
The Adler Planetarium

Financial Report
June 30, 2020

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4-5
Statement of Functional Expenses	6-7
Statement of Cash Flows	8
Notes to Financial Statements	9-30

Independent Auditor's Report

To the Board of Trustees
The Adler Planetarium

Report on the Financial Statements

We have audited the accompanying financial statements of The Adler Planetarium (the "Adler"), which comprise the statement of financial position as of June 30, 2020 and 2019 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Adler Planetarium as of June 30, 2020 and 2019 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.

Emphasis of Matter

As described in Note 2 to the financial statements, the Adler has been impacted by the coronavirus pandemic. Our opinion is not modified with respect to this matter.

To the Board of Trustees
The Adler Planetarium

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020 on our consideration of The Adler Planetarium'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 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 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 Planetarium's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 11, 2020

Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 4,725,264	\$ 5,023,201
Accounts receivable (Note 7)	279,453	814,248
Prepaid expenses	323,866	267,302
Pledges receivable - Net (Note 8)	285,845	1,287,901
Long-term investments (Note 5)	28,131,465	30,210,865
Property, equipment, exhibits, and shows - Net (Note 4)	21,834,767	23,311,972
Total assets	\$ 55,580,660	\$ 60,915,489
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 449,481	\$ 434,283
Contract liabilities (Note 9)	1,102,061	1,168,843
Accrued expenses and other liabilities	1,158,089	1,196,541
Capital lease obligations (Note 15)	136,672	248,310
Bonds payable (Note 13)	27,000,000	27,000,000
Interest rate swaps (Note 14)	2,251,789	745,390
Defined benefit pension plan liability (Note 10)	6,975,723	5,091,247
Total liabilities	39,073,815	35,884,614
Net Assets		
Without donor restrictions:		
Undesignated	7,360,862	13,214,103
Board designated (Note 2)	-	203,843
With donor restrictions (Notes 16 and 17)	9,145,983	11,612,929
Total net assets	16,506,845	25,030,875
Total liabilities and net assets	\$ 55,580,660	\$ 60,915,489

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities						
Support:						
Distributions from the Aquarium and Museum Purposes Fund of Chicago Park District	\$ 1,753,493	\$ -	\$ 1,753,493	\$ 1,663,289	\$ -	\$ 1,663,289
Other governmental grants and contracts	1,122,535	-	1,122,535	816,414	-	816,414
Payroll Protection Program grant revenue	1,829,300	-	1,829,300	-	-	-
Contributions, bequests, and foundation grants	2,165,910	436,667	2,602,577	1,475,153	3,668,632	5,143,785
Donated services, expenses, and equipment	246,155	-	246,155	268,596	-	268,596
Special event revenue	1,705,791	-	1,705,791	2,182,680	-	2,182,680
Net assets released from restrictions	2,884,472	(2,884,472)	-	2,327,534	(2,327,534)	-
Total support	11,707,656	(2,447,805)	9,259,851	8,733,666	1,341,098	10,074,764
Revenue:						
Admission charges	3,906,620	-	3,906,620	5,963,404	-	5,963,404
Membership dues	543,323	-	543,323	736,278	-	736,278
Auxiliary activities	433,294	-	433,294	774,416	-	774,416
Interest and dividends - Net	654,843	137,091	791,934	833,318	200,641	1,033,959
Private event revenue	502,298	-	502,298	835,420	-	835,420
Other	317,283	1,100	318,383	413,928	2,483	416,411
Total revenue	6,357,661	138,191	6,495,852	9,556,764	203,124	9,759,888
Total revenue and support	18,065,317	(2,309,614)	15,755,703	18,290,430	1,544,222	19,834,652
Expenses						
Program Services:						
Guest experience, public engagement, and education	11,413,848	-	11,413,848	11,852,959	-	11,852,959
Science and research	2,139,908	-	2,139,908	1,934,080	-	1,934,080
Collections and curatorial	608,129	-	608,129	505,219	-	505,219
Total program services	14,161,885	-	14,161,885	14,292,258	-	14,292,258
Support Services:						
Development and membership	1,595,482	-	1,595,482	1,606,063	-	1,606,063
Fundraising	497,670	-	497,670	550,712	-	550,712
General and administration	3,553,525	-	3,553,525	3,638,287	-	3,638,287
Total support services	5,646,677	-	5,646,677	5,795,062	-	5,795,062
Total expenses	19,808,562	-	19,808,562	20,087,320	-	20,087,320
Net Operating (Loss) Income	(1,743,245)	(2,309,614)	(4,052,859)	(1,796,890)	1,544,222	(252,668)

