The Adler Planetarium

Financial Report

June 30, 2019

Contents

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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, 2019 and 2018 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, 2019 and 2018 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 2 and 19 to the financial statements, the Adler adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

To the Board of Trustees
The Adler Planetarium

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019 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 1, 2019

Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 5,023,201	$ 5,787,748
Accounts receivable (Note 7)	814,248	814,874
Prepaid expenses	267,302	256,864
Pledges receivable - Net (Note 8)	1,287,901	1,466,595
Interest rate swaps (Note 13)	-	226,180
Long-term investments (Note 5)	30,210,865	27,675,216
Property, equipment, exhibits, and shows - Net (Note 4)	23,311,972	25,704,874
Total assets	**$ 60,915,489**	**$ 61,932,351**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 434,283	$ 347,672
Accrued expenses and other liabilities	1,196,541	1,409,106
Contract liabilities (Note 9)	1,168,843	1,447,817
Capital lease obligations (Note 14)	248,310	481,291
Bonds payable (Note 12)	27,000,000	27,000,000
Interest rate swaps (Note 13)	745,390	-
Defined benefit pension plan liability (Note 10)	5,091,247	3,950,285
Total liabilities	35,884,614	34,636,171
Net Assets		
Without donor restrictions:		
Undesignated	13,214,103	17,109,128
Board designated (Note 2)	203,843	203,843
With donor restrictions (Notes 15 and 16)	11,612,929	9,983,209
Total net assets	25,030,875	27,296,180
Total liabilities and net assets	**$ 60,915,489**	**$ 61,932,351**

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	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	$ 1,663,289	$ -	$ 1,663,289	$ 1,693,028	$ -	$ 1,693,028
Other governmental grants and contracts	816,414	-	816,414	891,640	-	891,640
Contributions, bequests, and foundation grants	1,475,153	3,668,632	5,143,785	1,289,592	958,142	2,247,734
Donated services, expenses, and equipment	268,596	-	268,596	281,586	-	281,586
Special event revenue	2,182,680	-	2,182,680	1,658,145	-	1,658,145
Net assets released from restrictions	2,327,534	(2,327,534)	-	1,932,437	(1,932,437)	-
Total support	8,733,666	1,341,098	10,074,764	7,746,428	(974,295)	6,772,133
Revenue:						
Admission charges	5,963,404	-	5,963,404	6,239,764	-	6,239,764
Membership dues	736,278	-	736,278	816,111	-	816,111
Auxiliary activities	774,416	-	774,416	835,938	-	835,938
Interest and dividends - Net	833,318	200,641	1,033,959	592,227	157,168	749,395
Private event revenue	835,420	-	835,420	832,775	-	832,775
Other	413,928	2,483	416,411	551,910	2,517	554,427
Total revenue	9,556,764	203,124	9,759,888	9,868,725	159,685	10,028,410
Total revenue and support	18,290,430	1,544,222	19,834,652	17,615,153	(814,610)	16,800,543
Expenses						
Program Services:						
Guest experience, public engagement, and education	13,460,847	-	13,460,847	13,471,278	-	13,471,278
Science and research	1,934,080	-	1,934,080	1,936,771	-	1,936,771
Collections and curatorial	505,219	-	505,219	504,397	-	504,397
Total program services	15,900,146	-	15,900,146	15,912,446	-	15,912,446
Support Services:						
Development and membership	1,606,063	-	1,606,063	1,328,011	-	1,328,011
Fundraising	550,712	-	550,712	490,133	-	490,133
General and administration	2,030,399	-	2,030,399	1,955,515	-	1,955,515
Total support services	4,187,174	-	4,187,174	3,773,659	-	3,773,659
Total expenses	20,087,320	-	20,087,320	19,686,105	-	19,686,105
Net Operating (Loss) Income	(1,796,890)	1,544,222	(252,668)	(2,070,952)	(814,610)	(2,885,562)

