
Kohl Children's Museum of Greater Chicago, Inc.

Financial Report
June 30, 2019

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-16

Independent Auditor's Report

To the Board of Trustees
Kohl Children's Museum of Greater Chicago, Inc.

We have audited the accompanying financial statements of Kohl Children's Museum of Greater Chicago, Inc. (the "Museum"), which comprise the statement of financial position as of June 30, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Kohl Children's Museum of Greater Chicago, Inc. as of June 30, 2019 and 2018 and the changes in its net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Museum adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

September 26, 2019

Kohl Children's Museum of Greater Chicago, Inc.

Statement of Financial Position

	June 30, 2019 and 2018	
	2019	2018
Assets		
Cash and cash equivalents	\$ 4,239,943	\$ 2,671,739
Certificates of deposit	75,042	785,602
Investments	479,843	439,962
Receivables:		
Contributions receivable - Net	3,803,916	2,890,356
Government grants receivable	-	3,240
Other receivables	15,173	1,389
Total receivables	3,819,089	2,894,985
Prepaid expenses	366,671	200,189
Property and equipment - Net	9,841,576	10,078,825
Total assets	\$ 18,822,164	\$ 17,071,302
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expense	\$ 329,393	\$ 393,701
Deferred membership revenue	374,831	448,087
Deferred rent	169,123	166,749
Deferred revenue - Other	161,946	170,067
Conditional gift	-	100,000
Total liabilities	1,035,293	1,278,604
Net Assets		
Net assets without donor restrictions	10,401,798	10,601,839
Net assets with donor restrictions	7,385,073	5,190,859
Total net assets	17,786,871	15,792,698
Total liabilities and net assets	\$ 18,822,164	\$ 17,071,302

Kohl Children's Museum of Greater Chicago, Inc.

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions, gifts, and other support	\$ 345,713	\$ 844,723	\$ 1,190,436	\$ 346,050	\$ 973,214	\$ 1,319,264
Government grants	20,200	3,050	23,250	14,600	3,240	17,840
Special events - Net of expenses of \$311,757 and \$248,108 in 2019 and 2018, respectively	295,119	-	295,119	595,141	-	595,141
Admissions	816,051	-	816,051	818,239	-	818,239
Membership Income	916,070	-	916,070	885,639	-	885,639
Field trips and educational programs	174,371	-	174,371	239,013	-	239,013
Facility rental income	194,009	-	194,009	217,583	-	217,583
Exhibit rental income	24,700	-	24,700	20,450	-	20,450
Other	37,682	-	37,682	38,325	-	38,325
Net assets released from restrictions	1,317,279	(1,317,279)	-	826,474	(826,474)	-
Total revenue, gains, and other support	4,141,194	(469,506)	3,671,688	4,001,514	149,980	4,151,494
Expenses						
Program services - Education and exhibits	3,802,920	-	3,802,920	3,458,032	-	3,458,032
Support services:						
Management and general	668,786	-	668,786	628,453	-	628,453
Fundraising	314,248	-	314,248	358,385	-	358,385
Total expenses	4,785,954		4,785,954	4,444,870	-	4,444,870
Increase (Decrease) in Net Assets - Before other items	(644,760)	(469,506)	(1,114,266)	(443,356)	149,980	(293,376)
Other Changes in Net Assets						
Play it forward campaign contributions and other revenue	-	3,220,721	3,220,721	-	4,064,802	4,064,802
Play it forward campaign expenses	(142,095)	-	(142,095)	(25,119)	-	(25,119)
Interest income	11,338	12,561	23,899	4,713	9,505	14,218
Net realized and unrealized gains (losses) on investments	-	5,914	5,914	-	23,590	23,590
Net assets released from capital restrictions	575,476	(575,476)	-	1,025,119	(1,025,119)	-
Total other changes in net assets	444,719	2,663,720	3,108,439	1,004,713	3,072,778	4,077,491
Increase (Decrease) in Net Assets	(200,041)	2,194,214	1,994,173	561,357	3,222,758	3,784,115
Net Assets - Beginning of year	10,601,839	5,190,859	15,792,698	10,040,482	1,968,101	12,008,583
Net Assets - End of year	\$ 10,401,798	\$ 7,385,073	\$ 17,786,871	\$ 10,601,839	\$ 5,190,859	\$ 15,792,698