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Nonoperating (Expense) Revenue						
Purchase of collection items	\$ (14,335)	\$ -	\$ (14,335)	\$ (21,594)	\$ -	\$ (21,594)
Pension expense	(19,274)	-	(19,274)	(33,825)	-	(33,825)
Net realized and unrealized (losses) gains on investments	(433,047)	(157,332)	(590,379)	341,401	85,498	426,899
Net nonoperating revenue	(466,656)	(157,332)	(623,988)	285,982	85,498	371,480
(Decrease) Increase in Net Assets - Before other changes	(2,209,901)	(2,466,946)	(4,676,847)	(1,510,908)	1,629,720	118,812
Other Changes in Net Assets						
Pension-related changes other than net periodic pension cost	(2,340,784)	-	(2,340,784)	(1,412,547)	-	(1,412,547)
Unrealized loss on interest rate sw aps (Note 14)	(1,506,399)	-	(1,506,399)	(971,570)	-	(971,570)
Total other changes in net assets	(3,847,183)	-	(3,847,183)	(2,384,117)	-	(2,384,117)
(Decrease) Increase in Net Assets	(6,057,084)	(2,466,946)	(8,524,030)	(3,895,025)	1,629,720	(2,265,305)
Net Assets - Beginning of year	13,417,946	11,612,929	25,030,875	17,312,971	9,983,209	27,296,180
Net Assets - End of year	\$ 7,360,862	\$ 9,145,983	\$ 16,506,845	\$ 13,417,946	\$ 11,612,929	\$ 25,030,875

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services				Support Services				Total
	Guest Experience, Public Engagement, and Education	Science and Research	Collections and Curatorial	Total Program Services	Development and Membership	Fundraising	General and Administration	Total Support Services	
Salaries and wages	\$ 4,630,884	\$ 1,379,186	\$ 285,922	\$ 6,295,992	\$ 973,153	\$ 300	\$ 1,892,981	\$ 2,866,434	\$ 9,162,426
Employee benefits	833,881	246,368	50,936	1,131,185	165,025	58	321,713	486,796	1,617,981
Professional fees	15,422	28,191	241	43,854	113,020	79,030	347,771	539,821	583,675
Contract services	266,029	246,219	105,068	617,316	59,496	218,309	301,250	579,055	1,196,371
Advertising and promotion	4,180	300	-	4,480	1,486	4,100	415,569	421,155	425,635
Office expenses and supplies	312,853	85,186	42,798	440,837	109,141	17,952	85,656	212,749	653,586
Information technology	192,017	21,556	5,886	219,459	15,466	-	19,874	35,340	254,799
Occupancy	443,326	14,896	13,165	471,387	3,535	875	8,368	12,778	484,165
Travel expenses	65,315	21,613	4,908	91,836	10,646	10,422	17,935	39,003	130,839
Interest	696,278	-	-	696,278	-	-	-	-	696,278
Depreciation	2,964,060	20,807	35,243	3,020,110	4,715	-	23,735	28,450	3,048,560
Insurance	170,403	7,553	6,675	184,631	1,792	-	4,243	6,035	190,666
Cleaning and maintenance	404,076	17,503	15,104	436,683	4,055	-	9,600	13,655	450,338
Equipment and repairs	182,699	21,061	27,509	231,269	1,447	29,878	18,390	49,715	280,984
In-kind goods and services	124,034	15,194	3,984	143,212	5,847	91,180	5,915	102,942	246,154
Miscellaneous	108,391	14,275	10,690	133,356	126,658	45,566	80,525	252,749	386,105
Total functional expenses	\$ 11,413,848	\$ 2,139,908	\$ 608,129	\$ 14,161,885	\$ 1,595,482	\$ 497,670	\$ 3,553,525	\$ 5,646,677	\$ 19,808,562