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Nonoperating (Expense) Revenue						
Purchase of collection items	$ (21,594)	$ -	$ (21,594)	$ (3,445)	$ -	$ (3,445)
Pension expense	(33,825)	-	(33,825)	(42,732)	-	(42,732)
Net realized and unrealized gains on investments	341,401	85,498	426,899	1,078,784	231,327	1,310,111
Net nonoperating revenue	285,982	85,498	371,480	1,032,607	231,327	1,263,934
(Decrease) Increase in Net Assets - Before other changes	(1,510,908)	1,629,720	118,812	(1,038,345)	(583,283)	(1,621,628)
Other Changes in Net Assets						
Pension-related changes other than net periodic pension cost	(1,412,547)	-	(1,412,547)	687,172	-	687,172
Unrealized (loss) gain on interest rate sw aps (Note 14)	(971,570)	-	(971,570)	560,368	-	560,368
Total other changes in net assets	(2,384,117)	-	(2,384,117)	1,247,540	-	1,247,540
(Decrease) Increase in Net Assets	(3,895,025)	1,629,720	(2,265,305)	209,195	(583,283)	(374,088)
Net Assets - Beginning of year	17,312,971	9,983,209	27,296,180	17,103,776	10,566,492	27,670,268
Net Assets - End of year	**$ 13,417,946**	**$ 11,612,929**	**$ 25,030,875**	**$ 17,312,971**	**$ 9,983,209**	**$ 27,296,180**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				Support Services				
	Guest Experience, Public Engagement, and Education	Science and Research	Collections and Curatorial	Total Program Services	Development and Membership	Fundraising	General and Administration	Total Support Services	Total
Salaries and wages	$ 5,105,079	$ 1,351,880	$ 242,475	$ 6,699,434	$ 854,062	$ 519	$ 1,247,239	$ 2,101,820	$ 8,801,254
Employee benefits	887,662	235,667	41,996	1,165,325	149,210	96	182,714	332,020	1,497,345
Professional fees	67,844	3,835	320	71,999	200,526	50,000	310,160	560,686	632,685
Contract services	597,593	138,028	79,869	815,490	237,173	273,522	100,520	611,215	1,426,705
Advertising and promotion	594,035	3,500	-	597,535	28,946	3,240	770	32,956	630,491
Office expenses and supplies	464,088	15,073	13,772	492,933	76,773	22,115	38,087	136,975	629,908
Information technology	164,557	17,808	4,558	186,923	9,688	-	15,391	25,079	212,002
Occupancy	495,047	17,350	15,334	527,731	4,117	-	9,746	13,863	541,594
Travel expenses	122,030	38,248	7,824	168,102	14,945	9,894	12,234	37,073	205,175
Interest	769,361	-	-	769,361	-	-	-	-	769,361
Depreciation	3,046,288	21,922	33,516	3,101,726	3,718	-	16,436	20,154	3,121,880
Insurance	168,309	7,562	6,683	182,554	1,794	-	4,248	6,042	188,596
Cleaning and maintenance	478,512	22,204	19,623	520,339	5,269	-	12,473	17,742	538,081
Equipment and repairs	204,478	27,833	21,635	253,946	3,213	997	9,376	13,586	267,532
In-kind goods and services	144,742	11,897	4,331	160,970	2,439	101,653	502	104,594	265,564
Miscellaneous	151,222	21,273	13,283	185,778	14,190	88,676	70,503	173,369	359,147
Total functional expenses	**$ 13,460,847**	**$ 1,934,080**	**$ 505,219**	**$ 15,900,146**	**$ 1,606,063**	**$ 550,712**	**$ 2,030,399**	**$ 4,187,174**	**$ 20,087,320**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services				Support Services				
	Guest Experience, Public Engagement, and Education	Science and Research	Collections and Curatorial	Total Program Services	Development and Membership	Fundraising	General and Administration	Total Support Services	Total
