

The Adler Planetarium

Financial Report
June 30, 2015

The Adler Planetarium

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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, 2015 and 2014 and the related statements of activities and changes in net assets 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 audit 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, 2015 and 2014 and changes in its net assets and its 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 17, 2015 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 17, 2015

The Adler Planetarium

Statement of Financial Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets		
Cash and cash equivalents	\$ 2,343,443	\$ 3,054,113
Accounts receivable (Note 6)	726,981	594,768
Prepaid expenses	328,465	413,925
Pledges receivable - Net (Note 7)	2,161,987	2,424,171
Other assets	136,919	177,643
Long-term investments (Note 4)	23,102,102	22,801,058
Property, equipment, exhibits, and shows - Net (Note 3)	31,853,473	34,209,183
Total assets	<u>\$ 60,653,370</u>	<u>\$ 63,674,861</u>
Liabilities		
Accounts payable	\$ 261,065	\$ 313,400
Accrued expenses and other liabilities	1,050,012	1,314,354
Deferred revenue	988,919	1,088,419
Capital lease obligations (Note 12)	218,140	258,459
Bonds payable (Note 10)	27,000,000	27,000,000
Interest rate swap (Note 11)	158,717	195,372
Defined benefit pension plan liability (Note 8)	4,313,508	4,234,102
Total liabilities	33,990,361	34,404,106
Net Assets		
Unrestricted:		
Undesignated	17,031,903	19,500,155
Board designated	203,843	100,000
Temporarily restricted (Note 14)	5,930,453	6,173,807
Permanently restricted (Note 15)	3,496,810	3,496,793
Total net assets	<u>26,663,009</u>	<u>29,270,755</u>
Total liabilities and net assets	<u>\$ 60,653,370</u>	<u>\$ 63,674,861</u>

The Adler Planetarium

Statement of Activities and Changes in Net Assets

	Year Ended							
	June 30, 2015				June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Activities:								
Support:								
Distributions from the Aquarium and Museum Purposes Fund of Chicago Park District	\$ 1,770,185	\$ -	\$ -	\$ 1,770,185	\$ 1,745,899	\$ -	\$ -	\$ 1,745,899
Other governmental grants and contracts	1,427,982	-	-	1,427,982	1,169,381	-	-	1,169,381
Contributions, bequests, and foundation grants	1,517,096	2,497,062	-	4,014,158	1,784,207	2,181,472	-	3,965,679
Donated services, expenses, and equipment	650,368	-	-	650,368	964,320	-	-	964,320
Special event revenue	1,877,631	-	-	1,877,631	1,660,316	-	-	1,660,316
Net assets released from restrictions:								
Time restrictions	268,474	(268,474)	-	-	1,380,173	(1,380,173)	-	-
Purpose restrictions	2,500,181	(2,500,181)	-	-	3,183,277	(3,183,277)	-	-
Total support	10,011,917	(271,593)	-	9,740,324	11,887,573	(2,381,978)	-	9,505,595
Revenue:								
Admission charges	5,805,135	-	-	5,805,135	5,200,180	-	-	5,200,180
Membership dues	703,286	-	-	703,286	625,446	-	-	625,446
Auxiliary activities	796,854	-	-	796,854	643,964	-	-	643,964
Interest and dividends - Net	479,943	124,657	17	604,617	398,733	68,082	432	467,247
Other	993,919	3,200	-	997,119	865,906	2,700	-	868,606
Total revenue	8,779,137	127,857	17	8,907,011	7,734,229	70,782	432	7,805,443
Total revenue and support	18,791,054	(143,736)	17	18,647,335	19,621,802	(2,311,196)	432	17,311,038
Expenses								
Program services:								
Professional and educational	15,145,102	-	-	15,145,102	14,439,475	-	-	14,439,475
History of astronomy	882,376	-	-	882,376	1,149,745	-	-	1,149,745
Total program services	16,027,478	-	-	16,027,478	15,589,220	-	-	15,589,220
Support services:								
Development and marketing	2,482,381	-	-	2,482,381	2,635,168	-	-	2,635,168
Administration	1,874,577	-	-	1,874,577	1,544,189	-	-	1,544,189
Total support services	4,356,958	-	-	4,356,958	4,179,357	-	-	4,179,357
Total expenses	20,384,436	-	-	20,384,436	19,768,577	-	-	19,768,577
Net Operating (Loss) Income	(1,593,382)	(143,736)	17	(1,737,101)	(146,775)	(2,311,196)	432	(2,457,539)