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				Support Services				Total
	Guest Experience, Public Engagement, and Education	Science and Research	Collections and Curatorial	Total Program Services	Development and Membership	Fundraising	General and Administration	Total Support Services	
Salaries and wages	\$ 4,502,614	\$ 1,351,880	\$ 242,475	\$ 6,096,969	\$ 854,062	\$ 519	\$ 1,849,704	\$ 2,704,285	\$ 8,801,254
Employee benefits	785,559	235,667	41,996	1,063,222	149,210	96	284,817	434,123	1,497,345
Professional fees	67,644	3,835	320	71,799	200,526	50,000	310,360	560,886	632,685
Contract services	328,743	138,028	79,869	546,640	237,173	273,522	369,370	880,065	1,426,705
Advertising and promotion	24,474	3,500	-	27,974	28,946	3,240	570,331	602,517	630,491
Office expenses and supplies	441,528	15,073	13,772	470,373	76,773	22,115	60,647	159,535	629,908
Information technology	164,557	17,808	4,558	186,923	9,688	-	15,391	25,079	212,002
Occupancy	495,047	17,350	15,334	527,731	4,117	-	9,746	13,863	541,594
Travel expenses	106,067	38,248	7,824	152,139	14,945	9,894	28,197	53,036	205,175
Interest	769,361	-	-	769,361	-	-	-	-	769,361
Depreciation	3,046,288	21,922	33,516	3,101,726	3,718	-	16,436	20,154	3,121,880
Insurance	168,309	7,562	6,683	182,554	1,794	-	4,248	6,042	188,596
Cleaning and maintenance	478,512	22,204	19,623	520,339	5,269	-	12,473	17,742	538,081
Equipment and repairs	203,856	27,833	21,635	253,324	3,213	997	9,998	14,208	267,532
In-kind goods and services	137,475	11,897	4,331	153,703	2,439	101,653	7,769	111,861	265,564
Miscellaneous	132,925	21,273	13,283	167,481	14,190	88,676	88,800	191,666	359,147
Total functional expenses	\$ 11,852,959	\$ 1,934,080	\$ 505,219	\$ 14,292,258	\$ 1,606,063	\$ 550,712	\$ 3,638,287	\$ 5,795,062	\$ 20,087,320

Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Decrease in net assets	\$ (8,524,030)	\$ (2,265,305)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Depreciation	3,048,560	3,121,880
Pension-related changes other than net periodic pension cost	2,340,784	1,412,547
Unrealized loss on interest rate swaps	1,506,399	971,570
Realized and unrealized losses (gains) on investments	590,379	(426,899)
Recovery of uncollectible pledges	-	(14,000)
Bad debt expense	100,000	-
Noncash donation of stock	(44,612)	(47,640)
Contributions for long-term purposes	-	(1,050,800)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	534,795	626
Prepaid expenses	(56,564)	(10,438)
Pledges receivable	902,056	192,694
Accounts payable	(159,523)	71,069
Accrued expenses and other liabilities	(38,452)	(212,565)
Contract liabilities	(66,782)	(278,974)
Defined benefit pension plan liability	(456,308)	(271,585)
Net cash and cash equivalents (used in) provided by operating activities	(323,298)	1,192,180
Cash Flows from Investing Activities		
Capital expenditures	(1,268,766)	(710,962)
Proceeds from sales and maturities of investments	5,376,111	4,537,717
Purchases of investments	(3,842,478)	(6,598,827)
Net cash and cash equivalents provided by (used in) investing activities	264,867	(2,772,072)
Cash Flows from Financing Activities		
Payments on capital leases	(239,506)	(235,455)
Cash proceeds received for long-term purposes	-	1,050,800
Net cash and cash equivalents (used in) provided by financing activities	(239,506)	815,345
Net Decrease in Cash and Cash Equivalents	(297,937)	(764,547)
Cash and Cash Equivalents - Beginning of year	5,023,201	5,787,748
Cash and Cash Equivalents - End of year	\$ 4,725,264	\$ 5,023,201
Supplemental Cash Flow Information		
Interest paid	\$ 500,067	\$ 526,320
Capital expenditures included in accounts payable and accrued expenses	279,721	105,000

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

Adoption of New Accounting Principle

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, in March 2019. The update was made to align it with American Alliance of Museums' (AAM) Code of Ethics for Museums regarding the use of proceeds from the sale of deaccessioned objects. The update permits museums not to recognize as revenue, nor capitalize, contributions of works of art, historical treasures, and similar assets if the donated items meet certain criteria. The update adds a requirement for a museum to disclose its policy for the use of proceeds from deaccessioned collection items. Further, if a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The Adler adopted the ASU effective July 1, 2019 on a prospective basis. The Adler expanded its collections policy as a result of the adoption of this standard.

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 purchased with an original maturity of three months or less. The Adler maintains cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Adler has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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, 2020 and 2019.

Pledges Receivable

Pledges receivable are stated at the present value of the expected future cash flows; discounts are amortized to contribution revenue consistent with donor restrictions. An allowance for doubtful pledges receivable is provided based upon management's judgment, including factors such as prior collection history, type of contribution, and nature of the fundraising activity.

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.

Note 2 - Significant Accounting Policies (Continued)

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, special event revenue, and summer camps.

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 on 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. Board-designated net assets totaling \$203,843 for June 30, 2019 legally are without restriction and are reported as part of the net assets without donor restrictions classification. As a result of COVID-19, the executive committee approved that these net assets be available to meet the liquidity needs of The Adler Planetarium as of June 30, 2020.