Salaries and wages	$ 4,729,274	$ 1,303,144	$ 263,345	$ 6,295,763	$ 852,076	$ -	$ 1,217,041	$ 2,069,117	$ 8,364,880
Employee benefits	791,872	223,732	43,898	1,059,502	153,980	-	165,554	319,534	1,379,036
Professional fees	101,943	7,015	17,947	126,905	1,048	-	234,901	235,949	362,854
Contract services	824,960	167,711	41,962	1,034,633	220,370	295,955	102,983	619,308	1,653,941
Advertising and promotion	520,684	-	-	520,684	2,017	495	7,749	10,261	530,945
Office expenses and supplies	510,034	19,355	13,037	542,426	83,553	26,522	48,491	158,566	700,992
Information technology	146,983	20,724	4,125	171,832	9,775	-	13,901	23,676	195,508
Occupancy	505,552	16,824	14,868	537,244	3,992	-	9,451	13,443	550,687
Travel expenses	93,256	53,250	6,185	152,691	9,010	5,423	16,788	31,221	183,912
Interest	752,086	-	-	752,086	-	-	-	-	752,086
Depreciation	3,088,728	19,031	32,676	3,140,435	3,544	-	8,391	11,935	3,152,370
Insurance	168,155	7,510	6,638	182,303	1,782	-	4,219	6,001	188,304
Cleaning and maintenance	543,477	25,242	22,309	591,028	5,990	-	14,180	20,170	611,198
Equipment and repairs	388,981	26,667	21,778	437,426	9,873	392	11,927	22,192	459,618
In-kind goods and services	149,565	30,019	4,346	183,930	5,010	91,609	1,039	97,658	281,588
Miscellaneous	155,728	16,547	11,283	183,558	(34,009)	69,737	98,900	134,628	318,186
Total functional expenses	**$ 13,471,278**	**$ 1,936,771**	**$ 504,397**	**$ 15,912,446**	**$ 1,328,011**	**$ 490,133**	**$ 1,955,515**	**$ 3,773,659**	**$ 19,686,105**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Decrease in net assets	$ (2,265,305)	$ (374,088)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Depreciation	3,121,880	3,152,370
Pension-related changes other than net periodic pension cost	1,412,547	(687,172)
Unrealized loss (gain) on interest rate swaps	971,570	(560,368)
Realized and unrealized gains on investments	(426,899)	(1,310,111)
Recovery of uncollectible pledges	(14,000)	(54,771)
Noncash donation of stock	(47,640)	(90,960)
Contributions for long-term purposes	(1,050,800)	-
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	626	55,684
Prepaid expenses	(10,438)	21,505
Pledges receivable	192,694	690,694
Accounts payable	71,069	(55,803)
Accrued expenses and other liabilities	(212,565)	487,897
Contract liabilities	(278,974)	53,338
Defined benefit pension plan liability	(271,585)	(299,717)
Net cash and cash equivalents provided by operating activities	1,192,180	1,028,498
Cash Flows from Investing Activities		
Capital expenditures	(710,962)	(624,874)
Proceeds from sales and maturities of investments	4,537,717	375,376
Purchases of investments	(6,598,827)	(1,129,037)
Net cash and cash equivalents used in investing activities	(2,772,072)	(1,378,535)
Cash Flows from Financing Activities		
Payments on capital leases	(235,455)	(222,376)
Cash proceeds received for long-term purposes	1,050,800	-
Net cash and cash equivalents provided by (used in) financing activities	815,345	(222,376)
Net Decrease in Cash	(764,547)	(572,413)
Cash and Cash Equivalents - Beginning of year	5,787,748	6,360,161
Cash and Cash Equivalents - End of year	**$ 5,023,201**	**$ 5,787,748**
Supplemental Cash Flow Information		
Interest paid	$ 526,320	$ 506,513
Capital expenditures included in accounts payable and accrued expenses	105,000	89,458