The Adler Planetarium

Statement of Activities and Changes in Net Assets (Continued)

	Year Ended							
	June 30, 2015				June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Nonoperating (Expense) Revenue								
Loss on disposal of property	\$ -	\$ -	\$ -	\$ -	\$ (30,184)	\$ -	\$ -	\$ (30,184)
Net realized and unrealized (losses) gains on investments	(447,966)	(99,618)	-	(547,584)	2,126,042	506,238	-	2,632,280
Net nonoperating (expense) revenue	(447,966)	(99,618)	-	(547,584)	2,095,858	506,238	-	2,602,096
(Decrease) Increase in Net Assets - Before other changes	(2,041,348)	(243,354)	17	(2,284,685)	1,949,083	(1,804,958)	432	144,557
Other Changes in Net Assets								
Pension-related changes other than net periodic pension cost	(359,716)	-	-	(359,716)	(351,045)	-	-	(351,045)
Unrealized gain (loss) on interest rate swap (Note 11)	36,655	-	-	36,655	(59,485)	-	-	(59,485)
Other	-	-	-	-	-	(78,035)	78,035	-
Total other changes in net assets	(323,061)	-	-	(323,061)	(410,530)	(78,035)	78,035	(410,530)
(Decrease) Increase in Net Assets	(2,364,409)	(243,354)	17	(2,607,746)	1,538,553	(1,882,993)	78,467	(265,973)
Net Assets - Beginning of year	19,600,155	6,173,807	3,496,793	29,270,755	18,061,602	8,056,800	3,418,326	29,536,728
Net Assets - End of year	\$ 17,235,746	\$ 5,930,453	\$ 3,496,810	\$ 26,663,009	\$ 19,600,155	\$ 6,173,807	\$ 3,496,793	\$ 29,270,755

The Adler Planetarium

Statement of Cash Flows

	Year Ended	
	June 30, 2015	June 30, 2014
Cash Flows from Operating Activities		
Decrease in net assets	\$ (2,607,746)	\$ (265,973)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	3,419,368	3,214,269
Pension-related changes other than net periodic pension cost	359,716	351,045
Unrealized (gain) loss on interest rate swap	(36,655)	59,485
Realized and unrealized losses (gains) on investments	547,584	(2,632,280)
Bad debt expense	8,326	34,000
Net loss on disposition of property	-	30,184
Noncash donation of stock	(110,786)	(143,938)
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(132,213)	195,273
Prepaid expenses	85,460	(27,114)
Pledges receivable	253,858	790,367
Other assets	40,724	58,009
Accounts payable	(52,335)	(3,398)
Accrued expenses and other liabilities	(164,339)	(99,399)
Deferred revenue	(99,500)	193,165
Defined benefit pension plan liability	(280,310)	(331,142)
Net cash provided by operating activities	1,231,152	1,422,553
Cash Flows from Investing Activities		
Capital expenditures	(1,160,516)	(1,551,365)
Proceeds from sales and maturities of investments	4,476,291	5,466,092
Purchases of investments	(5,214,134)	(4,348,436)
Net cash used in investing activities	(1,898,359)	(433,709)
Cash Flows from Financing Activities		
Payments on note payable and capital leases	(60,180)	(10,540)
Acquisition of equipment under capital lease	16,717	268,999
Net cash (used in) provided by financing activities	(43,463)	258,459
Net (Decrease) Increase in Cash and Cash Equivalents	(710,670)	1,247,303
Cash and Cash Equivalents - Beginning of year	3,054,113	1,806,810
Cash and Cash Equivalents - End of year	<u>\$ 2,343,443</u>	<u>\$ 3,054,113</u>
Supplemental Disclosure Cash Flow Information		
Interest paid	\$ 152,365	\$ 129,824
Accounts payable and accrued expenses included in construction in progress	-	100,000
Securities received in payment of pledge receivable	30,774	40,412

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note I - Nature of Business and Significant Accounting Policies

Nature of Organization - The Adler Planetarium (the "Adler" or the "Organization") 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 tax levies, contributions and grants, museum admission charges, and investment income. The Adler is located in Chicago, Illinois.

