 for the years ended June 30, 2023 and 2022, respectively.

**Note 12 - Interest Rate Swaps**

On December 5, 2016, the Adler entered into an interest rate swap agreement to manage its variable-rate interest exposure. The swap has an effective date of January 3, 2017; expires on December 1, 2023; and effectively fixes the interest rate at 1.797 percent on a portion of the bonds with a notional value of \$10,000,000. There is no collateral posting requirement. This agreement is considered a derivative financial instrument and is reported at fair value as an asset of \$70,423 and \$75,832 as of June 30, 2023 and 2022, respectively. Interest income and expense for the swap agreement were \$72,724 and \$156,766, respectively, for the years ended June 30, 2023 and 2022, respectively.

On December 5, 2016, the Adler entered into a second interest rate swap agreement to manage its variable-rate interest exposure. The swap has an effective date of December 5, 2016; expires on December 1, 2026; and effectively fixes the interest rate at 1.989 percent on a portion of the bonds with a notional value of \$10,000,000. There is no collateral posting requirement. This agreement is considered a derivative financial instrument and is reported at fair value as an asset of \$366,246 and \$197,189 as of June 30, 2023 and 2022, respectively. Interest income and expense for the swap agreement were \$53,417 and \$175,966, respectively, for the years ended June 30, 2023 and 2022, respectively.

On August 23, 2019, the Adler entered into a third interest rate swap agreement to manage its variable-rate interest exposure. The swap has an effective date of August 23, 2019 and expires on April 1, 2029. This accretive swap effectively fixes the interest rate at 1.301 percent on a portion of the bonds with a notional value of \$7,000,000 through December 1, 2023; \$17,000,000 from December 1, 2023 to December 1, 2026; and \$27,000,000 from December 1, 2026 to April 1, 2029. There is no collateral posting requirement. This agreement is considered a derivative financial instrument and is reported at fair value as an asset of \$1,728,096 and \$1,314,352 as of June 30, 2023 and 2022, respectively. Interest income and expense for the swap agreement were \$85,819 and \$(75,016), respectively, for the years ended June 30, 2023 and 2022, respectively.

The following table presents the amounts and locations of the amounts relating to the Adler's interest rate swaps in the Adler's financial statements as of and for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<b>Statement of Financial Position</b>		
Information location of fair value of interest rate swaps on statement -		
Interest rate swaps marked to market	\$ 2,164,765	\$ 1,587,373
	<u>2023</u>	<u>2022</u>
<b>Statement of Activities and Changes in Net Assets</b>		
Unrealized gain on interest rate swaps	\$ 577,392	\$ 2,829,357
Interest income (expense) included in operations	211,960	(407,748)
Total income of interest rate swaps	<u>\$ 789,352</u>	<u>\$ 2,421,609</u>

**Note 13 - Finance Leases**

The Adler leases office equipment under long-term lease arrangements that are classified as finance leases. The Adler's existing lease for office equipment expired in 2023, and a new lease agreement for office equipment commenced in April 2023. Under the terms of the lease agreement, payments of \$1,596 are due monthly through March 2026. The right-of-use asset and related lease liability of \$47,283 were recognized upon the commencement of the lease. The right-of-use asset and related lease liability have been calculated using a discount rate of 13.125 percent.



**Note 13 - Finance Leases (Continued)**

The right-of-use assets for the equipment purchased under the finance leases are included in property, equipment, exhibits, and shows on the statement of financial position (see Note 4) at net balances of \$44,656 and \$31,967 as of June 30, 2023 and 2022, respectively.

