

Financial Statements and Report of
Independent Certified Public
Accountants

The Adler Planetarium

June 30, 2024 and 2023

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GRANT THORNTON LLP

Grant Thornton Tower
171 N. Clark St., Suite 200
Chicago, IL 60661-3370

D +1 312 856 0200

F +1 312 602 8099

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The Adler Planetarium

Report on the financial statements**Opinion**

We have audited the financial statements of The Adler Planetarium (a nonprofit organization) (the "Entity"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 Entity as of June 30, 2024 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Other matter

The financial statements of the Entity as of and for the year ended June 30, 2023 were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated October 26, 2023.

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 Entity's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern for a reasonable period of time.

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



Chicago, Illinois
October 31, 2024

The Adler Planetarium

STATEMENTS OF FINANCIAL POSITION

June 30,

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 9,723,316	\$ 10,491,135
Accounts receivable, net	911,129	2,177,487
Prepaid expenses	384,257	324,732
Investments	36,369,746	32,150,648
Interest rate swap asset	1,903,922	2,164,765
Property, equipment, exhibits, and shows, net	19,503,434	19,824,650
 Total assets	 <u>\$ 68,795,804</u>	 <u>\$ 67,133,417</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 508,197	\$ 375,975
Contract liabilities	993,416	998,247
Accrued expenses and other liabilities	1,291,380	1,291,075
Finance lease liabilities	29,801	44,011
Bonds payable	27,000,000	27,000,000
Defined benefit pension plan liability	-	1,245,510
 Total liabilities	 <u>29,822,794</u>	 <u>30,954,818</u>
 Net assets		
Without donor restrictions	29,060,532	24,445,100
With donor restrictions	9,912,478	11,733,499
 Total net assets	 <u>38,973,010</u>	 <u>36,178,599</u>
 Total liabilities and net assets	 <u>\$ 68,795,804</u>	 <u>\$ 67,133,417</u>

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

The Adler Planetarium

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Support						
Distributions from the Aquarium and Museum Purposes Fund of Chicago Park District	\$ 2,197,588	\$ -	\$ 2,197,588	\$ 2,146,167	\$ -	\$ 2,146,167
Other governmental grants and contracts	1,313,074	-	1,313,074	1,093,495	-	1,093,495
Contributions, bequests, and foundation grants	1,742,633	1,396,570	3,139,203	1,393,858	3,663,581	5,057,439
Donated services, expenses, and equipment	238,183	-	238,183	164,930	-	164,930
Special event revenue	956,159	-	956,159	1,140,717	-	1,140,717
Net assets released from restrictions	3,775,614	(3,775,614)	-	2,230,129	(2,230,129)	-
Total support	10,223,251	(2,379,044)	7,844,207	8,169,296	1,433,452	9,602,748
Revenue						
Admission charges	6,201,832	-	6,201,832	5,944,504	-	5,944,504
Membership dues	176,702	-	176,702	396,956	-	396,956
Auxiliary activities	740,269	-	740,269	792,498	-	792,498
Interest and dividends, net	1,213,207	101,852	1,315,059	872,026	106,558	978,584
Private event revenue	980,891	-	980,891	1,117,640	-	1,117,640
Other	353,397	-	353,397	232,132	-	232,132
Total revenue	9,666,298	101,852	9,768,150	9,355,756	106,558	9,462,314
Total revenue and support	19,889,549	(2,277,192)	17,612,357	17,525,052	1,540,010	19,065,062
Expenses						
Program services						
Museum experience and observatory	8,701,478	-	8,701,478	8,331,213	-	8,331,213
Science engagement and visualization	3,761,159	-	3,761,159	2,869,001	-	2,869,001
Collections and curatorial	658,053	-	658,053	439,484	-	439,484
Total program services	13,120,690	-	13,120,690	11,639,698	-	11,639,698
Support services						
Development and membership	1,142,235	-	1,142,235	1,067,313	-	1,067,313
Fundraising events	245,071	-	245,071	253,839	-	253,839
General and administration	3,446,038	-	3,446,038	3,231,760	-	3,231,760
Total support services	4,833,344	-	4,833,344	4,552,912	-	4,552,912
Total expenses	17,954,034	-	17,954,034	16,192,610	-	16,192,610
Net operating income (loss)	1,935,515	(2,277,192)	(341,677)	1,332,442	1,540,010	2,872,452

