The Adler Planetarium

Financial Report

June 30, 2018

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, 2018 and 2017 and the related statements of activities and change 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 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, 2018 and 2017 and the 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 October 31, 2018 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

October 31, 2018

Statement of Financial Position

June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 5,787,748	$ 6,360,161
Accounts receivable (Note 7)	814,874	870,558
Prepaid expenses	256,864	278,369
Pledges receivable - Net (Note 8)	1,466,595	2,102,518
Interest rate swaps (Note 12)	226,180	-
Long-term investments (Note 5)	27,675,216	25,520,484
Property, equipment, exhibits, and shows - Net (Note 4)	25,704,874	28,149,034
Total assets	**$ 61,932,351**	**$ 63,281,124**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 347,672	$ 378,073
Accrued expenses and other liabilities	1,409,106	1,442,606
Deferred revenue	1,083,194	1,063,916
Capital lease obligations (Note 13)	481,291	124,336
Bonds payable (Note 11)	27,000,000	27,000,000
Interest rate swaps (Note 12)	-	334,188
Defined benefit pension plan liability (Note 9)	3,950,285	4,937,174
Total liabilities	34,271,548	35,280,293
Net Assets		
Unrestricted:		
Undesignated	17,473,751	17,230,496
Board designated	203,843	203,843
Temporarily restricted (Note 14)	6,385,823	7,069,372
Permanently restricted (Note 15)	3,597,386	3,497,120
Total net assets	27,660,803	28,000,831
Total liabilities and net assets	**$ 61,932,351**	**$ 63,281,124**

See notes to financial statements.

The Adler Planetarium

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2018 and 2017

	2018				2017			
	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	$ 1,693,028	$ -	$ -	$ 1,693,028	$ 1,781,466	$ -	$ -	$ 1,781,466
Other governmental grants and contracts	891,640	-	-	891,640	1,081,295	-	-	1,081,295
Contributions, bequests, and foundation grants	1,289,592	858,142	100,000	2,247,734	1,299,025	4,715,701	-	6,014,726
Donated services, expenses, and equipment	281,586	-	-	281,586	212,130	-	-	212,130
Special event revenue	1,658,145	-	-	1,658,145	1,759,620	-	-	1,759,620
Net assets released from restrictions	1,932,437	(1,932,437)	-	-	4,192,880	(4,192,880)	-	-
Total support	7,746,428	(1,074,295)	100,000	6,772,133	10,326,416	522,821	-	10,849,237
Revenue:								
Admission charges	6,579,049	-	-	6,579,049	6,584,231	-	-	6,584,231
Membership dues	850,171	-	-	850,171	846,526	-	-	846,526
Auxiliary activities	894,870	-	-	894,870	893,121	-	-	893,121
Interest and dividends - Net	592,227	156,902	266	749,395	503,754	49,161	333	553,248
Private event revenue	832,775	-	-	832,775	869,805	-	-	869,805
Other	153,693	2,517	-	156,210	148,539	2,900	-	151,439
Total revenue	9,902,785	159,419	266	10,062,470	9,845,976	52,061	333	9,898,370
Total revenue and support	17,649,213	(914,876)	100,266	16,834,603	20,172,392	574,882	333	20,747,607
Expenses								
Program Expenses:								
Professional and educational	14,602,548	-	-	14,602,548	15,143,176	-	-	15,143,176
History of astronomy	857,177	-	-	857,177	676,502	-	-	676,502
Total program expenses	15,459,725	-	-	15,459,725	15,819,678	-	-	15,819,678
Support Services:								
Development and marketing	2,329,635	-	-	2,329,635	1,582,174	-	-	1,582,174
Administration	1,939,477	-	-	1,939,477	1,891,323	-	-	1,891,323
Total support services	4,269,112	-	-	4,269,112	3,473,497	-	-	3,473,497
Total expenses	19,728,837	-	-	19,728,837	19,293,175	-	-	19,293,175
Net Operating (Loss) Income	(2,079,624)	(914,876)	100,266	(2,894,234)	879,217	574,882	333	1,454,432