See notes to financial statements.

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.

Adoption of New Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Adler adopted the ASU effective July 1, 2018, using the full retrospective method. The adoption of the ASU resulted in a restatement to contract liabilities, net assets, and changes in net assets, as disclosed in Note 19.

As of July 1, 2018, the Adler adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Adler, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the retrospective adoption of this standard, the financial information for the year ended June 30, 2018 has been restated as follows: support services expense has decreased by $495,453 from the amount previously reported, with a corresponding increase in program services expense of $452,721 and decrease in net nonoperating revenue of $42,732, as pension expense is reported as a separate line item apart from expenses under the new guidance. Additionally, net assets previously reported as temporarily restricted net assets and net assets previously reported as permanently restricted net assets have been combined into net assets with donor restrictions.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The Adler adopted the ASU effective July 1, 2018, on a modified prospective basis. The adoption of this ASU resulted in the recognition of government grants as revenue as conditions are met. The adoption did not result in a restatement of the 2018 financial information, as there was no change to the timing of revenue recognition.

Note 2 - Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consist of admission revenue from third-party admission programs and grants due to the Adler at year end. The receivables are valued at management's estimate of the amount that will ultimately be collected. An allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Adler's historical collection experience. No allowance was deemed necessary at June 30, 2019 and 2018.

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).

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.

Note 2 - Significant Accounting Policies (Continued)

Pension

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

Classification of Net Assets

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Adler. Board-designated net assets totaling $203,843 for June 30, 2019 and 2018 are legally without restriction and are reported as part of the net assets without donor restrictions classification.

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

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

Tax Levy Revenue

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

Grant Revenue

Grant revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as a contract liability.

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 within the same year as 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.

Note 2 - Significant Accounting Policies (Continued)

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 $121,000 and $125,000 for 2019 and 2018, 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 $147,000 and $157,000 for 2019 and 2018, respectively.

Special Event Revenue

Special event revenue includes revenue for the Celestial Ball and the Women in Space Science Award Celebration, which raised approximately $1,926,000 and $257,000, respectively, for 2019 and $1,475,000 and $183,000, respectively, for 2018. 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 $551,000 and $490,000 for 2019 and 2018, 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.

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.

Note 2 - Significant Accounting Policies (Continued)

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 a specific date. 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 programs and support services based on estimates, as determined by management:

- Information technology - By personnel headcount
- Depreciation - By building square footage
- Occupancy - By building square footage
- Salaries - By estimates of time and effort

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

Federal Income Taxes

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

Collections

In conformity with the accounting practices generally followed by museums, the Adler's collections, which were acquired through purchases and contributions since the Adler's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired. The Adler's collections are made up of approximately 10,000 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.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation. Reclassifications due to the adoption of new accounting pronouncements are disclosed in Note 19. In addition, revenue of approximately $398,000 was reclassified from admission charges to other on the statement of activities and changes in net assets.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 1, 2019, which is the date the financial statements were available to be issued. On August 23, 2019, the Adler entered into a fourth interest rate swap agreement to manage its variable-rate interest exposure that effectively hedges the unhedged portion of its debt through April 1, 2029. This accretive swap effectively fixes the interest rate at 1.301 percent on $7,000,000 of the bonds 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 (see Note 13).

Upcoming Accounting Pronouncement

The FASB issued ASU No. 2019-13, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, in March 2019. The update was made to align it with American Alliance of Museums' (AAM) Code of Ethics for Museums regarding the use of proceeds from the sale of deaccessioned objects. The update permits museums not to recognize as revenue, nor capitalize, contributions of works of art, historical treasures, and similar assets if the donated items meet certain criteria. The update adds a requirement for a museum to disclose its policy for the use of proceeds from deaccessioned collection items. The new standard is effective for the Adler's year ending June 30, 2021 and thereafter and must be applied on a prospective basis. The Adler expects to have expanded disclosures as a result of the adoption of this standard.

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:

	2019	2018	Depreciable Life - Years
Building and other improvements	$ 45,483,465	$ 45,336,089	10-30
Equipment	7,163,397	6,507,517	3-20
Exhibits and shows	20,296,299	20,119,412	3-10
Furniture and fixtures	657,682	657,682	5-7
Other artwork	253,540	253,540	-
Construction in progress	368,411	619,576	-
Total cost	74,222,794	73,493,816	
Less accumulated depreciation	50,910,822	47,788,942	
Net property, equipment, exhibits, and shows	$ 23,311,972	$ 25,704,874	

Depreciation expense for 2019 and 2018 was $3,121,880 and $3,152,370, respectively.

Note 5 - Fair Value Measurements

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

The following tables present information about the Adler's assets and liabilities measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Adler to determine those fair values.

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

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

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

In instances whereby 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.