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

The Adler Planetarium

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

Years ended June 30,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Nonoperating revenue (expense)						
Pension (loss) income	\$ (1,669,807)	\$ -	\$ (1,669,807)	\$ (127,541)	\$ -	\$ (127,541)
Interfund borrowings interest (expense) income	(19,000)	19,000	-	(19,000)	19,000	-
Net realized and unrealized gains (losses) on investments	2,708,211	437,171	3,145,382	1,614,819	294,634	1,909,453
Purchase of collections	(11,590)	-	(11,590)	-	-	-
Net nonoperating revenue (expense)	1,007,814	456,171	1,463,985	1,468,278	313,634	1,781,912
Change in net assets before other changes	2,943,329	(1,821,021)	1,122,308	2,800,720	1,853,644	4,654,364
Other changes in net assets						
Pension-related changes other than net periodic pension cost	1,932,946	-	1,932,946	1,472,522	-	1,472,522
Unrealized (loss) gain on interest rate swaps	(260,843)	-	(260,843)	577,392	-	577,392
Total other changes in net assets	1,672,103	-	1,672,103	2,049,914	-	2,049,914
CHANGE IN NET ASSETS	4,615,432	(1,821,021)	2,794,411	4,850,634	1,853,644	6,704,278
Net assets - beginning of year	24,445,100	11,733,499	36,178,599	19,594,466	9,879,855	29,474,321
Net assets - end of year	<u>\$ 29,060,532</u>	<u>\$ 9,912,478</u>	<u>\$ 38,973,010</u>	<u>\$ 24,445,100</u>	<u>\$ 11,733,499</u>	<u>\$ 36,178,599</u>

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

The Adler Planetarium

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2024

	Program Services				Support Services				
	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	Total
Salaries and wages	\$ 3,147,750	\$ 2,277,662	\$ 318,748	\$ 5,744,160	\$ 494,580	\$ -	\$ 2,281,305	\$ 2,775,885	\$ 8,520,045
Employee benefits	632,391	453,757	64,285	1,150,433	92,148	-	436,885	529,033	1,679,466
Professional fees	99,344	13,825	184	113,353	280,011	-	296,762	576,773	690,126
Contract services	180,519	499,361	41,553	721,433	186,137	141,452	163,129	490,718	1,212,151
Advertising and promotion	16,801	1,380	-	18,181	27,250	-	18,864	46,114	64,295
Office expenses and supplies	323,652	119,619	11,522	454,793	13,342	8,367	58,409	80,118	534,911
Information technology	107,368	62,485	7,813	177,666	6,646	-	40,212	46,858	224,524
Occupancy	538,971	23,060	17,069	579,100	3,675	-	13,004	16,679	595,779
Travel expenses	29,250	59,947	3,493	92,690	7,576	-	17,024	24,600	117,290
Interest	642,629	-	-	642,629	-	-	-	-	642,629
Depreciation	1,955,175	27,259	48,055	2,030,489	2,804	-	9,923	12,727	2,043,216
Insurance	224,800	14,132	9,083	248,015	2,252	-	7,969	10,221	258,236
Cleaning and maintenance	429,464	25,812	18,905	474,181	4,114	2,000	14,556	20,670	494,851
Equipment and repairs	240,439	45,829	96,638	382,906	3,322	19,658	18,703	41,683	424,589
In-kind goods and services	89,050	59,000	11,750	159,800	-	73,033	5,350	78,383	238,183
Miscellaneous	43,875	78,031	8,955	130,861	18,378	561	63,943	82,882	213,743
Total functional expenses	<u>\$ 8,701,478</u>	<u>\$ 3,761,159</u>	<u>\$ 658,053</u>	<u>\$ 13,120,690</u>	<u>\$ 1,142,235</u>	<u>\$ 245,071</u>	<u>\$ 3,446,038</u>	<u>\$ 4,833,344</u>	<u>\$ 17,954,034</u>

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

The Adler Planetarium

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	Program Services				Support Services				
	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	Total
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
Total functional expenses	<u>\$ 8,331,213</u>	<u>\$ 2,869,001</u>	<u>\$ 439,484</u>	<u>\$ 11,639,698</u>	<u>\$ 1,067,313</u>	<u>\$ 253,839</u>	<u>\$ 3,231,760</u>	<u>\$ 4,552,912</u>	<u>\$ 16,192,610</u>