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Nonoperating Revenue (Expense)								
Loss on disposal of property	$ -	$ -	$ -	$ -	$ (46,762)	$ -	$ -	$ (46,762)
Purchase of collection items	(3,445)	-	-	(3,445)	(7,715)	-	-	(7,715)
Net realized and unrealized gains on investments	1,078,784	231,327	-	1,310,111	1,689,527	391,383	-	2,080,910
Net nonoperating revenue	1,075,339	231,327	-	1,306,666	1,635,050	391,383	-	2,026,433
(Decrease) Increase in Net Assets - Before other changes	(1,004,285)	(683,549)	100,266	(1,587,568)	2,514,267	966,265	333	3,480,865
Other Changes in Net Assets								
Pension-related changes other than net periodic pension cost	687,172	-	-	687,172	882,313	-	-	882,313
Unrealized gain (loss) on interest rate swaps (Note 12)	560,368	-	-	560,368	(268,917)	-	-	(268,917)
Total other changes in net assets	1,247,540	-	-	1,247,540	613,396	-	-	613,396
(Decrease) Increase in Net Assets	243,255	(683,549)	100,266	(340,028)	3,127,663	966,265	333	4,094,261
Net Assets - Beginning of year	17,434,339	7,069,372	3,497,120	28,000,831	14,306,676	6,103,107	3,496,787	23,906,570
Net Assets - End of year	**$ 17,677,594**	**$ 6,385,823**	**$ 3,597,386**	**$ 27,660,803**	**$ 17,434,339**	**$ 7,069,372**	**$ 3,497,120**	**$ 28,000,831**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (340,028)	$ 4,094,261
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	3,152,370	3,314,341
Pension-related changes other than net periodic pension cost	(687,172)	(882,313)
Unrealized (gain) loss on interest rate swaps	(560,368)	268,917
Realized and unrealized gains on investments	(1,310,111)	(2,080,910)
(Recovery of) provision for uncollectible pledges	(54,771)	57,417
Net loss on disposition of property	-	46,762
Noncash donation of stock	(90,960)	(4,043,737)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	55,684	53,001
Prepaid expenses	21,505	48,902
Pledges receivable	690,694	807,726
Accounts payable	(55,803)	118,774
Accrued expenses and other liabilities	487,897	(47,569)
Deferred revenue	19,278	51,772
Defined benefit pension plan liability	(299,717)	(77,540)
Net cash provided by operating activities	1,028,498	1,729,804
Cash Flows from Investing Activities		
Capital expenditures	(624,874)	(2,357,318)
Proceeds from sales and maturities of investments	375,376	9,978,554
Purchases of investments	(1,129,037)	(6,508,916)
Net cash (used in) provided by investing activities	(1,378,535)	1,112,320
Cash Flows Used in Financing Activities - Payments on capital leases	(222,376)	(87,449)
Net (Decrease) Increase in Cash	(572,413)	2,754,675
Cash - Beginning of year	6,360,161	3,605,486
Cash - End of year	**$ 5,787,748**	**$ 6,360,161**
Supplemental Cash Flow Information		
Interest paid	$ 506,513	$ 341,728
Capital expenditures included in accounts payable and accrued expenses	89,458	585,453

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 tax levies, contributions and grants, museum admission charges, and investment income. The Adler is located in Chicago, Illinois.

Note 2 - Significant Accounting Policies

Basis of Presentation

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments 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, 2018 and 2017.

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.

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).

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.

Note 2 - Significant Accounting Policies (Continued)

Interest Rate Swaps

The Adler uses interest rate swaps to manage its overall exposure to variable-rate debt. The interest rate swaps are recognized as an asset or a liability on the statement of financial position and are measured at fair value. Any changes in the fair value of an interest rate swap agreement are recognized in the statement of activities and changes in net assets.

Pension

The Adler's accounting for the pension plan reflects the accounting standards on employers' accounting for defined benefit pension and other postretirement plans. These standards require employers to recognize the overfunded or underfunded positions (the difference between the fair value of the plan assets and the projected benefit obligation) of defined benefit pension plans as an asset or liability in the statement of financial position and to recognize changes in that funded status in changes in 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 for June 30, 2018 and 2017 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, research, science and educational programs, and collections.
- **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.

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 the Adler is notified of its share of the levy. 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.

Note 2 - Significant Accounting Policies (Continued)

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 $125,000 and $129,000 for 2018 and 2017, 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 $157,000 and $83,000 for 2018 and 2017, respectively.

Special Event Revenue

Special event revenue includes revenue for the Celestial Ball and the Women in Space Science Award Celebration, which raised approximately $1,475,000 and $183,000, respectively, for 2018 and $1,576,000 and $184,000, respectively, for 2017. Direct expenses incurred in relation to these events are included in development and marketing expenses in the statement of activities and changes in net assets and totaled approximately $490,000 and $403,000 for 2018 and 2017, respectively.

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.