Note 5 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2019
Assets - Investments					
Bond funds - Domestic	$ 5,465,633	$ -	$ -	$ -	$ 5,465,633
Bond funds - International	1,457,414	-	-	-	1,457,414
Equity mutual funds and exchange-traded funds - Domestic	12,735,171	-	-	-	12,735,171
Equity mutual funds - International	6,023,723	-	-	-	6,023,723
Real asset funds	1,421,580	-	-	-	1,421,580
Hedged equity funds	2,541,069	-	-	-	2,541,069
Alternative investments - Fund of funds	-	-	-	9,513	9,513
Total assets	$ 29,644,590	$ -	$ -	$ 9,513	$ 29,654,103
Liabilities - Interest rate swaps	$ -	$ 745,390	$ -	$ -	$ 745,390

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018				
	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, 2018
Assets - Investments					
Bond funds - Domestic	$ 5,002,416	$ -	$ -	$ -	$ 5,002,416
Bond funds - International	1,333,512	-	-	-	1,333,512
Equity mutual funds and exchange-traded funds - Domestic	11,222,248	-	-	-	11,222,248
Equity mutual funds - International	5,638,716	-	-	-	5,638,716
Real asset funds	1,436,580	-	-	-	1,436,580
Hedged equity funds	2,529,754	-	-	-	2,529,754
Alternative investments - Fund of funds	-	-	-	19,537	19,537
Interest rate swaps	-	226,180	-	-	226,180
Total assets	$ 27,163,226	$ 226,180	$ -	$ 19,537	$ 27,408,943

Not included in the above tables are $556,762 and $492,453 in cash and cash equivalents in brokerage accounts as of June 30, 2019 and 2018, respectively.

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.

The Adler's policy is to recognize transfers into and transfers out of Level 1 and 2 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. During the years ended June 30, 2019 and 2018, there were no such transfers.

Investments in Entities that Calculate Net Asset Value per Share

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

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

	2019 Fair Value	2018 Fair Value	Redemption Frequency, if Eligible	Redemption Notice Period
Alternative investments - Fund of funds	$ 9,513	$ 19,537	Quarterly	95-100 days

Alternative investments consist of hedge fund of funds. The purpose of the Adler's investments in the fund of funds is to diversify market risks and enhance capital appreciation and capital preservation. The fund invests in both long and short securities to mitigate market risk. There were no unfunded commitments as of June 30, 2019 or 2018.

Note 6 - Investments

Investment returns for 2019 and 2018 were as follows:

	2019	2018
Interest and dividends - Net	$ 1,033,959	$ 749,395
Net unrealized and realized gains	426,899	1,310,111
Total	$ 1,460,858	$ 2,059,506

Note 6 - Investments (Continued)

Investment fees for 2019 and 2018 were $69,684 and $69,503, respectively, and are included in interest and dividends on the statement of activities and changes in net assets.

The Chicago Community Foundation (CCF) holds investments valued at $1,407,417 and $1,434,058 at June 30, 2019 and 2018, respectively, in a designated endowment fund whereby the Adler is named beneficiary of its income. CCF distributed $53,390 and $52,859 in fiscal years ended June 30, 2019 and 2018, respectively. The Adler has not reflected an asset on its statement of financial position for a beneficial interest because this is a designated trust for which the CCF has variance power to redirect the benefits.

Note 7 - Accounts Receivable

Accounts receivable at June 30, 2019 and 2018 were composed of the following:

	2019	2018
Grants receivable	$ 374,088	$ 328,040
Third-party admission programs	296,283	354,965
Outsourced operations	94,818	92,687
Other	49,059	39,182
Total	$ 814,248	$ 814,874

Note 8 - Pledges Receivable

The present values of unconditional pledges receivable are as follows:

	2019	2018
Gross promises to give before unamortized discount	$ 1,294,791	$ 1,500,435
Less unamortized discount, using rate of 0.5 to 5 percent	(6,890)	(8,405)
Less allowance for doubtful pledges	-	(25,435)
Net pledges receivable	$ 1,287,901	$ 1,466,595
Amounts due in:		
Less than one year	$ 894,791	$ 750,435
One to five years	393,110	716,160
Total	$ 1,287,901	$ 1,466,595

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

Note 9 - Contract Liabilities

Revenue recognized for the years ended June 30, 2019 and 2018 that was included in the contract liability balance at the beginning of the year is as follows:

	2019	2018
Special event revenue and other	$ 657,716	$ 667,257
Membership dues	341,002	344,580
Private event revenue	203,725	293,500
Admission charges	10,853	27,759
Total	$ 1,213,296	$ 1,333,096

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.

