
The Adler Planetarium

Financial Report
June 30, 2021

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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, 2021 and 2020 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, 2021 and 2020 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.

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 12, 2021 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 12, 2021

Statement of Financial Position

June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 5,757,402	\$ 4,725,264
Accounts receivable (Note 7)	297,200	279,453
Prepaid expenses	274,222	323,866
Pledges receivable - Net (Note 8)	91,701	285,845
Long-term investments (Note 5)	32,721,562	28,131,465
Property, equipment, exhibits, and shows - Net (Note 4)	20,798,097	21,834,767
	<u>\$ 59,940,184</u>	<u>\$ 55,580,660</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 569,007	\$ 449,481
Contract liabilities (Note 9)	1,562,884	1,102,061
Accrued expenses and other liabilities	1,328,301	1,158,089
Capital lease obligations (Note 15)	78,789	136,672
Bonds payable (Note 13)	27,000,000	27,000,000
Interest rate swaps (Note 14)	1,241,984	2,251,789
Defined benefit pension plan liability (Note 10)	4,448,889	6,975,723
	<u>36,229,854</u>	<u>39,073,815</u>
Total liabilities		
Net Assets		
Without donor restrictions	14,008,019	7,360,862
With donor restrictions (Notes 16 and 17)	9,702,311	9,145,983
	<u>23,710,330</u>	<u>16,506,845</u>
Total net assets		
	<u>\$ 59,940,184</u>	<u>\$ 55,580,660</u>
Total liabilities and net assets		

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2021 and 2020

	2021			2020		
	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	\$ 1,757,932	\$ -	\$ 1,757,932	\$ 1,753,493	\$ -	\$ 1,753,493
Other governmental grants and contracts	1,272,200	-	1,272,200	1,122,535	-	1,122,535
Payroll Protection Program grant revenue	1,776,573	-	1,776,573	1,829,300	-	1,829,300
Contributions, bequests, and foundation grants	1,671,350	1,584,702	3,256,052	2,165,910	436,667	2,602,577
Donated services, expenses, and equipment	13,750	-	13,750	246,155	-	246,155
Special event revenue	1,297,787	-	1,297,787	1,705,791	-	1,705,791
Net assets released from restrictions	1,726,432	(1,726,432)	-	2,884,472	(2,884,472)	-
Total support	9,516,024	(141,730)	9,374,294	11,707,656	(2,447,805)	9,259,851
Revenue:						
Admission charges	4,441	-	4,441	3,906,620	-	3,906,620
Membership dues	193,500	-	193,500	543,323	-	543,323
Auxiliary activities	18,430	-	18,430	433,294	-	433,294
Interest and dividends - Net	380,028	101,027	481,055	654,843	137,091	791,934
Private event revenue	131,175	-	131,175	502,298	-	502,298
Other	757,714	-	757,714	317,283	1,100	318,383
Total revenue	1,485,288	101,027	1,586,315	6,357,661	138,191	6,495,852
Total revenue and support	11,001,312	(40,703)	10,960,609	18,065,317	(2,309,614)	15,755,703
Expenses						
Program Services:						
Museum experience and observatory	5,998,025	-	5,998,025	8,992,780	-	8,992,780
Science engagement and visualization	2,561,372	-	2,561,372	4,499,027	-	4,499,027
Collections and curatorial	546,457	-	546,457	607,852	-	607,852
Total program services	9,105,854	-	9,105,854	14,099,659	-	14,099,659
Support Services:						
Development and membership	1,210,800	-	1,210,800	1,595,244	-	1,595,244
Fundraising	87,811	-	87,811	497,670	-	497,670
General and administration	2,744,475	-	2,744,475	3,615,989	-	3,615,989
Total support services	4,043,086	-	4,043,086	5,708,903	-	5,708,903
Total expenses	13,148,940	-	13,148,940	19,808,562	-	19,808,562
Net Operating Loss	(2,147,628)	(40,703)	(2,188,331)	(1,743,245)	(2,309,614)	(4,052,859)