The future minimum lease payments under the finance leases are as follows:

Years Ending June 30	Amount
2024	\$ 19,152
2025	19,152
2026	<u>14,364</u>
Total	52,668
Less amount representing interest	<u>8,657</u>
Present value of net minimum lease payments	<u>\$ 44,011</u>

Expenses recognized under the finance leases for the years ended June 30, 2023 and 2022 and other related disclosures consist of the following:

	2023	2022
Amortization of right-of-use assets	\$ 34,594	\$ 42,623
Interest expense on lease liabilities	<u>2,872</u>	<u>5,401</u>
Total finance lease expense	<u>\$ 37,466</u>	<u>\$ 48,024</u>
Cash paid for amounts included in the measurement of lease liabilities - Financing cash flows	38,579	43,482

Amortization of the right-of-use assets is included in depreciation expense.

**Note 14 - Net Assets**

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

	2023	2022
Subject to expenditures for a specified purpose:		
Exhibits and show development	\$ 2,355,537	\$ 2,504,037
Science and education programs	1,705,823	1,674,673
Collections and conservation	2,991,462	1,019,954
Employee assistance	32,043	32,734
Invested in perpetuity, the income from which is expendable to support:		
Education programs	4,343,361	4,343,361
Webster fund	200,000	200,000
General operations	<u>105,273</u>	<u>105,096</u>
Total invested in perpetuity	<u>4,648,634</u>	<u>4,648,457</u>
Total	<u>\$ 11,733,499</u>	<u>\$ 9,879,855</u>

**Note 14 - Net Assets (Continued)**

During March 2021, the Adler borrowed \$2,000,000 from the endowment funds to support operating cash flows. Interfund borrowing interest of \$19,000 is included in net assets with donor restrictions as of both June 30, 2023 and 2022 to represent the amount of interest owed from operations.

**Note 15 - Endowment Net Assets**

The Adler's endowment consists of eight individual funds established under donor-restricted gifts designated for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The State of Illinois has enacted the State Prudent Management of Institutional Funds Act of 2006 (SPMIFA). The board of trustees of the Adler has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Adler classifies as donor-restricted net assets in perpetuity (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment held in perpetuity 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 held in perpetuity is retained as a donor-restricted net asset until the board of trustees appropriates such amount for expenditures. The Adler has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Adler considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Adler 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 Adler
- The investment policies of the Adler

Endowment Net Asset Composition by Type of Fund  
as of June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ -	\$ 4,648,634	\$ 4,648,634
Accumulated investment gains and interest from interfund borrowings	-	768,831	768,831
Total	\$ -	\$ 5,417,465	\$ 5,417,465

**Note 15 - Endowment Net Assets (Continued)**

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 5,246,002	\$ 5,246,002
Investment income	-	372,411	372,411
Appropriation of endowment assets for expenditure	-	(219,948)	(219,948)
Other changes - Interfund borrowings interest	-	19,000	19,000
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 5,417,465</u>	<u>\$ 5,417,465</u>

	Endowment Net Asset Composition by Type of Fund as of June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ -	\$ 4,648,457	\$ 4,648,457
Accumulated investment gains and interest from interfund borrowings	-	597,545	597,545
Total	<u>\$ -</u>	<u>\$ 5,246,002</u>	<u>\$ 5,246,002</u>

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 5,921,543	\$ 5,921,543
Investment loss	-	(400,879)	(400,879)
Appropriation of endowment assets for expenditure	-	(293,662)	(293,662)
Other changes - Interfund borrowings interest	-	19,000	19,000
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 5,246,002</u>	<u>\$ 5,246,002</u>

***Underwater Endowment Funds***

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 SPMIFA requires the Adler to retain as a fund of perpetual duration. A deficiency of this nature exists in the donor-restricted endowment funds due to the borrowings from the endowment funds to pay for general operations further described below.

***Borrowings from Endowment***

During March 2021, the Adler borrowed \$2,000,000 from the endowment funds to support operating cash flows. Interest is calculated at a rate of 0.95 percent, which resulted in interest expense of \$19,000 for both 2023 and 2022. The principal balance of the endowment loan was \$2,000,000 as of both June 30, 2023 and 2022. The payment terms are as follows:

- Interest accrues annually on the cumulative borrowings and is payable annually in cash or in kind at the option of management.
- Principal is payable on March 3, 2051.
- Early payment is permitted without penalty.