Significant accounting policies are as follows:

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

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

Accounts Receivable - Accounts receivable consist of admission revenue from third-party admission programs and grants due to the Adler at year end. The receivables are valued at management's estimate of the amount that will ultimately be collected. An allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Adler's historical collection experience. No allowance was deemed necessary at June 30, 2015 and 2014.

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 such factors 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.

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

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 2).

Deferred Revenue - Deferred revenue consists of amounts received but intended for and to be recognized as revenue in future periods, including payments for summer camps, special event revenue, and private events.

Interest Rate Swap - The Adler uses an interest rate swap to manage its overall exposure to variable-rate debt. The interest rate swap is recognized as a liability on the statement of financial position and is measured at fair value. Any changes in the fair value of the 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 unrestricted net assets in the year in which the changes occur.

Net Assets - Balances and transactions are presented in the Adler's financial statements in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activities are classified into three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

- **Unrestricted:** Net assets that are not subject to donor-imposed restrictions. Board-restricted net assets totaling \$203,843 and \$100,000 for June 30, 2015 and 2014, respectively, are legally unrestricted and are reported as part of the unrestricted net assets class.
- **Temporarily restricted:** Net assets subject to donor-imposed restrictions that will be met either by actions of the Adler or by the passage of time. These amounts are reclassified to unrestricted net assets when such restrictions are met or have expired. Temporarily restricted net assets consist of gifts and other unexpended resources available for capital additions and research and educational programs.
- **Permanently restricted:** Net assets subject to donor-imposed restrictions to be maintained permanently by the Adler. Items that affect this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and only the income be made available for educational programs or for general operations as specified by the donor.

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

Governmental Grant and Contract Revenue - Revenue from government grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are reported as unrestricted support. Other restricted gifts are reported as restricted support.

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 \$181,000 and \$169,000 at June 30, 2015 and 2014, 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 \$469,000 and \$796,000 at June 30, 2015 and 2014, respectively.

Special Event Revenue - Special event revenue includes revenue for the Adler's annual gala event, the Celestial Ball, and the Women in Space Science Award Celebration, which raised approximately \$1,562,000 and \$186,000, respectively, for fiscal year 2015 and \$1,488,000 and \$172,000, respectively, for fiscal year 2014. Direct expenses incurred in relation to these events are included in development and marketing expenses on the statement of activities and changes in net assets and totaled approximately \$399,000 and \$332,000 for fiscal years 2015 and 2014, respectively.

In fiscal year 2015, an event was held to commemorate the 45th anniversary of Apollo 13, which raised approximately \$130,000. Direct expenses incurred in relation to this event are included in development and marketing expenses on the statement of activities and changes in net assets and totaled approximately \$62,000.

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note I - Nature of Business and Significant Accounting Policies (Continued)

Admission Charges - Admission charges are recognized in the period received.

Other Revenue - Other revenue primarily includes income from private events, shows, and program income and is recognized when services are provided.

Functional Allocation of Expenses - Operating expenses directly identifiable with a functional area are charged to that area and, where those expenses affect more than one area, they are allocated among the appropriate areas based on estimates made by management. Other methods of allocation could be used that would produce different functional amounts but would not alter total functional expenses. The methods used are considered reasonable.

Federal Income Taxes - The Adler, an Illinois nonprofit 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.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Adler may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination from taxing authorities, based on the technical merits of the positions. Examples of tax positions include the tax-exempt status of the Adler and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position, if any, are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in these financial statements. Management believes it is no longer subject to income tax examinations for years prior to 2012.

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 unrestricted net assets in the year in which the items are acquired. There were no expenditures for collections in the years ended June 30, 2015 and 2014. 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 1 - Nature of Business and Significant Accounting Policies (Continued)

Fair Value of Financial Instruments - A summary of the methods and significant assumptions used to estimate the fair value of financial instruments is as follows:

- **Financial Instruments** - The fair values of financial instruments, including cash equivalents, accounts receivable and payable, prepaid expenses, and other accrued expenses, approximate the carrying amounts in the accompanying financial statements due to the short maturity of such instruments.
- **Pledges Receivable** - The pledges receivable approximate fair value based on the current interest rates and the period of collectibility.
- **Investments and Interest Rate Swap** - Investments and the interest rate swap are recorded at fair value in the accompanying financial statements. Fair value is determined based on the fair value measurement principles described in Note 4.
- **Bonds Payable** - The carrying value of bonds payable approximates fair value because the interest rate fluctuates with market interest rates.