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

	2019	2018
Projected benefit obligation - Beginning of year	$ 14,793,521	$ 15,560,227
Interest cost	625,111	607,209
Actuarial loss (gain)	1,408,869	(578,257)
Benefits paid	(824,762)	(795,658)
Projected benefit obligation - End of year	$ 16,002,739	$ 14,793,521

Change in Plan Assets

	2019	2018
Fair value of plan assets - Beginning of year	$ 10,843,236	$ 10,623,053
Actual return on assets	587,608	673,392
Benefits paid	(824,762)	(795,658)
Employer contributions	305,410	342,449
Fair value of plan assets	10,911,492	10,843,236
Plan liabilities in excess of plan assets	5,091,247	3,950,285
Accumulated benefit obligation	$ 16,002,739	$ 14,793,521

Note 10 - Pension Plans (Continued)

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

	2019	2018
Components of Net Periodic Benefit Cost and Other Amounts Recognized in Net Assets without Donor Restrictions		
Interest cost	$ 625,111	$ 607,209
Expected return on plan assets	(634,058)	(625,461)
Amortization of net loss	42,772	60,984
Total net periodic pension cost	33,825	42,732
Other Changes in Plan Assets and Benefit Obligations Recognized as a Charge to Net Assets without Donor Restrictions		
Net loss (gain) for the period	1,455,319	(626,188)
Amortization of net loss	(42,772)	(60,984)
Total recognized in net assets without donor restrictions	1,412,547	(687,172)
Total recognized in net periodic benefit cost and net assets without donor restrictions	$ 1,446,372	$ (644,440)

The net loss recognized in net assets, but not yet in net periodic benefit cost, was $4,176,778 and $2,764,231 as of June 30, 2019 and 2018, 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 $88,327.

Assumptions

Weighted-average assumptions used to determine benefit obligations at June 30 are as follows:

	2019	2018
Discount rate	3.70%	4.35%
Expected return on plan assets	6.00%	6.00%

The pension plan weighted-average asset allocations at June 30, 2019 and 2018 by asset category are as follows:

	2019	2018
Asset category:		
Equity securities	57.00 %	57.00 %
Debt securities	38.00	38.00
Real estate	3.00	3.00
Other	2.00	2.00
Total	100.00 %	100.00 %

Pension Plan Assets

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

Note 10 - Pension Plans (Continued)

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, 2019 and 2018 by major asset classes are as follows:

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

	Fair Value Measurements at June 30, 2018			
	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	$ -	$ 264,347	$ -	$ 264,347
U.S. government and government agency securities	-	2,055,957	-	2,055,957
Corporate bonds and mortgages	-	2,053,291	-	2,053,291
Equity - Domestic	-	4,061,223	-	4,061,223
Equity - International	-	2,073,056	-	2,073,056
Real estate and mortgages	-	-	335,362	335,362
Total	$ -	$ 10,507,874	$ 335,362	$ 10,843,236

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.

Note 10 - Pension Plans (Continued)

The above tables present information about the pension plan assets measured at fair value at June 30, 2019 and 2018 and the valuation techniques used by the Adler to determine those fair values.

Cash Flow

Contributions

The Adler expects to contribute $444,583 to its pension plan in 2020.

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
2020	$ 867,000
2021	846,000
2022	847,000
2023	844,000
2024	867,000
2025-2029	4,276,000

Note 11 - Employee Benefit Plans

The Adler maintains three 403(b) plans:

The Adler Planetarium Defined Contribution Retirement Income Plan (the "DCRIP Plan") was established in January 2010. Employees who do not accrue benefits in the defined benefit pension plan are eligible to participate in the DCRIP Plan. The DCRIP Plan is subject to ERISA. Employees may elect to contribute a portion of their compensation to the DCRIP Plan. The Adler contributes a match of 100 percent of the first 3 percent of base compensation and 50 percent of the next 2 percent of base compensation that a participant contributes to the plan. The Adler's contributions under this plan were $212,814 and $177,409 for fiscal years 2019 and 2018, 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 January 2001. The TIAA-CREF Adler Planetarium 403(b) Plan (the "TIAA-CREF Plan") was established in January 2000 and restated in January 2009. 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 - 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 1.93 and 1.50 percent at June 30, 2019 and 2018, 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.