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Nonoperating Revenue (Expense)						
Purchase of collection items	\$ -	\$ -	\$ -	\$ (14,335)	\$ -	\$ (14,335)
Pension income (expense)	20,431	-	20,431	(19,274)	-	(19,274)
Interfund borrowings interest (expense) income (Notes 16 & 17)	(6,247)	6,247	-	-	-	-
Net realized and unrealized gains (losses) on investments	5,591,893	590,784	6,182,677	(433,047)	(157,332)	(590,379)
Net nonoperating revenue	5,606,077	597,031	6,203,108	(466,656)	(157,332)	(623,988)
Increase (Decrease) in Net Assets - Before other changes	3,458,449	556,328	4,014,777	(2,209,901)	(2,466,946)	(4,676,847)
Other Changes in Net Assets						
Pension-related changes other than net periodic pension cost	2,178,903	-	2,178,903	(2,340,784)	-	(2,340,784)
Unrealized gain (loss) on interest rate swaps (Note 14)	1,009,805	-	1,009,805	(1,506,399)	-	(1,506,399)
Total other changes in net assets	3,188,708	-	3,188,708	(3,847,183)	-	(3,847,183)
Increase (Decrease) in Net Assets	6,647,157	556,328	7,203,485	(6,057,084)	(2,466,946)	(8,524,030)
Net Assets - Beginning of year	7,360,862	9,145,983	16,506,845	13,417,946	11,612,929	25,030,875
Net Assets - End of year	\$ 14,008,019	\$ 9,702,311	\$ 23,710,330	\$ 7,360,862	\$ 9,145,983	\$ 16,506,845

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services				Support Services				Total
	Museum Experience and Observatory	Science Engagement and Visualization	Collections and Curatorial	Total Program Services	Development And Membership	Fundraising Events	General and Administrative	Total Support Services	
Salaries and wages	\$ 1,427,792	\$ 1,686,055	\$ 291,756	\$ 3,405,603	\$ 867,979	\$ -	\$ 1,882,444	\$ 2,750,423	\$ 6,156,026
Employee benefits	302,833	359,938	62,537	725,308	172,097	-	369,953	542,050	1,267,358
Professional fees	945	42,603	40	43,588	11	32,000	207,789	239,800	283,388
Contract services	175,293	232,560	104,703	512,556	29,440	35,780	103,559	168,779	681,335
Advertising and promotion	-	-	-	-	933	-	23,825	24,758	24,758
Office expenses and supplies	45,898	63,635	7,640	117,173	12,593	8,466	32,035	53,094	170,267
Information technology	33,137	34,802	4,973	72,912	12,256	-	25,843	38,099	111,011
Occupancy	277,557	15,481	9,834	302,872	2,621	-	8,348	10,969	313,841
Travel expenses	4,283	1,790	93	6,166	430	515	2,121	3,066	9,232
Interest	704,848	-	-	704,848	-	-	-	-	704,848
Depreciation	2,670,338	40,074	38,404	2,748,816	4,599	-	27,511	32,110	2,780,926
Insurance	160,960	10,281	6,531	177,772	1,740	-	5,544	7,284	185,056
Cleaning and maintenance	111,477	7,155	4,545	123,177	1,211	-	3,859	5,070	128,247
Equipment and repairs	79,965	30,155	14,693	124,813	728	-	18,030	18,758	143,571
In-kind goods and services	-	-	-	-	2,700	11,050	-	13,750	13,750
Miscellaneous	2,699	36,843	708	40,250	101,462	-	33,614	135,076	175,326
Total functional expenses	\$ 5,998,025	\$ 2,561,372	\$ 546,457	\$ 9,105,854	\$ 1,210,800	\$ 87,811	\$ 2,744,475	\$ 4,043,086	\$ 13,148,940