These financial instruments aside from investments would have been classified as a Level 2 input if they had been included in the fair value measurement table in Note 4.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including November 17, 2015, which is the date the financial statements were available to be issued.

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Upcoming Accounting Change - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede 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 new guidance will be effective for the Adler's year ending June 30, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Adler has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

Note 2 - 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 3 - Property, Equipment, Exhibits, and Shows

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

	2015	2014	Depreciable Life - Years
Building and other improvements	\$ 45,217,852	\$ 44,310,277	10-30
Equipment	3,846,182	3,405,885	3-20
Exhibits and shows	20,101,357	19,966,545	3-10
Furniture and fixtures	649,888	649,888	5-7
Other artwork	253,540	253,540	-
Construction in progress	116,406	538,576	-
Total cost	70,185,225	69,124,711	
Accumulated depreciation	(38,331,752)	(34,915,528)	
Net property and equipment	<u>\$ 31,853,473</u>	<u>\$ 34,209,183</u>	

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Property, Equipment, Exhibits, and Shows (Continued)

Depreciation expense was \$3,419,368 for 2015 and \$3,214,269 for 2014.

Note 4 - 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, 2015 and 2014 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.

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 4 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2015
Assets				
Investments:				
Bond funds - Domestic	\$ 4,149,774	\$ -	\$ -	\$ 4,149,774
Bond funds - International	1,272,731	-	-	1,272,731
Equity mutual funds and exchange traded funds - Domestic	8,656,392	-	-	8,656,392
Equity mutual funds - International	4,284,955	-	-	4,284,955
Real asset funds	707,824	-	-	707,824
Hedged equity funds	372,769	-	-	372,769
Alternative investments - Funds of funds	-	-	2,557,266	2,557,266
Total assets	<u>\$ 19,444,445</u>	<u>\$ -</u>	<u>\$ 2,557,266</u>	<u>\$ 22,001,711</u>
Liabilities - Interest rate swaps	<u>\$ -</u>	<u>\$ (158,717)</u>	<u>\$ -</u>	<u>\$ (158,717)</u>

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2014
Assets				
Investments:				
Bond funds - Domestic	\$ 4,107,497	\$ -	\$ -	\$ 4,107,497
Bond funds - International	1,354,998	-	-	1,354,998
Equity mutual funds and exchange traded funds - Domestic	8,488,725	-	-	8,488,725
Equity mutual funds - International	4,424,739	-	-	4,424,739
Real asset funds	1,009,862	-	-	1,009,862
Hedged equity funds	689,949	-	-	689,949
Alternative investments - Funds of funds	-	-	2,517,948	2,517,948
Total assets	<u>\$ 20,075,770</u>	<u>\$ -</u>	<u>\$ 2,517,948</u>	<u>\$ 22,593,718</u>
Liabilities - Interest rate swaps	<u>\$ -</u>	<u>\$ (195,372)</u>	<u>\$ -</u>	<u>\$ (195,372)</u>

Note 4 - Fair Value Measurements (Continued)

Not included in the above tables are \$1,100,391 and \$207,340 in cash and cash equivalents in brokerage accounts as of June 30, 2015 and 2014, respectively.

Level 1 Inputs - Estimated fair values for the Adler's publicly traded bond funds, equity mutual 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.

Level 3 Inputs - Estimated fair value for the funds of funds is determined by the investment managers utilizing the valuations of the underlying private investment funds in which the affiliated limited partnerships invest and other financial information to determine fair value of its ownership interest, and is not based on market exchange, dealer, or broker transactions. Based on the Adler's review of valuations reported by the investment managers, the Adler believes the carrying amount for alternative investments is a reasonable and prudent estimate of fair value. Actual results, however, could differ from these estimates, and such differences could be material.

The Adler's policy is to recognize transfers in and transfers out of Level 1, 2 and 3 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, 2015 and 2014, there were no such transfers.

Investments in Entities that Calculate Net Asset Value per Share

The Adler holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

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Notes to Financial Statements June 30, 2015 and 2014

Note 4 - Fair Value Measurements (Continued)

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	
	<u>Fair Value</u>	<u>Fair Value</u>	Redemption Frequency, if Eligible	Redemption Notice Period
Alternative investments - Funds of funds	\$ 2,557,266	\$ 2,517,948	Quarterly	95-100 days

Alternative investments consist of hedge funds of funds. The purpose of the Adler's investments in the funds of funds is to diversify market risks and enhance capital appreciation and capital preservation. The funds invest in both long and short securities to mitigate market risk. There were no unfunded commitments as of June 30, 2015.