Note 12 - Bonds Payable (Continued)

The bonds are supported by an irrevocable direct pay letter of credit facility, as amended, in favor of the bond trustee. The letter of credit requires the Adler's compliance with various covenants, including debt service and asset maintenance ratio requirements. In 2019, the letter of credit agreement was renewed and extended to August 1, 2022. Any remarketing draws will be due and payable upon demand.

Bond interest expense was $425,651 and $308,981 for the years ended June 30, 2019 and 2018, respectively. Various other expenses incurred related to the bonds include letter of credit fees, remarketing fees, and legal expense totaling $241,652 and $241,854 for the years ended June 30, 2019 and 2018, respectively.

Note 13 - Interest Rate Swaps

On August 27, 2013, the Adler entered into an interest rate swap agreement to manage its variable-rate interest exposure. The swap had an effective date of September 1, 2013; expired on September 1, 2017; and effectively fixed the interest rate at 1.106 percent on a portion of the bonds with a notional value of $5,000,000. There was no collateral posting requirement. Interest expense for the swap agreement was $2,242 for the year ended June 30, 2018.

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 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 $272,072 at June 30, 2019 and as an asset of $115,072 at June 30, 2018. Interest expense for the swap agreement was $24,475 and $85,734 for the years ended June 30, 2019 and 2018, respectively.

On December 5, 2016, the Adler entered into a third 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 $473,318 at June 30, 2019 and an asset of $111,108 at June 30, 2018. Interest expense for the swap agreement was $43,621 and $66,587 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018:

	2019	2018
Statement of Financial Position		
Information location on statement of fair value of asset - Interest rate swaps marked to market	$ -	$ 226,180
Information location on statement of fair value of liability - Interest rate swaps marked to market	745,390	-

	2019	2018
Statement of Activities and Changes in Net Assets		
Unrealized (loss) gain on interest rate swaps	$ (971,570)	$ 560,368
Interest expense included in operations	(68,096)	(154,563)
Total (cost) benefit of interest rate swaps	$ (1,039,666)	$ 405,805

Note 14 - Capital Leases

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

2020	$ 243,060
2021	18,317
Total	261,377
Less amount representing interest	13,067
Present value of net minimum lease payments	$ 248,310

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 $786,430 and $783,956 as of June 30, 2019 and 2018, respectively. Depreciation of assets under capital leases is included in depreciation expense.

The interest rate on the capital leases is 9.13 percent.

Note 15 - Net Assets

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

	2019	2018
Subject to expenditures for a specified purpose:		
Exhibits and show development	$ 1,824,784	$ 880,356
Science and education programs	2,817,142	3,079,525
Collections and conservation	1,019,613	924,199
Employee assistance	35,148	35,148
Subject to the passage of time:		
For periods after June 30	-	92,030
For periods after June 30 with purpose restrictions	1,267,901	1,374,565
Total subject to expenditures for a specified purpose or the passage of time	6,964,588	6,385,823
Invested in perpetuity, the income from which is expendable to support:		
Education programs	4,343,361	3,292,561
Webster fund	200,000	200,000
General operations	104,980	104,825
Total invested in perpetuity	4,648,341	3,597,386
Total	$ 11,612,929	$ 9,983,209

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.

Note 16 - Endowment Net Assets (Continued)

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, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ -	$ 4,648,341	$ 4,648,341
Accumulated investment gains	-	946,905	946,905
Total	$ -	$ 5,595,246	$ 5,595,246

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

Note 16 - Endowment Net Assets (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018		
	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	$ -	$ 3,597,386	$ 3,597,386
Accumulated investment gains	-	911,157	911,157
Total	$ -	$ 4,508,543	$ 4,508,543

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ -	$ 4,222,250	$ 4,222,250
Investment income	-	357,379	357,379
Contributions	-	100,000	100,000
Appropriation of endowment assets for expenditure	-	(171,086)	(171,086)
Endowment net assets - End of year	$ -	$ 4,508,543	$ 4,508,543

Underwater Endowment Funds

As of June 30, 2019 and 2018, there were no funds with deficiencies.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Note 16 - Endowment Net Assets (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Note 17 - Auxiliary Activities

Auxiliary activities consisted of the following for the years ended June 30, 2019 and 2018:

	2019	2018
Revenue:		
Museum store rental	$ 309,555	$ 357,631
Food service and concessions	464,861	478,307
Total	$ 774,416	$ 835,938