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

The Adler Planetarium

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 2,794,411	\$ 6,704,278
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	2,043,216	2,124,301
Pension-related changes other than net periodic pension cost	(275,119)	(1,472,522)
Unrealized (gain) loss on interest rate swaps	260,843	(577,392)
Realized and unrealized (gains) losses on investments	(3,145,382)	(1,909,453)
Noncash donation of stock	(85,326)	(70,330)
Changes in operating assets and liabilities:		
Accounts receivable	1,266,358	1,296,860
Prepaid expenses	(59,525)	(905)
Accounts payable	(42,984)	(9,056)
Accrued expenses and other liabilities	305	197,924
Contract liabilities	(7,577)	(231,458)
Defined benefit pension plan liability	(970,391)	(228,236)
Net cash and cash equivalents provided by operating activities	<u>1,778,829</u>	<u>5,824,011</u>
Cash flows from investing activities:		
Capital expenditures	(1,544,048)	(697,017)
Proceeds from sales and maturities of investments	4,179,937	2,270,219
Purchases of investments	<u>(5,168,327)</u>	<u>(3,237,504)</u>
Net cash and cash equivalents used in investing activities	<u>(2,532,438)</u>	<u>(1,664,302)</u>
Cash flows used in financing activities:		
Payments on finance leases	<u>(14,210)</u>	<u>(38,579)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(767,819)	4,121,130
Cash and cash equivalents, beginning of year	<u>10,491,135</u>	<u>6,370,005</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,723,316</u></u>	<u><u>\$ 10,491,135</u></u>
Supplemental cash flow information:		
Interest paid	\$ 461,335	\$ 696,442
Non-cash transactions:		
Capital expenditures included in accounts payable and accrued expenses	177,952	170,882
Right-of-use assets obtained in exchange for new finance lease liabilities	-	47,283

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

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

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 accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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.

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. The Adler makes ongoing estimates relating to the collectability of its accounts receivable and maintains an allowance for expected losses resulting from the inability of its customers to make required payments. In addition to judgments about the creditworthiness of significant customers based on ongoing credit evaluations, the Adler considers historical levels of credit losses, reasonable and supportable forecasts, as well as macroeconomic and industry trends to determine the amount of the allowance. No allowance was deemed necessary at June 30, 2024 and 2023.

Investments

Investments are reported 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 in excess of \$3,000 are capitalized and 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).

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

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, and special event revenue.

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.

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, 2024 and 2023, the Adler is eligible to receive and recognize \$798,036 and \$1,765,728, respectively, of these conditional contributions upon the occurrence of future qualifying expenses.

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

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

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 non-restricted 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 \$62,000 and \$28,000 for 2024 and 2023, 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 \$176,000 and \$137,000 for 2024 and 2023, respectively.

Special Event Revenue

Special event revenue includes revenue for the Celestial Bash. The Celestial Bash raised approximately \$956,159 and \$1,141,000 in 2024 and 2023, 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 \$245,000 and \$254,000 for 2024 and 2023, 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.

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

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

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 \$350,933 and \$366,301 as of June 30, 2024 and 2023, 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% 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.

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

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

- 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 determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether the Adler controls the use of the identified asset throughout the period of use. The Adler classifies leases as either financing or operating. Right-of-use ("ROU") assets are recognized at the lease commencement date and represent the Adler's right to use an underlying asset for the lease term and lease liabilities represent the Adler's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term.

The Adler's operating lease ROU assets are measured based on the corresponding operating lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred, and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of the Adler's ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with the Adler's long-lived asset policy.

The Adler elected the practical expedient to not separate lease components from nonlease components for all leases within the portfolio. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments that depend on an index or rate are included in the lease payments and are measured using the prevailing index or rate at the measurement date. Variable lease payments not based on an index or a rate are excluded from lease payments and are expensed as incurred.

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 elected to use the incremental borrowing rate for finance leases.

Income Taxes

The Adler qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, accordingly, is only subject to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose. The Adler had no material income from unrelated activities and has no material income taxes due as of June 30, 2024 and 2023.

The Adler's application of the accounting standards regarding uncertain tax positions had no material effect on its financial position as management believes the Adler has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. The Adler would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense.

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

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 2024 or 2023.