The following table presents a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance - Beginning of year	\$ 2,517,948	\$ 2,709,049
Purchases	-	800,000
Sales	(26,478)	(1,191,527)
Unrealized gains	83,351	69,242
Realized (losses) gains	<u>(17,555)</u>	<u>131,184</u>
Balance - End of year	<u>\$ 2,557,266</u>	<u>\$ 2,517,948</u>

Level 3 unrealized gains (losses) included in the changes in net assets for the years ended June 30, 2015 and 2014 are reported in net realized and unrealized gains on investments in nonoperating revenue (expense) on the statement of activities and changes in net assets. All such unrealized gains (losses) for the year related to assets held at the end of the year.

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Notes to Financial Statements June 30, 2015 and 2014

Note 5 - Investments

Investment returns for 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends - Net	\$ 604,617	\$ 467,247
Net unrealized and realized (losses) gains	<u>(547,584)</u>	<u>2,632,280</u>
Total	<u>\$ 57,033</u>	<u>\$ 3,099,527</u>

Investment fees for 2015 and 2014 were \$66,306 and \$63,611, 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 \$1,370,529 and \$1,367,235 at June 30, 2015 and 2014, respectively, in a designated endowment fund whereby the Adler is named beneficiary of its income. CCF distributed \$51,204 and \$50,845 in fiscal years ended June 30, 2015 and 2014, 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 6 - Accounts Receivable

Accounts receivable at June 30, 2015 and 2014 were comprised as follows:

	<u>2015</u>	<u>2014</u>
Grants receivable	\$ 378,823	\$ 284,079
Outsourced operations	100,162	69,152
Third-party admission programs	242,943	214,672
Other	<u>5,053</u>	<u>26,865</u>
Total	<u>\$ 726,981</u>	<u>\$ 594,768</u>

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Pledges Receivable

Included in pledges receivable are several unconditional promises to give generated from a capital campaign. They are included as follows:

	<u>2015</u>	<u>2014</u>
Gross promises to give before unamortized discount	\$ 2,215,554	\$ 2,478,605
Less unamortized discount, using rate of 0.5 to 5 percent	(26,567)	(22,434)
Allowance for doubtful pledges	<u>(27,000)</u>	<u>(32,000)</u>
Net pledges receivable	<u>\$ 2,161,987</u>	<u>\$ 2,424,171</u>
Amounts due in:		
Less than one year	\$ 1,178,341	\$ 1,859,658
One to five years	<u>983,646</u>	<u>564,513</u>
Total	<u>\$ 2,161,987</u>	<u>\$ 2,424,171</u>

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

Note 8 - 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 curtailment increased pension expense by \$28,387 for the year ended June 30, 2015.

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 8 - Pension Plan (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

	2015	2014
Balance - At beginning of year	\$ 14,594,890	\$ 13,061,062
Service cost	296,324	369,078
Interest cost	643,978	656,352
Actuarial loss	866,439	1,117,977
Benefits paid	(691,070)	(609,579)
Liability (gain) due to curtailment	(866,301)	-
Projected benefit obligation	<u>\$ 14,844,260</u>	<u>\$ 14,594,890</u>

Change in Plan Assets

Fair value of plan assets - At beginning of year	\$ 10,360,788	\$ 8,846,863
Actual return on assets	273,138	1,352,104
Benefits paid	(691,070)	(609,579)
Employer contributions	587,896	771,400
Fair value of plan assets	<u>10,530,752</u>	<u>10,360,788</u>
Funded status of plan liabilities	<u>4,313,508</u>	<u>4,234,102</u>
Accumulated benefit obligation	<u>\$ 14,844,260</u>	<u>\$ 14,594,890</u>

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Unrestricted Net Assets

	2015	2014
Service cost	\$ 296,324	\$ 369,078
Interest cost	643,978	656,352
Expected return on plan assets	(726,210)	(627,681)
Amortization of prior service cost	597	597
Amortization of net loss	64,510	41,912
Settlement/curtailment expense	28,387	-
Total net periodic pension cost	<u>\$ 307,586</u>	<u>\$ 440,258</u>

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 8 - Pension Plan (Continued)