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, whereby 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.

Note 2 - Significant Accounting Policies (Continued)

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

Grant 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.

Paycheck Protection Program Refundable Advance

Funding received under the Paycheck Protection Program (PPP) is considered a nonexchange transaction and is recognized as the conditions of the PPP agreement have been met. Funding received in advance of conditions being met is recorded as a refundable advance. Once the conditions have been substantially met or explicitly waived, grant revenue is recognized. See Note 12 for additional information on the terms and conditions of the PPP agreement.

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.

Donated Services, Expenses, and Equipment

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, which was approximately \$112,000 and \$121,000 for 2020 and 2019, 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. These donations totaled approximately \$134,000 and \$147,000 for 2020 and 2019, respectively.

Special Event Revenue

Special event revenue includes revenue for the Celestial Ball and the Women in Space Science Award Celebration, which raised approximately \$1,754,000 and \$22,000, respectively, for 2020 and \$1,926,000 and \$257,000, respectively, for 2019. Direct expenses incurred in relation to these events are included in fundraising expense under support services on the statement of activities and changes in net assets and totaled approximately \$498,000 and \$551,000 for 2020 and 2019, respectively.

Note 2 - Significant Accounting Policies (Continued)

Revenue Recognition for Contracts with Customers

The Adler's revenue streams under contracts with customers are composed of admission charges, membership dues, 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.

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 purchased on the day of entry. Some tickets are purchased in advance. The Adler recognizes contract liabilities for payments received in advance of the day of the visit.

Membership dues: The Adler sells 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.

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, such as summer camp. 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.

Note 2 - Significant Accounting Policies (Continued)

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, 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.

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 headcount
- Depreciation - 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.

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 collections 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 2020 or 2019.

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.

Reclassification

Certain 2019 amounts have been reclassified to conform to the 2020 presentation. Advertising and marketing-related expenses amounting to \$1,607,888 were reclassified from program services to support services. Net assets invested in perpetuity amounting to \$1,241,335 were reclassified from education programs to general operations.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 11, 2020, which is the date the financial statements were available to be issued.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

In response to the pandemic declaration and restrictions imposed on gathering size by units of local government, the Adler closed its facilities to the public at the end of business on Friday, March 13, 2020. Facilities and collections staff maintain an on-site presence to ensure operating systems function properly and archives and artifacts are preserved.

Earned revenue from guest-facing activities, including admissions, membership dues, and auxiliary activities, from the date of closure through June 30, 2020 were about \$2.3 million lower than the comparable period the prior fiscal year. The earned revenue loss was more than offset by PPP funding, unrestricted contributions, and donor releases of restrictions totaling \$3.2 million more than the comparable prior year period. In addition, operating expenses in the last quarter of fiscal year 2020 were \$900 thousand lower than the prior year due to the elimination or reduction of expenditures where possible. In addition, funds earmarked for capital improvement projects were redirected to support operating activities.

Continued restrictions on public gathering size make in-person engagement activities financially unfeasible. Before fiscal year end, the Adler's management evaluated operating structures and made the strategic decision to fulfill its mission to connect people to the universe and each other as a virtual museum that focuses on digital engagement opportunities during the closure period. In July 2020, a reduction in force of 62 percent was implemented, and cost reduction strategies continued. Remaining staff are focused on developing new digital assets, leveraging existing digital content, and pivoting other content to an online engagement format. The digital assets are expected to persist, and any new revenue streams created will augment operating results when in-person operations can resume. Strong donor support continues, and the annual fundraising gala held virtually in September 2020 resulted in net revenue comparable to the prior year.

Note 2 - Significant Accounting Policies (Continued)

No impairments were recorded as of the statement of financial position date; however, due to uncertainty surrounding the situation, management's judgment regarding this could change in the future. While management reasonably expects the COVID-19 outbreak to negatively impact the Adler's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Upcoming Accounting Pronouncement

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*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts in kind. Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Adler's year ending June 30, 2022 and will be applied using the retrospective method.

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 and Equipment

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

	2020	2019	Depreciable Life - Years
Building and other improvements	\$ 45,522,539	\$ 45,483,465	10-30
Equipment	7,427,936	7,163,397	3-20
Exhibits and shows	21,161,833	20,296,299	3-10
Furniture and fixtures	696,332	657,682	5-7
Other artwork	253,540	253,540	-
Construction in progress	731,969	368,411	-
Total cost	75,794,149	74,222,794	
Less accumulated depreciation	53,959,382	50,910,822	
Net property, equipment, exhibits, and shows	<u>\$ 21,834,767</u>	<u>\$ 23,311,972</u>	

Depreciation expense for 2020 and 2019 was \$3,048,560 and \$3,121,880, respectively.