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services				Support Services				Total
	Museum Experience and Observatory	Science Engagement and Visualization	Collections and Curatorial	Total Program Services	Development And Membership	Fundraising Events	General and Administrative	Total Support Services	
Salaries and wages	\$ 2,933,307	\$ 3,046,443	\$ 285,862	\$ 6,265,612	\$ 973,093	\$ 300	\$ 1,923,421	\$ 2,896,814	\$ 9,162,426
Employee benefits	527,936	547,011	50,925	1,125,872	165,014	58	327,037	492,109	1,617,981
Professional fees	12,836	30,728	240	43,804	113,020	79,030	347,821	539,871	583,675
Contract services	213,025	298,806	105,063	616,894	59,491	218,309	301,677	579,477	1,196,371
Advertising and promotion	4,080	400	-	4,480	1,486	4,100	415,569	421,155	425,635
Office expenses and supplies	257,501	138,366	42,789	438,656	109,133	17,952	87,845	214,930	653,586
Information technology	104,570	97,206	5,886	207,662	15,466	-	31,671	47,137	254,799
Occupancy	429,567	25,950	13,129	468,646	3,499	875	11,145	15,519	484,165
Travel expenses	28,179	58,704	4,908	91,791	10,646	10,422	17,980	39,048	130,839
Interest	696,278	-	-	696,278	-	-	-	-	696,278
Depreciation	2,939,658	41,352	35,157	3,016,167	4,667	-	27,726	32,393	3,048,560
Insurance	166,106	10,479	6,657	183,242	1,774	-	5,650	7,424	190,666
Cleaning and maintenance	388,977	29,499	15,062	433,538	4,014	-	12,786	16,800	450,338
Equipment and repairs	153,539	49,493	27,500	230,532	1,437	29,878	19,137	50,452	280,984
In-kind goods and services	118,333	20,866	3,984	143,183	5,847	91,180	5,944	102,971	246,154
Miscellaneous	18,888	103,724	10,690	133,302	126,657	45,566	80,580	252,803	386,105
Total functional expenses	\$ 8,992,780	\$ 4,499,027	\$ 607,852	\$ 14,099,659	\$ 1,595,244	\$ 497,670	\$ 3,615,989	\$ 5,708,903	\$ 19,808,562

Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 7,203,485	\$ (8,524,030)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation	2,780,926	3,048,560
Pension-related changes other than net periodic pension cost	(2,178,903)	2,340,784
Unrealized (gain) loss on interest rate swaps	(1,009,805)	1,506,399
Realized and unrealized (gains) losses on investments	(6,182,677)	590,379
Bad debt expense	100,000	100,000
Noncash donation of stock	(46,686)	(44,612)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(17,747)	534,795
Prepaid expenses	49,644	(56,564)
Pledges receivable	94,144	902,056
Accounts payable	65,593	(159,523)
Accrued expenses and other liabilities	57,836	(38,452)
Contract liabilities	460,822	(66,782)
Defined benefit pension plan liability	(347,931)	(456,308)
Net cash and cash equivalents provided by (used in) operating activities	1,028,701	(323,298)
Cash Flows from Investing Activities		
Capital expenditures	(1,577,951)	(1,268,766)
Proceeds from sales and maturities of investments	6,520,191	5,376,111
Purchases of investments	(4,880,920)	(3,842,478)
Net cash and cash equivalents provided by investing activities	61,320	264,867
Cash Flows Used in Financing Activities - Payments on capital leases	(57,883)	(239,506)
Net Increase (Decrease) in Cash and Cash Equivalents	1,032,138	(297,937)
Cash and Cash Equivalents - Beginning of year	4,725,264	5,023,201
Cash and Cash Equivalents - End of year	\$ 5,757,402	\$ 4,725,264
Supplemental Cash Flow Information		
Interest paid	\$ 510,318	\$ 500,067
Capital expenditures included in accounts payable and accrued expenses	446,030	279,721

June 30, 2021 and 2020

Note 1 - Nature of Organization

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

Note 2 - Significant Accounting Policies

Basis of Presentation

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments with an original maturity of three months or less when purchased. The Adler maintains cash and cash equivalents in bank deposit accounts that at times may exceed federally insured limits. 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, 2021 and 2020.