Other Changes in Plan Assets and Benefit Obligations Recognized as a Charge to Unrestricted Net Assets

	<u>2015</u>	<u>2014</u>
Net actuarial loss for the period	\$ 1,319,511	\$ 393,554
Amortization of prior service cost	(28,984)	(597)
Amortization of net loss	<u>(930,811)</u>	<u>(41,912)</u>
Total recognized in unrestricted net assets	<u>\$ 359,716</u>	<u>\$ 351,045</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ 667,302</u>	<u>\$ 791,303</u>

Assumptions

Weighted average assumptions used to determine benefit obligations at June 30:

	<u>2015</u>	<u>2014</u>
Discount rate	4.66 %	4.52 %
Expected return on plan assets	6.00	7.00
Rate of compensation increase	N/A	3.00

The pension plan weighted average asset allocations at June 30, 2015 and 2014 by assets category are as follows:

	<u>2015</u>	<u>2014</u>
Equity securities	57.00 %	60.00 %
Debt securities	39.00	36.00
Real estate	3.00	3.00
Other	<u>1.00</u>	<u>1.00</u>
Total	<u>100.00 %</u>	<u>100.00 %</u>

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 8 - Pension Plan (Continued)

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, 2015 and 2014 by major asset class are as follows:

Fair Value Measurements at June 30, 2015

	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	\$ 71,930	\$ -	\$ 71,930	\$ -
U.S. government and government agency securities	2,100,148	-	2,100,148	-
Corporate bonds and mortgages	2,070,699	-	2,070,699	-
Equity - Domestic	3,949,231	-	3,949,231	-
Equity - International	2,008,306	-	2,008,306	-
Real estate and mortgages	330,438	-	330,438	-
Total	<u>\$ 10,530,752</u>	<u>\$ -</u>	<u>\$ 10,530,752</u>	<u>\$ -</u>

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 8 - Pension Plan (Continued)

Fair Value Measurements at June 30, 2014

	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	\$ 130,269	\$ -	\$ 130,269	\$ -
U.S. government and government agency securities	1,857,405	-	1,857,405	-
Corporate bonds and mortgages	1,896,561	-	1,896,561	-
Equity - Domestic	4,028,837	-	4,028,837	-
Equity - International	2,150,151	-	2,150,151	-
Real estate and mortgages	297,565	-	297,565	-
Total	<u>\$ 10,360,788</u>	<u>\$ -</u>	<u>\$ 10,360,788</u>	<u>\$ -</u>

Level 2 Inputs

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

The above tables present information about the pension plan assets measured at fair value at June 30, 2015 and 2014 and the valuation techniques used by the Adler to determine those fair values.

Cash Flow

Contributions

The Adler expects to contribute \$298,000 to the plan in 2016.

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 8 - Pension Plan (Continued)

Estimated Future Benefit Payments

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

<u>Years Ending June 30</u>	<u>Pension Benefits</u>
2016	\$ 720,000
2017	733,000
2018	784,000
2019	803,000
2020	820,000
2021-2025	4,149,000

Note 9 - Employee Benefit Plans

The Adler maintains two 403(b) plans:

The Adler Planetarium 403(b) TIAA-CREF Retirement Savings Plan (the "TIAA-CREF Plan") was established in January 2000 and amended in January 2009. Employees who are at least 21 years of age are eligible to participate in the TIAA-CREF Plan. The TIAA-CREF Plan is not subject to the Employee Retirement Security Act of 1974, as amended (ERISA), and is funded entirely by participant salary reduction contributions.

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 50 percent of the first 6 percent of base compensation that a participant contributes to the plan. The Adler's contributions under this plan were \$31,949 and \$46,549 for fiscal years 2015 and 2014, respectively.

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Notes to Financial Statements June 30, 2015 and 2014

Note 10 - 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 0.08 percent and 0.05 percent at June 30, 2015 and 2014, 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 current letter of credit agreement expires on July 14, 2017. Any remarketing draws will be due and payable upon demand.

Bond interest expense was \$12,620 and \$16,555 for the years ended June 30, 2015 and 2014, respectively. Various other expenses incurred related to the bonds include letter of credit fees, remarketing fees, and legal expense totaling \$313,446 and \$301,137 for the years ended June 30, 2015 and 2014, respectively.