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.

June 30, 2020 and 2019

Note 5 - Fair Value Measurements (Continued)

The following tables present information about the Adler's assets and liabilities measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the Adler to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities 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 and liabilities 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 or liability. 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 or liability.

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 or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2020					
	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, 2020
Assets - Investments					
Bond funds - Domestic	\$ 5,142,753	\$ -	\$ -	\$ -	\$ 5,142,753
Bond funds - International	1,275,659	-	-	-	1,275,659
Equity mutual funds and exchange-traded funds - Domestic	11,491,128	-	-	-	11,491,128
Equity mutual funds - International	5,473,697	-	-	-	5,473,697
Real asset funds	1,169,120	-	-	-	1,169,120
Hedged equity funds	2,356,980	-	-	-	2,356,980
Total assets	<u>\$ 26,909,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,909,337</u>
Liabilities - Interest rate swaps	<u>\$ -</u>	<u>\$ 2,251,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,251,789</u>

June 30, 2020 and 2019

Note 5 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019				
	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, 2019
Assets - Investments					
Bond funds - Domestic	\$ 5,465,633	\$ -	\$ -	\$ -	\$ 5,465,633
Bond funds - International	1,457,414	-	-	-	1,457,414
Equity mutual funds and exchange-traded funds - Domestic	12,735,171	-	-	-	12,735,171
Equity mutual funds - International	6,023,723	-	-	-	6,023,723
Real assets fund	1,421,580	-	-	-	1,421,580
Hedged equity funds	2,541,069	-	-	-	2,541,069
Alternative investments - Fund of funds				9,513	9,513
Total assets	\$ 29,644,590	\$ -	\$ -	\$ 9,513	\$ 29,654,103
Liabilities - Interest rate swaps	\$ -	\$ 745,390	\$ -	\$ -	\$ 745,390

Not included in the above tables are \$1,222,128 and \$556,762 in cash and cash equivalents in brokerage accounts as of June 30, 2020 and 2019, 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.

The Adler's policy is to recognize transfers into and transfers out of Level 1 and 2 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. During the years ended June 30, 2020 and 2019, there were no such transfers.

June 30, 2020 and 2019

Note 5 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The Adler holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>2020 Fair Value</u>	<u>2019 Fair Value</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Alternative investments - Fund of funds	\$ -	\$ 9,513	Quarterly	95-100 days

Alternative investments consist of hedge fund of funds. The purpose of the Adler's investments in the fund of funds is to diversify market risks and enhance capital appreciation and capital preservation. The fund invests in both long and short securities to mitigate market risk. There were no unfunded commitments as of June 30, 2020 or 2019.

Note 6 - Investments

Investment returns for 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends - Net	\$ 791,934	\$ 1,033,959
Net unrealized and realized (losses) gains	(590,379)	426,899
Total	<u>\$ 201,555</u>	<u>\$ 1,460,858</u>

Investment fees for 2020 and 2019 were \$70,637 and \$69,684, respectively, and are included in interest and dividends on the statement of activities and changes in net assets.

The Chicago Community Foundation (CCF) holds investments valued at \$1,353,729 and \$1,407,417 at June 30, 2020 and 2019, respectively, in a designated endowment fund whereby the Adler is named beneficiary of its income. CCF distributed \$54,517 and \$53,390 in the fiscal years ended June 30, 2020 and 2019, 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 the CCF has variance power to redirect the benefits.

Note 7 - Accounts Receivable

Accounts receivable at June 30, 2020 and 2019 were composed of the following:

	<u>2020</u>	<u>2019</u>
Grants receivable	\$ 236,142	\$ 374,088
Third-party admission programs	5,039	296,283
Outsourced operations	-	94,818
Other	38,272	49,059
Total	<u>\$ 279,453</u>	<u>\$ 814,248</u>

June 30, 2020 and 2019

Note 8 - Pledges Receivable

The present values of unconditional pledges receivable are as follows:

	2020	2019
Gross promises to give before unamortized discount	\$ 400,000	\$ 1,294,791
Less unamortized discount, using rate of 0.5 to 5 percent	(14,155)	(6,890)
Less allowance for doubtful pledges	(100,000)	-
Net pledges receivable	\$ 285,845	\$ 1,287,901
Amounts due in:		
Less than one year	\$ -	\$ 894,791
One to five years	285,845	393,110
Total	\$ 285,845	\$ 1,287,901

The allowance for doubtful pledges is a general provision based on management's regular review of outstanding balances.