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.

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).

Note 2 - Significant Accounting Policies (Continued)

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.

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.

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.

Note 2 - Significant Accounting Policies (Continued)

Contributions

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

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

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 \$5,000 and \$112,000 for 2021 and 2020, 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 \$9,000 and \$134,000 for 2021 and 2020, respectively.

Special Event Revenue

Special event revenue includes revenue for the Celestial Ball and the Women in Space Science Award Celebration. The Celestial Ball raised approximately \$1,298,000 and \$1,684,000 in 2021 and 2020, respectively. The Women in Space Science Award Celebration raised approximately \$22,000 in 2020. This celebration was not held in 2021. 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 \$88,000 and \$498,000 for 2021 and 2020, respectively.

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.

Note 2 - Significant Accounting Policies (Continued)

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.

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.

June 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

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 2021 or 2020.

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 2020 expense amounts have been reclassified to conform to the 2021 presentation. The primary impact related to program services activities in the 2020 guest experience, public engagement, and education program services function, which were split between the new museum experience and observatory and science engagement and visualization program services functions. Ultimately, expenses amounting to \$62,226 were reclassified from program services to support services as a result of the restructuring.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 12, 2021, which is the date the financial statements were available to be issued.

June 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

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 in March 2020. Earned revenue from guest-facing activities, including admissions, membership dues, and auxiliary activities ceased. Evolving restrictions on public gathering size negatively impacted the financial viability of reopening to the public throughout fiscal year 2021.

To counteract the impact of the operating restrictions, the Adler's management made the strategic decision to focus on digital engagement opportunities during the closure period. The expansion of existing digital content, development of new digital assets, and pivot to an online engagement format for program delivery enabled the Adler to fulfill its mission to connect people to the universe and each other as a virtual museum. The expanded digital programming will complement in-person operations when the museum fully reopens to the public in March 2022. The Adler began offering some of its most popular in-person experiences in July 2021, including weekend screenings of sky shows and select public observing events in its new observation park.

Cost-saving measures were also implemented and included a July 2020 reduction in force of 62 percent and significant reductions in nonstaff expenses.

Other revenue sources helped to offset the decline in guest-facing revenue. Strong donor support continues. The annual fundraising galas held virtually in September 2021 and 2020 resulted in net revenue comparable to the September 2019 in-person gala. Government support to help fund payroll and other specified expenses was also received, as further described in Note 12.

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. In addition, while the Adler's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Adoption of Accounting Pronouncement

As of July 1, 2020, the Adler adopted FASB ASU No. 2018-13, *Fair Value Measurement (Topic 820)*, which removed disclosure requirements related to transfers between Level 1 and Level 2 in Note 5. The Adler adopted the new standard on a retrospective basis. The standard did not require a restatement of prior year amounts.

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 (GIKs). 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.

June 30, 2021 and 2020

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:

	2021	2020	Depreciable Life - Years
Building and other improvements	\$ 45,522,539	\$ 45,522,539	10-30
Equipment	8,033,145	7,427,936	3-20
Exhibits and shows	21,161,833	21,161,833	3-10
Furniture and fixtures	810,643	696,332	5-7
Other artwork	253,540	253,540	-
Construction in progress	1,756,705	731,969	-
Total cost	77,538,405	75,794,149	
Less accumulated depreciation	56,740,308	53,959,382	
Net property, equipment, exhibits, and shows	<u>\$ 20,798,097</u>	<u>\$ 21,834,767</u>	

Depreciation expense for 2021 and 2020 was \$2,780,926 and \$3,048,560, respectively.