Note 11 - Interest Rate Swaps

The Adler entered into an interest rate swap agreement to manage its variable interest rate exposure. The swap, dated December 22, 2011, has an effective date of January 2, 2013, expires on January 1, 2017, and effectively fixes the interest rate at 1.47 percent on a portion of the bonds with a notional value of \$5,000,000. There is no collateral posting requirement. This agreement is considered a derivative financial instrument and is reported at fair value as a liability of \$87,648 and \$124,140 at June 30, 2015 and 2014, respectively. Interest expense for the swap agreement was \$71,199 and \$58,309 for the years ended June 30, 2015 and 2014, respectively.

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Notes to Financial Statements June 30, 2015 and 2014

Note 11 - Interest Rate Swaps (Continued)

On August 27, 2013, the Adler entered into a second interest rate swap agreement to manage its variable rate interest exposure. The swap has an effective date of September 1, 2013 and expires on September 1, 2017 and effectively fixes the interest rate at 1.106 percent on a portion of the bonds with a notional value of \$5,000,000. There is no collateral posting requirement. This agreement is considered a derivative financial instrument and is reported at fair value as a liability of \$71,069 and \$71,232 at June 30, 2015 and 2014. Interest expense for the swap agreement was \$52,999 and \$43,534 for the years ended June 30, 2015 and 2014.

The following table presents the amounts and locations of the amounts relating to the Adler's interest rate swap in the Adler's financial statements as of and for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Statement of financial position -		
Information location on statement of fair value of liability - Interest rate swap marked to market	\$ 158,717	\$ 195,372
Statement of activities information:		
Unrealized gain (loss) on interest rate swap	36,655	(59,485)
Interest expense included in operations	<u>(124,198)</u>	<u>(101,843)</u>
Total cost of interest rate swap	<u>\$ (87,543)</u>	<u>\$ (161,328)</u>

Note 12 - Capital Leases

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

2016	\$ 102,564
2017	86,530
2018	38,429
2019	<u>19,214</u>
Total minimum lease payments	246,737
Less amount representing interest	<u>28,597</u>
Present value of net minimum lease payments	<u>\$ 218,140</u>

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 12 - Capital Leases (Continued)

Equipment purchased under the capital lease arrangements has been capitalized and is included in property, equipment, exhibits, and shows (see Note 3). Depreciation of assets under capital leases is included in depreciation expense.

The interest rate on the capital leases is 9.13 percent.

Note 13 - Operating Leases

The Adler leases various equipment under operating lease agreements that expire through 2018.

The Adler entered into a noncancelable lease agreement to utilize equipment for the Grainger Sky Theater valued at approximately \$2,950,000. The lease has a three-year term, with the Adler having the option to renew for up to two additional years. The equipment was accepted in October 2011. At the end of the lease term, the Adler is required to either purchase the equipment at an agreed-upon price, or return the equipment. The Adler is responsible for any difference between the price an unrelated third party agrees to pay for the returned equipment and a residual value guarantee, which is \$338,365 at the end of five years. Rental payments under the lease totaled \$577,000 for both years ended June 30, 2015 and 2014.

In addition, the Adler has certain service agreements from various vendors requiring monthly payments.

The future minimum lease commitments under these operating leases for the years ending June 30 are as follows:

2016	\$	582,123
2017		197,160
2018		<u>3,120</u>
Total	\$	<u>782,403</u>

Total rent expense on these leases for 2015 and 2014 was approximately \$582,000 for both years.

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 14 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 are restricted for the following:

	<u>2015</u>	<u>2014</u>
For periods after June 30	\$ 943,991	\$ 950,609
For periods after June 30 with purpose restrictions	1,217,996	1,473,561
Exhibits and show development	1,317,983	1,696,239
Science and education programs	1,717,179	1,334,057
Collections and conservation	697,273	658,346
Astronomy research	-	24,964
Employee assistance	36,031	36,031
	<u>36,031</u>	<u>36,031</u>
Total temporarily restricted net assets	<u>\$ 5,930,453</u>	<u>\$ 6,173,807</u>

Temporarily restricted net assets released from restrictions were for the following purposes:

	<u>2015</u>	<u>2014</u>
Operating activities:		
Passage of time restrictions	\$ 268,474	\$ 1,380,173
Exhibits and show development	951,503	1,773,768
Science and education programs	1,413,277	1,264,626
Collections and conservation	110,437	69,423
Astronomy research	24,964	75,460
	<u>24,964</u>	<u>75,460</u>
Total	<u>\$ 2,768,655</u>	<u>\$ 4,563,450</u>

Fiscal year 2015 and 2014 releases from restrictions for exhibits and show development include expenditures incurred on the Grainger Sky Theater, Doane Observatory, and one premier sky theater show. Expenditures related to these exhibits have been capitalized as exhibits and shows or construction in progress.