Note 9 - Contract Liabilities

Revenue recognized for the years ended June 30, 2020 and 2019 that was included in the contract liability balance at the beginning of the year is as follows:

	2020	2019
Special event revenue and other	\$ 492,694	\$ 657,716
Membership dues	239,450	341,002
Private event revenue	219,000	203,725
Admission charges	9,973	10,853
Total	\$ 961,117	\$ 1,213,296

Note 10 - Pension Plans

The Adler has a noncontributory defined benefit pension plan that covers its 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.

An amendment was added to the plan in fiscal year 2008 to provide certain increased benefits to its eligible employees, including the annual retirement income of the Adler's former president.

Effective in 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 has considered this to be a curtailment.

June 30, 2020 and 2019

Note 10 - Pension Plans (Continued)

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

	2020	2019
Projected benefit obligation - Beginning of year	\$ 16,002,739	\$ 14,793,521
Interest cost	576,214	625,111
Actuarial loss	2,149,050	1,408,869
Benefits paid	(824,801)	(824,762)
Projected benefit obligation - End of year	<u>\$ 17,903,202</u>	<u>\$ 16,002,739</u>

Change in Plan Assets

	2020	2019
Fair value of plan assets - Beginning of year	\$ 10,911,492	\$ 10,843,236
Actual return on assets	365,207	587,608
Benefits paid	(824,801)	(824,762)
Employer contributions	475,581	305,410
Fair value of plan assets	10,927,479	10,911,492
Plan liabilities in excess of plan assets	<u>6,975,723</u>	<u>5,091,247</u>
Accumulated benefit obligation	<u>\$ 17,903,202</u>	<u>\$ 16,002,739</u>

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

	2020	2019
Components of Net Periodic Benefit Cost and Other Amounts Recognized in Net Assets without Donor Restrictions		
Interest cost	\$ 576,214	\$ 625,111
Expected return on plan assets	(645,267)	(634,058)
Amortization of net loss	88,327	42,772
Total net periodic pension cost	19,274	33,825
Other Changes in Plan Assets and Benefit Obligations Recognized as a Charge to Net Assets without Donor Restrictions		
Net loss for the period	2,429,111	1,455,319
Amortization of net loss	(88,327)	(42,772)
Total recognized in net assets without donor restrictions	<u>2,340,784</u>	<u>1,412,547</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ 2,360,058</u>	<u>\$ 1,446,372</u>

The net loss recognized in net assets, but not yet in net periodic benefit cost, was \$6,517,562 and \$4,176,778 as of June 30, 2020 and 2019, 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 \$162,616.

Note 10 - Pension Plans (Continued)

Assumptions

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

	<u>2020</u>	<u>2019</u>
Discount rate	2.65%	3.70%
Expected return on plan assets	6.00%	6.00%

The pension plan weighted-average asset allocations at June 30, 2020 and 2019 by asset category are as follows:

	<u>2020</u>	<u>2019</u>
Asset category:		
Equity securities	55.00 %	57.00 %
Debt securities	40.00	38.00
Real estate	3.00	3.00
Other	2.00	2.00
	<u>100.00 %</u>	<u>100.00 %</u>
Total		

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.

The majority of the Adler's plan assets are invested in pooled separate accounts, consisting of money market funds and fixed-income and equity securities, which are not traded in an active exchange market, but for which significant observable valuation inputs exist. Pooled separate accounts that invest in real estate are valued based on the underlying properties' estimated appraisal values, and no observable inputs exist for these accounts.

June 30, 2020 and 2019

Note 10 - Pension Plans (Continued)

The fair values of the Adler's pension plan assets at June 30, 2020 and 2019 by major asset classes are as follows:

	Fair Value Measurements at June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes - Pooled Separate Accounts				
Money market	\$ -	\$ 212,665	\$ -	\$ 212,665
U.S. government and government agency securities	-	2,179,729	-	2,179,729
Corporate bonds and mortgages	-	2,224,142	-	2,224,142
Equity - Domestic	-	3,949,882	-	3,949,882
Equity - International	-	2,035,406	-	2,035,406
Real estate and mortgages	-	-	325,655	325,655
Total	\$ -	\$ 10,601,824	\$ 325,655	\$ 10,927,479

	Fair Value Measurements at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes - Pooled Separate Accounts				
Money market	\$ -	\$ 193,554	\$ -	\$ 193,554
U.S. government and government agency securities	-	2,075,356	-	2,075,356
Corporate bonds and mortgages	-	2,126,886	-	2,126,886
Equity - Domestic	-	4,125,614	-	4,125,614
Equity - International	-	2,051,592	-	2,051,592
Real estate and mortgages	-	-	338,490	338,490
Total	\$ -	\$ 10,573,002	\$ 338,490	\$ 10,911,492

Level 2 Inputs

Fair values of investments in U.S. government, state, municipal, and agency obligations; corporate and foreign government fixed maturities; and domestic and international equities are primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include the data points for benchmark constant maturity curves and spreads.