As of June 30, 2021, the Adler had agreements with three contractors for approximately \$2,397,664 to complete certain capital projects.

Note 5 - Fair Value Measurements

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

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

June 30, 2021 and 2020

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, 2021 and 2020 and the valuation techniques used by the Adler to determine those fair values:

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2021					
	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, 2021
Assets - Investments					
Bond funds - Domestic	\$ 4,754,120	\$ -	\$ -	\$ -	\$ 4,754,120
Bond funds - International	1,050,844	-	-	-	1,050,844
Equity mutual funds and exchange-traded funds - Domestic	13,339,850	-	-	-	13,339,850
Equity mutual funds - International	6,265,613	-	-	-	6,265,613
Real asset funds	1,408,713	-	-	-	1,408,713
Hedged equity funds	2,408,327	-	-	-	2,408,327
Total assets	<u>\$ 29,227,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,227,467</u>
Liabilities - Interest rate swaps	<u>\$ -</u>	<u>\$ 1,241,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,241,984</u>

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 assets fund	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>

Not included in the above tables are \$3,494,095 and \$1,222,128 in cash and cash equivalents in brokerage accounts as of June 30, 2021 and 2020, respectively.

June 30, 2021 and 2020

Note 5 - Fair Value Measurements (Continued)

Level 1 Inputs

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

Level 2 Inputs

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

Note 6 - Investments

Investment returns for 2021 and 2020 were as follows:

	2021	2020
Interest and dividends - Net	\$ 481,055	\$ 791,934
Net unrealized and realized gains (losses)	6,182,677	(590,379)
Total	<u>\$ 6,663,732</u>	<u>\$ 201,555</u>

Investment fees for 2021 and 2020 were \$69,380 and \$70,637, respectively, and are included in interest and dividends on the statement of activities and changes in net assets.

The Chicago Community Trust (CCT) holds investments valued at \$1,739,515 and \$1,353,729 at June 30, 2021 and 2020, respectively, in a designated endowment fund whereby the Adler is named beneficiary of its income. CCT distributed \$55,235 and \$54,517 in the fiscal years ended June 30, 2021 and 2020, 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 CCT has variance power to redirect the benefits.

Note 7 - Accounts Receivable

Accounts receivable at June 30, 2021 and 2020 were composed of the following:

	2021	2020
Grants receivable	\$ 283,269	\$ 236,142
Third-party admission programs	1,088	5,039
Outsourced operations	12,254	-
Other	589	38,272
Total	<u>\$ 297,200</u>	<u>\$ 279,453</u>

June 30, 2021 and 2020

Note 8 - Pledges Receivable

The present values of unconditional pledges receivable are as follows:

	2021	2020
Gross promises to give before unamortized discount	\$ 300,000	\$ 400,000
Less unamortized discount, using rate of 0.5 to 5 percent	(8,299)	(14,155)
Less allowance for doubtful pledges	(200,000)	(100,000)
Net pledges receivable	<u>\$ 91,701</u>	<u>\$ 285,845</u>

The allowance for doubtful pledges is a general provision based on management's regular review of outstanding balances. Pledges receivable are due within one year of the statement of financial position date.

Note 9 - Revenue Recognized from Contract Liabilities

Revenue recognized for the years ended June 30, 2021 and 2020 that was included in the contract liability balance at the beginning of the year is as follows:

	2021	2020
Special event revenue and other	\$ 136,125	\$ 492,694
Membership dues	16,066	239,450
Private event revenue	81,775	219,000
Admission charges	-	9,973
Total	<u>\$ 233,966</u>	<u>\$ 961,117</u>

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, 2021 and 2020

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

	2021	2020
Projected benefit obligation - Beginning of year	\$ 17,903,202	\$ 16,002,739
Interest cost	463,249	576,214
Actuarial loss	30,231	2,149,050
Benefits paid	(830,749)	(824,801)
Projected benefit obligation - End of year	<u>\$ 17,565,933</u>	<u>\$ 17,903,202</u>