Note 15 - Permanently Restricted Net Assets

Permanently restricted net assets are invested in perpetuity, the income from which is expendable to support the following activities at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Education programs	\$ 3,267,561	\$ 3,267,561
Webster fund	200,000	200,000
General operations	29,249	29,232
	<u>29,249</u>	<u>29,232</u>
Total	<u>\$ 3,496,810</u>	<u>\$ 3,496,793</u>

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 16 - Endowment Net Assets

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

Interpretation of Relevant Law

The board of the Adler has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Endowment Net Asset Composition by Type of Fund as of June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 691,049	\$ 3,496,810	\$ 4,187,859

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Notes to Financial Statements June 30, 2015 and 2014

Note 16 - Endowment Net Assets (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ -	\$ 868,056	\$ 3,496,793	\$ 4,364,849
Investment income	-	22,637	17	22,654
Appropriation of endowment assets for expenditure	-	(199,644)	-	(199,644)
Transfers in	-	-	-	-
Endowment net assets -				
End of year	<u>\$ -</u>	<u>\$ 691,049</u>	<u>\$ 3,496,810</u>	<u>\$ 4,187,859</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 868,056</u>	<u>\$ 3,496,793</u>	<u>\$ 4,364,849</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ -	\$ 510,865	\$ 3,418,326	\$ 3,929,191
Investment income	-	547,836	432	548,268
Appropriation of endowment assets for expenditure	-	(190,645)	-	(190,645)
Transfers in	-	-	78,035	78,035
Endowment net assets -				
End of year	<u>\$ -</u>	<u>\$ 868,056</u>	<u>\$ 3,496,793</u>	<u>\$ 4,364,849</u>

Funds with Deficiencies

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 UPMIFA requires the Adler to retain as a fund of perpetual duration. Deficiencies of this nature will be reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations that occur after the investment of new permanently restricted contributions and continued appropriation for certain programs that are deemed prudent by the board.

Note 16 - 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 organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Adler expects its endowment funds, over time, to provide an average rate of return of approximately 3-5 percent annually. 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 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 55-75 percent for capital appreciation assets (which include equity, directional hedge funds, and real assets) and 25-45 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.

The Adler Planetarium

Notes to Financial Statements June 30, 2015 and 2014

Note 17 - Auxiliary Activities

Auxiliary activities consisted of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Revenue:		
Museum store rental	\$ 276,135	\$ 248,973
Food service and concessions	520,719	394,991
Total	<u>\$ 796,854</u>	<u>\$ 643,964</u>

Note 18 - Expenses by Functional Classification

The Adler's financial statements reflect the allocation of various expenses to programs and supporting services based upon estimates made by management. The allocable expenses are as follows:

	2015	2014
Operations and maintenance	\$ 2,641,605	\$ 2,606,954
Depreciation and amortization	3,419,368	3,214,269
Administration	2,198,113	2,383,819
Marketing	1,601,839	976,488
Information systems	699,079	1,080,419
Interest expense and letter of credit fees	466,551	434,914
Total	<u>\$ 11,026,555</u>	<u>\$ 10,696,863</u>

The allocation is as follows:

	2015			2014		
	Balance Before Allocation	Allocation	Balance Per Financial Statements	Balance Before Allocation	Allocation	Balance Per Financial Statements
Program services:						
Professional and educational	\$ 6,807,458	\$ 8,337,644	\$ 15,145,102	\$ 6,577,281	\$ 7,862,194	\$ 14,439,475
History of astronomy	458,108	424,268	882,376	531,466	618,279	1,149,745
Support services:						
Development and marketing	1,472,589	1,009,792	2,482,381	1,500,231	1,134,937	2,635,168
Administration	619,726	1,254,851	1,874,577	462,736	1,081,453	1,544,189
Total	<u>\$ 9,357,881</u>	<u>\$ 11,026,555</u>	<u>\$ 20,384,436</u>	<u>\$ 9,071,714</u>	<u>\$ 10,696,863</u>	<u>\$ 19,768,577</u>