Operations

The Adler considers all revenue and expenses to be related to operations except investment gains or losses, collection activities, actuarial gains or losses on the pension plan, unrealized gains or losses on interest rate swaps, and write off of certain assets, which are categorized as nonoperating items.

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 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.

Note 2 - Significant Accounting Policies (Continued)

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. 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

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 2017 amounts have been reclassified to conform to the 2018 presentation.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 31, 2018, which is the date the financial statements were available to be issued.

Upcoming Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 will also require changes in the way certain information is aggregated and reported by the Adler, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Adler’s year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Adler is currently gathering the appropriate information to implement these disclosure changes in a timely manner. Management expects an impact to the classification of net assets and an enhancement of disclosures about functional expenses and liquidity, including qualitative and quantitative information.

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 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 plans to apply the standard using the cumulative effect method and expects to have expanded disclosures as a result of the new standard.

Note 2 - Significant Accounting Policies (Continued)

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 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 new guidance will be effective for the Adler's year ending June 30, 2019 and will be applied on a modified prospective basis. The Adler does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts, but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

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:

	2018	2017	Depreciable Life - Years
Building and other improvements	$ 45,336,089	$ 45,270,108	10-30
Equipment	6,507,517	5,887,459	3-20
Exhibits and shows	20,119,412	20,119,412	3-10
Furniture and fixtures	657,682	657,682	5-7
Other artwork	253,540	253,540	-
Construction in progress	619,576	597,405	-
Total cost	73,493,816	72,785,606	
Less accumulated depreciation	47,788,942	44,636,572	
Net property, equipment, exhibits, and shows	$ 25,704,874	$ 28,149,034	

Depreciation expense for 2018 and 2017 was $3,152,370 and $3,314,341, 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, 2018 and 2017 and the valuation techniques used by the Adler to determine those fair values.

Note 5 - Fair Value Measurements (Continued)

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.

	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

Note 5 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2017				
	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, 2017
Assets - Investments					
Bond funds - Domestic	$ 4,961,165	$ -	$ -	$ -	$ 4,961,165
Bond funds - International	1,362,740	-	-	-	1,362,740
Equity mutual funds and exchange-traded funds - Domestic	9,815,576	-	-	-	9,815,576
Equity mutual funds - International	5,194,356	-	-	-	5,194,356
Real asset funds	1,336,651	-	-	-	1,336,651
Hedged equity funds	2,491,936	-	-	-	2,491,936
Alternative investments - Fund of funds	-	-	-	18,619	18,619
Total assets	$ 25,162,424	$ -	$ -	$ 18,619	$ 25,181,043
Liabilities - Interest rate swaps	$ -	$ 334,188	$ -	$ -	$ 334,188

Not included in the above tables are $492,453 and $325,801 in cash and cash equivalents in brokerage accounts as of June 30, 2018 and 2017, respectively. Additionally not included in the above tables are investments in transit of $13,640 resulting from a fund closing and liquidating its assets as of June 30, 2017. There were no investments in transit as of June 30, 2018.

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, 2018 and 2017, there were no such transfers.

Note 5 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

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

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

	2018 Fair Value	2017 Fair Value	Redemption Frequency, if Eligible	Redemption Notice Period
Alternative investments - Fund of funds	$ 19,537	$ 18,619	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, 2018 or 2017.

Note 6 - Investments

Investment returns for 2018 and 2017 were as follows:

	2018	2017
Interest and dividends - Net	$ 749,395	$ 553,248
Net unrealized and realized gains	1,310,111	2,080,910
Total	$ 2,059,506	$ 2,634,158

Investment fees for 2018 and 2017 were $69,503 and $67,953, 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 $1,434,058 and $1,379,732 at June 30, 2018 and 2017, respectively, in a designated endowment fund whereby the Adler is named beneficiary of its income. CCF distributed $52,859 and $52,183 in fiscal years ended June 30, 2018 and 2017, 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, 2018 and 2017 were composed of the following:

	2018	2017
Grants receivable	$ 328,040	$ 370,360
Outsourced operations	92,687	119,104
Third-party admission programs	354,965	328,035
Other	39,182	53,059
Total	$ 814,874	$ 870,558

Note 8 - Pledges Receivable

The present values of unconditional pledges receivable are as follows:

	2018	2017
Gross promises to give before unamortized discount	$ 1,500,435	$ 2,208,456
Less unamortized discount, using rate of 0.5 to 5 percent	(8,405)	(22,482)
Less allowance for doubtful pledges	(25,435)	(83,456)
Net pledges receivable	$ 1,466,595	$ 2,102,518
Amounts due in:		
Less than one year	$ 750,435	$ 769,611
One to five years	716,160	1,332,907
Total	$ 1,466,595	$ 2,102,518