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 31, 2024, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("CECL"). ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Adler's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. The Adler adopted this new guidance effective July 1, 2023. There was no material impact on the financial statements as a result of the adoption of this guidance.

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

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 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024 and 2023 were composed of the following:

	2024	2023
Grants receivable	\$ 383,664	\$ 1,821,396
Third-party admission programs	259,143	224,694
Outsourced operations	86,861	100,811
Other	181,461	30,586
Total	<u>\$ 911,129</u>	<u>\$ 2,177,487</u>

NOTE 5 - PROPERTY, EQUIPMENT, EXHIBITS, AND SHOWS

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

	2024	2023	Depreciable Life - Years
Building and other improvements	\$ 49,834,516	\$ 49,786,319	10 - 30
Equipment	8,304,352	8,253,611	3 - 20
Exhibits and shows	22,070,414	21,590,508	3 - 10
Furniture and fixtures	858,743	858,743	5 - 7
Other artwork	253,540	253,540	-
Construction in progress	1,713,984	570,828	-
Total cost	83,035,549	81,313,549	
Less: accumulated depreciation	<u>63,532,115</u>	<u>61,488,899</u>	
Property, equipment, exhibits, and shows, net	<u>\$ 19,503,434</u>	<u>\$ 19,824,650</u>	

Depreciation expense for 2024 and 2023 was \$2,043,216 and \$2,124,301, respectively.

As of June 30, 2024 and 2023, the Adler had no outstanding construction commitments.

The Adler Planetarium

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 6 - 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, 2024 and 2023 and the valuation techniques used by the Adler to determine those fair values:

	2024			
	Level 1	Level 2	Level 3	Total
Assets - investments				
Bond funds - domestic	\$ 8,493,727	\$ -	\$ -	\$ 8,493,727
Equity mutual funds and exchange-traded funds - domestic	14,514,059	-	-	14,514,059
Equity mutual funds - international	8,036,319	-	-	8,036,319
Real asset funds	1,810,447	-	-	1,810,447
Hedged equity funds	1,869,357	-	-	1,869,357
Total investments	\$ 34,723,909	\$ -	\$ -	\$ 34,723,909
Assets - interest rate swaps	\$ -	\$ 1,903,922	\$ -	\$ 1,903,922

The Adler Planetarium

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

	2023			
	Level 1	Level 2	Level 3	Total
Assets - investments				
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 and exchange-traded funds - domestic	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>\$ 28,531,046</u>
Assets - interest rate swaps	<u>\$ -</u>	<u>\$ 2,164,765</u>	<u>\$ -</u>	<u>\$ 2,164,765</u>

Not included in the above tables are \$1,652,425 and \$3,619,602 in cash and cash equivalents in brokerage accounts as of June 30, 2024 and 2023, 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 7 - INVESTMENTS

Investment returns for 2024 and 2023 were as follows:

	2024	2023
Interest and dividends - net	\$ 1,315,059	\$ 978,584
Net unrealized and realized gains (losses)	<u>3,145,382</u>	<u>1,909,453</u>
Total	<u>\$ 4,460,441</u>	<u>\$ 2,888,037</u>

Investment fees for 2024 and 2023 were \$65,108 and \$60,485, respectively, and are included in interest and dividends on the statement of activities and changes in net assets.

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

The Chicago Community Trust ("CCT") holds investments valued at \$1,645,036 and \$1,530,173 at June 30, 2024 and 2023, respectively, in a designated endowment fund for which the Adler is named beneficiary of its income. CCT distributed \$61,504 and \$59,290 in the fiscal years ended June 30, 2024 and 2023, 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 8 - REVENUE RECOGNIZED FROM CONTRACT LIABILITIES

Revenue recognized for the years ended June 30, 2024 and 2023 that was included in the contract liability balance at the beginning of the year is as follows:

	2024	2023
Special event revenue and other	\$ 232,487	\$ 213,145
Membership dues	19,666	179,956
Private event revenue	475,470	496,365
Star Pass admissions	180,239	170,260
	<hr/>	<hr/>
Total	\$ 907,862	\$ 1,059,726
	<hr/>	<hr/>

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.