Change in Plan Assets

	2021	2020
Fair value of plan assets - Beginning of year	\$ 10,927,479	\$ 10,911,492
Actual return on assets	2,692,814	365,207
Benefits paid	(830,749)	(824,801)
Employer contributions	327,500	475,581
Fair value of plan assets	13,117,044	10,927,479
Plan liabilities in excess of plan assets	<u>4,448,889</u>	<u>6,975,723</u>
Accumulated benefit obligation	<u>\$ 17,565,933</u>	<u>\$ 17,903,202</u>

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

	2021	2020
Components of Net Periodic Benefit Cost and Other Amounts Recognized in Net Assets without Donor Restrictions		
Interest cost	\$ 463,249	\$ 576,214
Expected return on plan assets	(646,296)	(645,267)
Amortization of net loss	162,616	88,327
Total net periodic pension (income) cost	(20,431)	19,274
Other Changes in Plan Assets and Benefit Obligations Recognized as a Charge to Net Assets without Donor Restrictions		
Net (gain) loss for the period	(2,016,287)	2,429,111
Amortization of net loss	(162,616)	(88,327)
Total recognized in net assets without donor restrictions	<u>(2,178,903)</u>	<u>2,340,784</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ (2,199,334)</u>	<u>\$ 2,360,058</u>

The net loss recognized in net assets, but not yet in net periodic benefit cost, was \$4,338,659 and \$6,517,562 as of June 30, 2021 and 2020, 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 \$91,856.

June 30, 2021 and 2020

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:

	2021	2020
Discount rate	2.75%	2.65%
Expected return on plan assets	5.25%	6.00%

The pension plan weighted-average asset allocations at June 30, 2021 and 2020 by asset category are as follows:

	2021	2020
Asset category:		
Equity securities	64.00 %	55.00 %
Debt securities	35.00	40.00
Real estate	-	3.00
Other	1.00	2.00
Total	<u>100.00 %</u>	<u>100.00 %</u>

Pension Plan Assets

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

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.

The fair values of the Adler's pension plan assets at June 30, 2021 and 2020 by major asset classes are as follows:

	Fair Value Measurements at June 30, 2021			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Asset Classes - Pooled Separate Accounts				
Money market	\$ 114,670	\$ -	\$ -	\$ 114,670
Corporate bonds	4,638,792	-	-	4,638,792
Equity - Domestic	5,856,736	-	-	5,856,736
Equity - International	2,506,846	-	-	2,506,846
Total	<u>\$ 13,117,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,117,044</u>

Note 10 - Pension Plans (Continued)

	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

Level 1 Inputs

Estimated fair values for the Adler's publicly traded bond funds and equity mutual funds were based on quoted market prices.

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, 2021 and 2020 and the valuation techniques used by the Adler to determine those fair values.

Cash Flow

Contributions

The Adler expects to contribute \$87,000 to its pension plan in 2022.

Estimated Future Benefit Payments

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

Years Ending	Pension Benefits
2022	\$ 865,000
2023	864,000
2024	872,000
2025	878,000
2026	867,000
2027-2031	4,390,000

June 30, 2021 and 2020

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 \$195,163 and \$249,928 for fiscal years 2021 and 2020, 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

On April 16, 2020, the Adler received a Paycheck Protection Program (PPP) term note through a financial institution in the amount of \$1,839,300. On February 2, 2021, the Adler received a second draw of the PPP loan program in the amount of \$1,839,320. The notes were 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 during the covered period described in the note agreements. At the conclusion of the covered period, any balance not forgiven by the Small Business Administration (SBA) will be repaid over a period of two and five years for the initial and second draw, respectively, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered periods. The Adler has the right to prepay any amount outstanding at any time without penalty. These loans helped the Adler fund payroll, benefits, and building utility costs.