Level 3 Inputs

Fair values of investments in real estate are valued based on the underlying properties' estimated appraisal values.

The above tables present information about the pension plan assets measured at fair value at June 30, 2020 and 2019 and the valuation techniques used by the Adler to determine those fair values.

Note 10 - Pension Plans (Continued)

Cash Flow

Contributions

The Adler expects to contribute \$444,911 to its pension plan in 2021.

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>
2021	\$ 850,000
2022	831,000
2023	830,000
2024	841,000
2025	854,000
2026-2030	4,303,000

Note 11 - Employee Benefit Plans

The Adler maintains three 403(b) plans:

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 \$249,928 and \$212,814 for fiscal years 2020 and 2019, 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 12 - Paycheck Protection Program

The Adler received a Paycheck Protection Program term note through a financial institution of \$1,839,300. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's PPP. The note structure required organization officials to certify certain statements that permitted the Adler to qualify for the loan and provides loan forgiveness for a portion or all of the borrowed amount if the Adler uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will be required to be paid back by the Adler in full by April 2022 in equal monthly principal payments plus interest at 1.00 percent beginning six months after the financial institution receives the approved loan forgiveness funds from the Small Business Administration (SBA). The Adler has the right to prepay any amount outstanding at any time without penalty. This loan helped the Adler fund payroll, benefits, and building utility costs.

June 30, 2020 and 2019

Note 12 - Paycheck Protection Program (Continued)

While the legal form of the PPP agreement is a loan, the Adler concluded the loan represents, in substance, a grant that is expected to be forgiven and, therefore, has accounted for the agreement as a conditional contribution. The primary measurable barrier that must be substantially overcome before the contribution can be considered unconditional and recorded as revenue is to incur eligible expenses. The Adler has determined that the FTE Reduction Safe Harbor under the PPP Flexibility Act of 2020 is applicable.

As the barrier was met as of June 30, 2020, the full balance of the loan less \$10,000 for the Economic Injury Disaster Loan Emergency Advance received, or \$1,829,300, is recognized as grant revenue on the statement of activities and changes in net assets. The unforgivable portion amounting to \$10,000 is recorded in accrued expenses and other liabilities on the statement of financial position as of June 30, 2020.

Note 13 - 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 interest at a weekly adjustable rate of 0.11 percent and 1.93 percent at June 30, 2020 and 2019, 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. In 2019, the letter of credit agreement was renewed and extended to August 1, 2022. Any remarketing draws will be due and payable upon demand.

Bond interest expense was \$328,759 and \$425,651 for the years ended June 30, 2020 and 2019, respectively. Various other expenses incurred related to the bonds include letter of credit fees, remarketing fees, and legal expense totaling \$195,041 and \$241,652 for the years ended June 30, 2020 and 2019, respectively.

Note 14 - 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 a liability of \$931,298 and \$272,072 at June 30, 2020 and 2019, respectively. Interest expense for the swap agreement was \$63,331 and \$24,475 for the years ended June 30, 2020 and 2019, 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 a liability of \$511,493 and \$473,318 at June 30, 2020 and 2019, respectively. Interest expense for the swap agreement was \$82,531 and \$43,621 for the years ended June 30, 2020 and 2019, respectively.

Note 14 - Interest Rate Swaps (Continued)

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 of the bonds from December 1, 2023 to December 1, 2026; and \$27,000,000 of the bonds 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 a liability of \$808,998 at June 30, 2020. Interest expense for the swap agreement was \$10,840 for the year ended June 30, 2020.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Statement of Financial Position		
Information location on statement of fair value of liability - Interest rate swaps marked to market	\$ 2,251,789	\$ 745,390
Statement of Activities and Changes in Net Assets		
Unrealized loss on interest rate swaps	\$ (1,506,399)	\$ (971,570)
Interest expense included in operations	<u>(156,703)</u>	<u>(68,096)</u>
Total cost of interest rate swaps	<u>\$ (1,663,102)</u>	<u>\$ (1,039,666)</u>

Note 15 - Capital Leases

The Adler has entered into capital leases involving office equipment and a security system. The future minimum lease payments under capital leases are as follows:

2021	\$	67,200
2022		48,883
2023		<u>36,662</u>
Total		152,745
Less amount representing interest		<u>16,073</u>
Present value of net minimum lease payments	\$	<u>136,672</u>

Equipment purchased under the capital lease arrangements has been capitalized and is included in property, equipment, exhibits, and shows (see Note 4). Assets under capital leases, before depreciation, totaled \$783,443 and \$786,430 as of June 30, 2020 and 2019, respectively. Depreciation of assets under capital leases is included in depreciation expense.