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

Note 9 - 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

	2018	2017
Projected benefit obligation - At beginning of year	$ 15,560,227	$ 16,094,248
Interest cost	607,209	616,931
Actuarial gain	(578,257)	(426,237)
Benefits paid	(795,658)	(724,715)
Projected benefit obligation - At end of year	$ 14,793,521	$ 15,560,227

Note 9 - Pension Plans (Continued)

Change in Plan Assets

	2018	2017
Fair value of plan assets - At beginning of year	$ 10,623,053	$ 10,197,221
Actual return on assets	673,392	966,577
Benefits paid	(795,658)	(724,715)
Employer contributions	342,449	183,970
Fair value of plan assets	10,843,236	10,623,053
Plan liabilities in excess of plan assets	3,950,285	4,937,174
Accumulated benefit obligation	$ 14,793,521	$ 15,560,227

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

	2018	2017
Components of Net Periodic Benefit Cost and Other Amounts Recognized in Unrestricted Net Assets		
Interest cost	$ 607,209	$ 616,931
Expected return on plan assets	(625,461)	(593,966)
Amortization of net loss	60,984	83,465
Total net periodic pension cost	42,732	106,430
Other changes in Plan Assets and Benefit Obligations Recognized as a Charge to Unrestricted Net Assets		
Net gain for the period	(626,188)	(798,848)
Amortization of net loss	(60,984)	(83,465)
Total recognized in unrestricted net assets	(687,172)	(882,313)
Total recognized in net periodic benefit cost and unrestricted net assets	$ (644,440)	$ (775,883)

The net loss recognized in net assets, but not yet in net periodic pension cost, was $2,764,231 and $3,451,403 as of June 30, 2018 and 2017, 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 $42,772.

Assumptions

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

	2018	2017
Discount rate	4.35%	4.01%
Expected return on plan assets	6.00%	6.00%

Note 9 - Pension Plans (Continued)

The pension plan weighted-average asset allocations at June 30, 2018 and 2017 by asset category are as follows:

	2018	2017
Asset category:		
Equity securities	57.00 %	57.00 %
Debt securities	38.00	37.00
Real estate	3.00	3.00
Other	2.00	3.00
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.

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, 2018 and 2017 by major asset classes are as follows:

	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	$ -	$ 10,843,236	$ -	$ 10,843,236

Note 9 - Pension Plans (Continued)

	Fair Value Measurements at June 30, 2017			
	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	$ -	$ 304,964	$ -	$ 304,964
U.S. government and government agency securities	-	1,951,355	-	1,951,355
Corporate bonds and mortgages	-	1,984,181	-	1,984,181
Equity - Domestic	-	3,891,481	-	3,891,481
Equity - International	-	2,166,808	-	2,166,808
Real estate and mortgages	-	324,264	-	324,264
Total	$ -	$ 10,623,053	$ -	$ 10,623,053

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 the 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, 2018 and 2017 and the valuation techniques used by the Adler to determine those fair values.

<u>Cash Flow</u>

Contributions

The Adler expects to contribute $260,550 to its pension plan in 2019.

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
2019	$ 855,000
2020	848,000
2021	829,000
2022	831,000
2023	829,000
2024-2028	4,023,000

Note 10 - 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 Income 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 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 $177,409 and $136,014 for fiscal years 2018 and 2017, respectively.

Note 11 - Bonds Payable

In April 1997, the Adler issued $27,000,000 of Adjustable Rate Demand Revenue Bonds through the Illinois Finance Authority (successor to the Illinois Educational Facilities Authority). The proceeds of the bonds were used to fund the Adler's facility expansion and renovation project. The bonds are currently due in a lump-sum payment in 2031 and bear interest at a weekly adjustable rate of 1.50 percent and 0.89 percent at June 30, 2018 and 2017, respectively. At the discretion of the Adler, the bonds can be converted to any one of three adjustable interest rate modes or a fixed-interest rate mode, in whole or in part, subject to different demand and purchase features, redemption provisions, interest periods, and payment dates, during the term of the bonds.

The bonds are supported by an irrevocable direct pay letter of credit facility, as amended, in favor of the bond trustee. The letter of credit requires the Adler's compliance with various covenants, including debt service and asset maintenance ratio requirements. In August 2016, the letter of credit agreement was renewed and extended to August 1, 2019. Any remarketing draws will be due and payable upon demand.