While the legal form of each PPP agreement is a loan, the Adler concluded the loans represent, in substance, a grant that is expected to be forgiven and, therefore, has accounted for the agreements as conditional contributions. The primary measurable barrier that must be substantially overcome before the contributions 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, 2021 and 2020, the Adler recognized \$1,753,990 and \$1,829,300, respectively, as grant revenue on the statement of activities and changes in net assets. These amounts represent the full balance of each loan less \$85,330 for expenditures not yet incurred and \$10,000 for the Economic Injury Disaster Loan Emergency Advance received in 2021 and 2020, respectively. The refundable advance and unforfeitable portion amounting to \$95,330 and \$10,000 as of June 30, 2021 and 2020, respectively, are recorded in accrued expenses and other liabilities on the statement of financial position.

The SBA approved forgiveness for the full amount of the initial loan in July 2021.

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 0.03 percent and 0.11 percent at June 30, 2021 and 2020, 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, 2022. Any remarketing draws will be due and payable upon demand.

Bond interest expense was \$28,586 and \$328,759 for the years ended June 30, 2021 and 2020, respectively. Various other expenses incurred related to the bonds include letter of credit fees, remarketing fees, and legal expense totaling \$188,985 and \$195,041 for the years ended June 30, 2021 and 2020, 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 \$364,522 and \$511,493 at June 30, 2021 and 2020, respectively. Interest expense for the swap agreement was \$171,587 and \$63,331 for the years ended June 30, 2021 and 2020, 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 \$663,219 and \$931,298 at June 30, 2021 and 2020, respectively. Interest expense for the swap agreement was \$190,787 and \$82,531 for the years ended June 30, 2021 and 2020, respectively.

On August 23, 2019, the Adler entered into a third interest rate swap agreement to manage its variable-rate interest exposure. The swap has an effective date of August 23, 2019 and expires on April 1, 2029. This accretive swap effectively fixes the interest rate at 1.301 percent on a portion of the bonds with a notional value of \$7,000,000 through December 1, 2023; \$17,000,000 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 \$214,243 and \$808,998 at June 30, 2021 and 2020, respectively. Interest expense for the swap agreement was \$85,391 and \$10,840 for the years ended June 30, 2021 and 2020, respectively.

The following table presents the amounts and locations of the amounts relating to the Adler's interest rate swaps in the Adler's financial statements as of and for the years ended June 30, 2021 and 2020:

	2021	2020
Statement of Financial Position		
Information location on statement of fair value of liability - Interest rate swaps marked to market	\$ 1,241,984	\$ 2,251,789

June 30, 2021 and 2020

Note 14 - Interest Rate Swaps (Continued)

	<u>2021</u>	<u>2020</u>
Statement of Activities and Changes in Net Assets		
Unrealized gain (loss) on interest rate swaps	\$ 1,009,805	\$ (1,506,399)
Interest expense included in operations	<u>(447,765)</u>	<u>(156,703)</u>
Total income (cost) of interest rate swaps	<u>\$ 562,040</u>	<u>\$ (1,663,102)</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 the remaining capital lease are as follows:

2022	\$ 48,883
2023	<u>36,662</u>
Total	85,545
Less amount representing interest	<u>6,756</u>
Present value of net minimum lease payments	<u>\$ 78,789</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 \$127,868 and \$783,443 as of June 30, 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Subject to expenditures for a specified purpose:		
Exhibits and show development	\$ 1,920,204	\$ 1,725,410
Science and education programs	2,078,908	1,559,457
Collections and conservation	930,139	892,445
Employee assistance	32,734	34,490
Subject to the passage of time - For periods after June 30	<u>91,701</u>	<u>285,845</u>
Total subject to expenditures for a specified purpose or the passage of time	5,053,686	4,497,647
Invested in perpetuity, the income from which is expendable to support:		
Education programs	4,343,361	3,102,026
Webster fund	200,000	200,000
General operations	<u>105,264</u>	<u>1,346,310</u>
Total invested in perpetuity	<u>4,648,625</u>	<u>4,648,336</u>
Total	<u>\$ 9,702,311</u>	<u>\$ 9,145,983</u>