Note 16 - Net Assets

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

	2020	2019
Subject to expenditures for a specified purpose:		
Exhibits and show development	\$ 1,725,410	\$ 1,824,784
Science and education programs	1,559,457	2,817,142
Collections and conservation	892,445	1,019,613
Employee assistance	34,490	35,148
Subject to the passage of time:		
For periods after June 30	285,845	-
For periods after June 30 with purpose restrictions	-	1,267,901
Total subject to expenditures for a specified purpose or the passage of time	4,497,647	6,964,588
Invested in perpetuity, the income from which is expendable to support:		
Education programs	3,102,026	3,102,026
Webster fund	200,000	200,000
General operations	1,346,310	1,346,315
Total invested in perpetuity	4,648,336	4,648,341
Total	\$ 9,145,983	\$ 11,612,929

Note 17 - 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

Notes to Financial Statements

June 30, 2020 and 2019

Note 17 - Endowment Net Assets (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2020		
	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	\$ -	\$ 4,648,336	\$ 4,648,336
Accumulated investment gains	-	737,528	737,528
Total	\$ -	\$ 5,385,864	\$ 5,385,864

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 5,595,246	\$ 5,595,246
Investment loss	-	(9,606)	(9,606)
Appropriation of endowment assets for expenditure	-	(199,776)	(199,776)
Endowment net assets - End of year	\$ -	\$ 5,385,864	\$ 5,385,864

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	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	\$ -	\$ 4,648,341	\$ 4,648,341
Accumulated investment gains	-	946,905	946,905
Total	\$ -	\$ 5,595,246	\$ 5,595,246

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 4,508,543	\$ 4,508,543
Investment income	-	246,559	246,559
Contributions	-	1,050,800	1,050,800
Appropriation of endowment assets for expenditure	-	(210,656)	(210,656)
Endowment net assets - End of year	\$ -	\$ 5,595,246	\$ 5,595,246

Note 17 - Endowment Net Assets (Continued)

Underwater Endowment Funds

As of June 30, 2020 and 2019, there were no funds with deficiencies.

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 18 - Auxiliary Activities

Auxiliary activities consisted of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Museum store rental	\$ 175,328	\$ 309,555
Food service and concessions	257,966	464,861
Total	\$ 433,294	\$ 774,416

June 30, 2020 and 2019

Note 19 - Liquidity and Availability of Resources

The following reflects, as of June 30, 2020 and 2019, 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:

	2020	2019
Cash and cash equivalents	\$ 4,725,264	\$ 5,023,201
Accounts receivable	279,453	814,248
Pledges receivable - Net	285,845	1,287,901
Long-term investments	28,131,465	30,210,865
Financial assets	33,422,027	37,336,215
Less amounts not available to be used within one year:		
Pledges receivable with donor purpose restrictions or donor time restrictions beyond one year	285,845	1,167,901
Contributions received for restricted purposes not yet budgeted for expenditure	2,936,218	2,043,415
Accumulated earnings on endowments not yet appropriated for expenditure	640,991	746,669
Donor-restricted gifts required to be maintained in perpetuity	4,648,336	4,648,341
Board-designated quasi-endowment fund, primarily for long-term investing	-	203,843
Cash and investments balance required to support 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	<u>\$ 7,360,637</u>	<u>\$ 10,976,046</u>

Traditionally, the Adler operates at a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Due to the impact of COVID-19 on operations, it is uncertain when guest-facing activities can fully resume, which has impacted the revenue outlook for the next fiscal year. Additional disclosures on the impact of COVID-19 are reported in Note 2.

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 17, the corpus of some donor gifts is restricted in perpetuity, and, therefore, they generally are not considered available to meet general expenditures.

Board-designated net assets, consisting of unexpected bequests of \$50,000 or more that have not been restricted by the donor, are deposited in the general operating pool of the investment portfolio and are available to meet unanticipated liquidity needs or other purposes approved by the executive committee of the Adler. As a result of COVID-19, the executive committee approved that these net assets are available to meet the liquidity needs of The Adler Planetarium as of June 30, 2020.

June 30, 2020 and 2019

Note 19 - Liquidity and Availability of Resources (Continued)

As more fully disclosed in Note 13, 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.