**Note 15 - Endowment Net Assets (Continued)**

***Return Objectives and Risk Parameters***

The Adler has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of 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 Adler must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to generate interest and dividends to protect the portfolio from inflation and meet investment program goals. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark, as defined in its investment policy statement. Actual returns in any given year may vary from this amount.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Adler 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 Adler targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The investment policy provides aggregate asset allocation guidelines of 65 to 85 percent for capital appreciation assets (which include equity, directional hedge funds, and real assets) and 15 to 35 percent for capital preservation assets (which include bond funds and low-volatility hedge funds).

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Adler has a policy of appropriating an estimate of expenditures each year as part of a formal annual budget. In accordance with the Adler's spending policy, the appropriation is determined annually based upon a 12-quarter rolling average of investment results net of investment expenses, with a floor based upon the Consumer Price Index and a ceiling of 5 percent. In establishing this policy, the Adler considered the long-term expected return on its endowment. Accordingly, over the long term, the Adler expects to use all of the investment earnings from the endowment for donor-designated purposes while maintaining the value of the original gift. This is consistent with the Adler's objective to maintain the original donor value of the endowment assets held in perpetuity.

**Note 16 - Auxiliary Activities**

Auxiliary activities consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Museum store rental	\$ 296,668	\$ 121,828
Food service and concessions	495,830	316,376
Total	\$ 792,498	\$ 438,204

June 30, 2023 and 2022

**Note 17 - Liquidity and Availability of Resources**

The following reflects, as of June 30, 2023 and 2022, the Adler's financial assets available for general expenditures within one year of the statement of financial position date, reduced by amounts that are not available due to donor restrictions, internal board of trustees designations, or minimum liquidity required to comply with letter of credit covenants:

	2023	2022
Cash and cash equivalents	\$ 10,491,135	\$ 6,370,005
Accounts receivable	2,177,487	3,474,347
Investments	32,150,648	29,203,580
Financial assets	44,819,270	39,047,932
Less amounts not available to be used within one year:		
Contributions received for restricted purposes not yet budgeted for expenditure	2,250,361	2,939,866
Accumulated earnings on endowments not yet appropriated for expenditure	496,339	377,598
Donor-restricted gifts required to be maintained in perpetuity	4,648,634	4,648,457
Less borrowings from endowment (Note 15)	(2,000,000)	(2,000,000)
Donor-restricted gifts required to be maintained in perpetuity less borrowings from endowment	2,648,634	2,648,457
Cash and investments balance considered long term for maintenance of covenants for letter of credit facility on bonds payable	17,550,000	17,550,000
Financial assets available to meet general expenditures within one year of the statement of financial position date	\$ 21,873,936	\$ 15,532,011

Traditionally, the Adler operates at a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Adler considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions, and contributions with donor restrictions of use in current programs that are central to its annual operations to be available to meet cash needs for general expenditures.

The Adler is supported, in part, by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Adler must maintain sufficient resources to meet those responsibilities to donors. Thus, some financial assets may not be available for general expenditure within one year. As part of the Adler's liquidity management, the Adler has structured financial assets to be available as the Adler's general expenditures, liabilities, and other obligations come due. In addition, the Adler invests cash in excess of daily requirements in short-term and long-term investments.

As more fully disclosed in Note 15, the corpus of some donor gifts is restricted in perpetuity, and, therefore, they generally are not considered available to meet general expenditures.

As more fully disclosed in Note 11, the Adler is required to maintain cash and investments sufficient to comply with covenants in the irrevocable direct-pay letter of credit facility. Accordingly, these funds are not considered available to meet general expenditures within one year. If necessary, to meet cash flow needs, Adler management plans to establish an internal borrowing from endowment pool investments. Management is working with outside legal counsel to ensure the borrowing is appropriate under SPMIFA, debt agreements, and the endowment agreements.