Note 16 - Net Assets (Continued)

During March 2021, the Adler borrowed \$2,000,000 from the endowment funds to support operating cash flows. Interfund borrowing interest of \$6,247 is included in net assets with donor restrictions as of June 30, 2021 to represent the amount of interest owed from operations.

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

Endowment Net Asset Composition by Type of Fund
as of June 30, 2021

	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	\$ -	\$ 4,648,625	\$ 4,648,625
Accumulated investment gains and interest from interfund borrowings	-	1,279,165	1,279,165
Total	<u>\$ -</u>	<u>\$ 5,927,790</u>	<u>\$ 5,927,790</u>

Note 17 - Endowment Net Assets (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 5,385,864	\$ 5,385,864
Investment income	-	632,216	632,216
Appropriation of endowment assets for expenditure	-	(96,537)	(96,537)
Other changes - Interfund borrowings interest	-	6,247	6,247
Endowment net assets - End of year	\$ -	\$ 5,927,790	\$ 5,927,790
	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

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Adler to retain as a fund of perpetual duration. A deficiency of this nature exists in the donor-restricted endowment funds, which together have an original gift value of \$4,648,625, a current fair value of \$2,648,625, and a deficiency of \$2,000,000 as of June 30, 2021. This deficiency resulted from the borrowings from the endowment funds to pay for general operations further described below. As of June 30, 2020, there were no funds with deficiencies.

Borrowings from Endowment

During March 2021, the Adler borrowed \$2,000,000 from the endowment funds to support operating cash flows. Interest is calculated at a rate of 0.95 percent, which resulted in interest expense of \$6,247 for 2021. The balance of the endowment loan was \$2,000,000 as of June 30, 2021. The payment terms are as follows:

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

Note 17 - Endowment Net Assets (Continued)

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Due to the borrowings from endowment in 2021, this spending policy has been suspended. For fiscal year 2021 and forward, the appropriation will be based upon The Boeing Exploration Center Program Endowment's investment return calculation until internal borrowing is repaid or the policy is revised.

Note 18 - Auxiliary Activities

Auxiliary activities consisted of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Museum store rental	\$ 1,354	\$ 175,328
Food service and concessions	17,076	257,966
Total	<u>\$ 18,430</u>	<u>\$ 433,294</u>

June 30, 2021 and 2020

Note 19 - Liquidity and Availability of Resources

The following reflects, as of June 30, 2021 and 2020, 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:

	2021	2020
Cash and cash equivalents	\$ 5,757,402	\$ 4,725,264
Accounts receivable	297,200	279,453
Pledges receivable - Net	91,701	285,845
Long-term investments	32,721,562	28,131,465
	<u>38,867,865</u>	<u>33,422,027</u>
Financial assets		
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
Contributions received for restricted purposes not yet budgeted for expenditure	2,559,407	2,936,218
Accumulated earnings on endowments not yet appropriated for expenditure	1,198,533	640,991
Donor-restricted gifts required to be maintained in perpetuity	4,648,336	4,648,336
Less borrowings from endowment (Note 17)	(2,000,000)	-
Donor-restricted gifts required to be maintained in perpetuity less borrowings from endowment	<u>2,648,336</u>	<u>4,648,336</u>
Cash and investments balance required to support letter of credit facility on bonds payable	<u>17,550,000</u>	<u>17,550,000</u>
Financial assets available to meet general expenditures within one year of the statement of financial position date	<u>\$ 14,911,589</u>	<u>\$ 7,360,637</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.

June 30, 2021 and 2020

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.