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. Effective October 1, 2023, the Adler terminated the plan. 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 Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

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

	2024	2023
Projected benefit obligation - beginning of year	\$ 12,682,620	\$ 13,761,684
Interest cost	159,424	613,244
Actuarial gain	(873,324)	(871,379)
Benefits paid	(256,629)	(820,929)
Settlement from lump sum window	(6,223,750)	-
Settlement from annuity transfer	(5,488,341)	-
	<u>\$ -</u>	<u>\$ 12,682,620</u>

Change in Plan Assets

	2024	2023
Fair value of plan assets - beginning of year	\$ 11,437,110	\$ 10,815,416
Actual return on assets	185,286	1,094,623
Benefits paid	(256,629)	(820,929)
Employer contributions	1,104,000	348,000
Settlement from lump sum window	(6,295,870)	-
Settlement from annuity purchase	(6,173,897)	-
	<u>-</u>	<u>11,437,110</u>
Fair value of plan assets	-	11,437,110
Plan liabilities in excess of plan assets	<u>-</u>	<u>1,245,510</u>
	<u>\$ -</u>	<u>\$ 12,682,620</u>

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

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

	2024	2023
Components of net periodic benefit cost and other amounts recognized in net assets without donor restrictions		
Interest cost	\$ 159,424	\$ 613,244
Expected return on plan assets	(146,503)	(555,763)
Amortization of net loss	5,049	70,060
Settlement gain (loss)	1,651,837	-
Total net periodic pension cost (income)	1,669,807	127,541
Other changes in plan assets and benefit obligations recognized as a change to net assets without donor restrictions		
Net gain for the period	(912,107)	(1,402,462)
Amortization of net loss	(899,210)	(70,060)
Total recognized in net assets without donor restrictions	(1,811,317)	(1,472,522)
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ (141,510)</u>	<u>\$ (1,344,981)</u>

The net loss recognized in net assets, but not yet in net periodic benefit cost, was \$1,480,299 and \$1,811,317 as of June 30, 2024 and 2023, 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 \$0.

Assumptions

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

	2024	2023
Discount rate	4.60%	5.20%
Expected return on plan assets	5.25%	5.25%
Asset category		
Equity securities		63.00%
Debt securities		37.00%
		<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

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

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, measured at fair value, 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.

There are no plan assets held at June 30, 2024. The fair values of the Adler's pension plan assets at June 30, 2023 by major asset classes are as follows:

	2023			
	Level 1	Level 2	Level 3	Total
Asset classes - pooled separate accounts				
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
Total	<u>\$ 11,437,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,437,110</u>

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% of the first 3% of base compensation and 50% of the next 2% of base compensation that a participant contributes to the plan. The Adler's contributions under this plan were \$232,148 and \$211,182 for fiscal years 2024 and 2023, 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.

The Adler Planetarium
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

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% and overnight bank funding rate plus 3.00%. Rates of 3.85% and 4.00% were in effect at June 30, 2024 and 2023, 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. Certain financial covenants are also required to be maintained. The Adler was in compliance with all financial covenants during the years ended June 30, 2024 and 2023.

Bond interest expense was \$954,604 and \$697,828 for the years ended June 30, 2024 and 2023, respectively. Various other expenses incurred related to the bonds include letter of credit fees, remarketing fees, and legal expense totaling \$191,555 and \$189,926 for the years ended June 30, 2024 and 2023, 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; expired on December 1, 2023; and effectively fixes the interest rate at 1.797% 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 \$0 and \$70,423 as of June 30, 2024 and 2023, respectively. Interest income and expense for the swap agreement were \$73,315 and \$72,724, respectively, for the years ended June 30, 2024 and 2023, 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% 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 \$276,075 and \$366,246 as of June 30, 2024 and 2023, respectively. Interest income and expense for the swap agreement were \$152,797 and \$53,417, respectively, for the years ended June 30, 2024 and 2023, 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% 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 \$1,627,847 and \$1,728,096 as of June 30, 2024 and 2023, respectively. Interest income and expense for the swap agreement were \$282,360 and \$85,819 for the years ended June 30, 2024 and 2023, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Statement of financial position		
Information location of fair value of interest rate swaps on statement - Interest rate swaps marked to market	\$ 1,903,922	\$ 2,164,765
Statement of activities and changes in net assets		
Unrealized gain on interest rate swaps	\$ (260,843)	\$ 577,392
Interest income (expense) included in operations	<u>473,443</u>	<u>211,960</u>
Total income of interest rate swaps	<u>\$ 212,600</u>	<u>\$ 789,352</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 ROU asset and related lease liability of \$47,283 were recognized upon the commencement of the lease. The ROU asset and related lease liability have been calculated using a discount rate of 13.125%.