Bond interest expense was $308,981 and $187,568 for the years ended June 30, 2018 and 2017, respectively. Various other expenses incurred related to the bonds include letter of credit fees, remarketing fees, and legal expense totaling $241,854 and $252,242 for the years ended June 30, 2018 and 2017, respectively.

Note 12 - 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, had an effective date of January 2, 2013; expired on January 1, 2017; and effectively fixed the interest rate at 1.47 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 $20,377 for the year ended June 30, 2017.

On August 27, 2013, the Adler entered into a second 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. This agreement is considered a derivative financial instrument and is reported at fair value as a liability of $1,437 at June 30, 2017. Interest expense for the swap agreement was $2,242 and $23,262 for the years ended June 30, 2018 and 2017, respectively.

Note 12 - Interest Rate Swaps (Continued)

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 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 an asset of $115,072 at June 30, 2018 and as a liability of $134,194 at June 30, 2017. Interest expense for the swap agreement was $85,734 and $57,050 for the years ended June 30, 2018 and 2017, respectively.

On December 5, 2016, the Adler entered into a fourth 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 an asset of $111,108 at June 30, 2018 and a liability of $198,557 at June 30, 2017. Interest expense for the swap agreement was $66,587 and $67,328 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017:

	2018	2017
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	-	334,188

	2018	2017
Statement of Activities		
Unrealized gain (loss) on interest rate swaps	$ 560,368	$ (268,917)
Interest expense included in operations	(154,563)	(168,017)
Total benefit (cost) of interest rate swaps	$ 405,805	$ (436,934)

Note 13 - 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:

2019	$ 268,166
2020	241,665
2021	18,317
Total	528,148
Less amount representing interest	46,857
Long-term obligations under capital leases	$ 481,291

Note 13 - Capital Leases (Continued)

Equipment purchased under the capital lease arrangements has been capitalized and is included in property, equipment, exhibits, and shows (see Note 4). Assets under capital leases, before depreciation, totaled $783,956 and $204,625 as of June 30, 2018 and 2017, respectively. Depreciation of assets under capital leases is included in depreciation expense.

The interest rate on the capital leases is 9.13 percent.

Note 14 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 are restricted for the following:

	2018	2017
For periods after June 30	$ 92,030	$ 77,953
For periods after June 30 with purpose restrictions	1,374,565	2,024,565
Exhibits and show development	880,356	1,231,257
Science and education programs	3,079,525	2,872,190
Collections and conservation	924,199	827,620
Employee assistance	35,148	35,787
Total temporarily restricted net assets	$ 6,385,823	$ 7,069,372

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

	2018	2017
Operating activities:		
Passage of time restrictions	$ -	$ 221,924
Exhibits and show development	500,902	2,782,918
Science and education programs	1,356,136	1,100,600
Collections and conservation	74,761	87,194
Employee assistance	638	244
Total	$ 1,932,437	$ 4,192,880

Fiscal years 2018 and 2017 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, 2018 and 2017:

	2018	2017
Education programs	$ 3,292,561	$ 3,267,561
Webster fund	200,000	200,000
General operations	104,825	29,559
Total	$ 3,597,386	$ 3,497,120

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 trustees 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 Adler in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 911,157	$ 3,597,386	$ 4,508,543

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ 725,130	$ 3,497,120	$ 4,222,250
Investment income	-	357,113	266	357,379
Contributions	-	-	100,000	100,000
Appropriation of endowment assets for expenditure	-	(171,086)	-	(171,086)
Endowment net assets - End of year	$ -	$ 911,157	$ 3,597,386	$ 4,508,543

Note 16 - Endowment Net Assets (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 725,130	$ 3,497,120	$ 4,222,250

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ 473,649	$ 3,496,787	$ 3,970,436
Investment income	-	414,448	333	414,781
Appropriation of endowment assets for expenditure	-	(162,967)	-	(162,967)
Endowment net assets - End of year	$ -	$ 725,130	$ 3,497,120	$ 4,222,250

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. In accordance with GAAP, deficiencies of this nature will be reported in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board.

As of June 30, 2018 and 2017, 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, 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 65-85 percent for capital appreciation assets (which include equity, directional hedge funds, and real assets) and 15-35 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, 2018 and 2017:

	2018	2017
Revenue:		
Museum store rental	$ 357,631	$ 336,415
Food service and concessions	537,239	556,706
Total	$ 894,870	$ 893,121