Note 18 - Liquidity and Availability of Resources

The following reflects, as of June 30, 2019 and 2018, 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:

	2019	2018
Cash and cash equivalents	$ 5,023,201	$ 5,787,748
Accounts receivable	814,248	814,874
Pledges receivable - Net	1,287,901	1,466,595
Long-term investments	30,210,865	27,675,216
Financial assets	37,336,215	35,744,433
Less amounts not available to be used within one year:		
Pledges receivable with donor purpose restrictions or donor time restrictions beyond one year	1,167,901	1,391,595
Contributions received for restricted purposes not yet budgeted for expenditure	2,043,415	2,230,611
Accumulated earnings on endowments not yet appropriated for expenditure	746,669	710,921
Donor-restricted gifts required to be maintained in perpetuity	4,648,341	3,597,386
Board-designated quasi-endowment fund, primarily for long-term investing	203,843	203,843
Cash and investments balance required to support letter of credit facility on bonds payable	17,550,000	17,550,000
Financial assets available to meet general expenditures within one year of the statement of financial position date	$ 10,976,046	$ 10,060,077

In addition to financial assets available to meet general expenditures over the next 12 months, the Adler operates at a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 18 - Liquidity and Availability of Resources (Continued)

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 are restricted in perpetuity and, therefore, are not considered available to meet general expenditures.

Board-designated net assets, consisting of unexpected bequests of $50,000 or more that have not been restricted by the donor, are deposited in the general operating pool of the investment portfolio and are available to meet unanticipated liquidity needs or other purposes approved by the executive committee of the Adler.

As more fully disclosed in Note 12, 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.

Note 19 - Adoption of New Accounting Pronouncements

The accompanying financial statements for 2018 have been restated in accordance with the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This change was applied to all periods presented using the full retrospective method. Additionally, in accordance with the adoption of ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, pension expense has been reclassified to other changes in net assets.

As a result of the transition adjustments, net assets as of July 1, 2018 decreased from $27,660,803, as originally reported, to $27,296,180. The total decrease in net assets for the year ended June 30, 2018 increased from $(340,028), as originally reported, to $(374,088).

There were no changes in operating, investing, or financing cash flows for the year ended June 30, 2018 as a result of the transition adjustments.

The accompanying financial statements for 2018 have also been restated to reflect changes implemented to reflect the functional allocation of expenses. See Note 2 for additional disclosures.

The Adler also adopted ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of July 1, 2018. The adoption of this ASU did not result in a restatement or reclassification of the 2018 financial statements.

Note 19 - Adoption of New Accounting Pronouncements (Continued)

The following financial statement line items for fiscal year 2018 were restated:

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018

	As Computed Under ASC 605	Effect of Adoption of ASC 606	Effect of Adoption of ASU 2016-14	As Reported Under ASC 606
Membership dues	$ 850,171	$ (34,060)	$ -	$ 816,111
Total revenue	$ 10,062,470	$ (34,060)	$ -	$ 10,028,410
Total revenue and support	$ 16,834,603	$ (34,060)	$ -	$ 16,800,543
Total program and support expenses	19,728,837	-	(42,732)	19,686,105
Net Operating (Loss) Income	(2,894,234)	(34,060)	42,732	(2,885,562)
Net nonoperating revenue	1,306,666	-	(42,732)	1,263,934
Decrease in Net Assets - Before other changes	(1,587,568)	(34,060)	-	(1,621,628)
Other Changes in Net Assets	1,247,540	-	-	1,247,540
Decrease in Net Assets	(340,028)	(34,060)	-	(374,088)
Net Assets - Beginning of year	28,000,831	364,623	-	27,670,268
Net Assets - End of year	$ 27,660,803	$ 330,563	$ -	$ 27,296,180

Statement of Financial Position

June 30, 2018

Contract Liabilities	$ 1,083,194	$ 364,623	$ -	$ 1,447,817
Other liabilities	33,188,354	-	-	33,188,354
Total liabilities	34,271,548	364,623	-	34,636,171
Total net assets	27,660,803	(364,623)	-	27,296,180
Total liabilities and net assets	$ 61,932,351	$ -	$ -	$ 61,932,351