The ROU assets for the equipment purchased under the finance leases are included in property, equipment, exhibits, and shows on the statement of financial position at net balances of \$29,801 and \$44,656 as of June 30, 2024 and 2023, respectively.

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2025	\$ 19,152
2026	<u>14,364</u>
Total	33,516
Less: amount representing interest	<u>3,715</u>
Present value of net minimum lease payments	<u>\$ 29,801</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

Expenses recognized under the finance leases for the years ended June 30, 2024 and 2023 and other related disclosures consist of the following:

	2024	2023
Amortization of ROU assets	\$ 15,761	\$ 34,594
Interest expense on lease liabilities	4,942	2,872
Total finance lease expense	\$ 20,703	\$ 37,466
Cash paid for amounts included in the measurement of lease liabilities - financing cash flows	\$ 14,210	\$ 38,579

Amortization of the ROU assets is included in depreciation expense.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Subject to expenditures for a specified purpose		
Exhibits and show development	\$ 1,030,133	\$ 2,355,537
Science and education programs	1,785,513	1,705,823
Collections and conservation	2,045,892	2,991,462
Employee assistance	32,044	32,043
Invested in perpetuity, the income from which is expendable to support		
Education programs	4,343,361	4,343,361
Facilities	370,000	-
Webster fund	200,000	200,000
General operations	105,535	105,273
Total invested in perpetuity	5,018,896	4,648,634
Total	\$ 9,912,478	\$ 11,733,499

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2024 and 2023

NOTE 15 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows for the years ended June 30, (dollars in thousands):

	2024	2023
Purpose restrictions accomplished		
Exhibits and show development	\$ 1,495,405	\$ 828,415
Science and education programs	833,743	1,165,661
Collections and conservation	1,185,750	235,363
Permanent endowment accumulated earnings	260,716	-
Employee assistance	-	690
	<u>\$ 3,775,614</u>	<u>\$ 2,230,129</u>
Total net assets released from restrictions		

NOTE 16 - 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

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Endowment Net Asset Composition by Type of Fund as of June 30, 2024			
	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	\$ -	\$ 5,018,896	\$ 5,018,896
Accumulated investment gains and interest from interfund borrowings	-	1,035,872	1,035,872
Total	\$ -	\$ 6,054,768	\$ 6,054,768

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ -	\$ 5,417,465	\$ 5,417,465
Investment income	-	520,795	520,795
Contributions	-	370,000	370,000
Appropriation of endowment assets for expenditure	-	(272,492)	(272,492)
Other changes - interfund borrowings interest	-	19,000	19,000
Endowment net assets - end of year	\$ -	\$ 6,054,768	\$ 6,054,768

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

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	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>

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. There are no underwater endowments as of June 30, 2024.

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%, which resulted in interest expense of \$19,000 for both 2024 and 2023. The principal balance of the endowment loan was \$2,000,000 as of both June 30, 2024 and 2023. 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.

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% for capital appreciation

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assets (which include equity, directional hedge funds, and real assets) and 15% to 35% 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%. 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 17 - AUXILIARY ACTIVITIES

Auxiliary activities consisted of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Museum store rental	\$ 309,810	\$ 296,668
Food service and concessions	430,459	495,830
Total	<u>\$ 740,269</u>	<u>\$ 792,498</u>

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NOTE 18 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects, as of June 30, 2024 and 2023, 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:

	2024	2023
Cash and cash equivalents	\$ 9,723,316	\$ 10,491,135
Accounts receivable	1,014,239	2,177,487
Investments	36,382,926	32,150,648
Financial assets	47,120,481	44,819,270
Less amounts not available to be used within one year		
Contributions received for restricted purposes not yet budgeted for expenditure	2,931,786	2,250,361
Accumulated earnings on endowments not yet appropriated for expenditure	776,470	496,339
Donor-restricted gifts required to be maintained in perpetuity	5,018,896	4,648,634
Less: borrowings from endowment (Note 16)	(2,000,000)	(2,000,000)
Donor-restricted gifts required to be maintained in perpetuity less borrowings from endowment	3,018,896	2,648,634
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	\$ 22,843,329	\$ 21,873,936

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 16, 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.