Kohl Children's Museum of Greater Chicago, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services		Support Services		
	Education and Exhibits	Management and General	Fundraising	Total	Total
Compensation	\$ 2,144,866	\$ 511,834	\$ 298,448	\$ 810,282	\$ 2,955,148
Supplies and equipment	140,013	3,533	3,127	6,660	146,673
Travel and meetings	89,130	14,718	6,361	21,079	110,209
Advertising, printing, and publications	72,212	1,422	4,403	5,825	78,037
Repair, maintenance, and construction	165,496	1,075	-	1,075	166,571
Rent and occupancy	179,907	2,198	-	2,198	182,105
Utilities	113,916	773	228	1,001	114,917
Bank fees and interest	1,216	25	-	25	1,241
Depreciation	699,344	14,272	-	14,272	713,616
Consulting and professional fees	128,365	111,076	508	111,584	239,949
Other miscellaneous	61,575	14,740	1,173	15,913	77,488
Total expense before special event and Play it Forward Campaign expenses	3,796,040	675,666	314,248	989,914	4,785,954
Special events	-	-	311,757	311,757	311,757
Play it Forward Campaign	6,449	822	134,824	135,646	142,095
Total functional expenses	\$ 3,802,489	\$ 676,488	\$ 760,829	\$ 1,437,317	\$ 5,239,806

Kohl Children's Museum of Greater Chicago, Inc.

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services		Support Services		
	Education and Exhibits	Management and General	Fundraising	Total	Total
Compensation	\$ 2,012,438	\$ 559,377	\$ 323,243	\$ 882,620	\$ 2,895,058
Supplies and equipment	123,802	3,953	3,078	7,031	130,833
Travel and meetings	67,294	13,462	11,967	25,429	92,723
Advertising, printing, and publications	64,827	8,837	2,587	11,424	76,251
Repair, maintenance, and construction	145,535	974	3,295	4,269	149,804
Rent and occupancy	148,986	2,193	-	2,193	151,179
Utilities	118,686	1,165	678	1,843	120,529
Bank fees and interest	39,734	1,046	252	1,298	41,032
Depreciation	547,196	11,168	-	11,168	558,364
Consulting and professional fees	122,876	27,600	12,311	39,911	162,787
Other miscellaneous	60,400	4,936	974	5,910	66,310
Total expense before special event and Play it Forward Campaign expenses	3,451,774	634,711	358,385	993,096	4,444,870
Special events	-	-	248,108	248,108	248,108
Play it Forward Campaign	-	119	25,000	25,119	25,119
Total functional expenses	\$ 3,451,774	\$ 634,830	\$ 631,493	\$ 1,266,323	\$ 4,718,097

Kohl Children's Museum of Greater Chicago, Inc.

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,994,173	\$ 3,784,115
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	713,617	558,364
Amortization of discount on pledges	6,865	24,928
Change in provision for and write-off of uncollectible pledges	3,270	(4,495)
Net realized and unrealized investment gain	(5,914)	(23,590)
Contributions restricted for long-term assets	(3,199,092)	(4,012,528)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Contributions and other receivables	(445,240)	1,093,681
Prepaid expenses and deposits	(166,482)	(46,604)
Accounts payable and accrued expenses	(64,308)	36,347
Conditional gift	(100,000)	-
Deferred revenue	(81,377)	(52,748)
Deferred rent	2,374	2,228
Net cash and cash equivalents (used in) provided by operating activities	(1,342,114)	1,359,698
Cash Flows from Investing Activities		
Purchase of property and equipment	(476,368)	(83,102)
Purchases of investments	(33,967)	(61,175)
Redemption of certificates of deposit	710,560	370,682
Net cash and cash equivalents provided by investing activities	200,225	226,405
Cash Flows from Financing Activities		
Principal payments of long-term debt	-	(1,475,000)
Collection of contributions restricted for acquisition of long-term assets	2,710,093	1,128,492
Net cash and cash equivalents provided by (used in) financing activities	2,710,093	(346,508)
Net Increase in Cash and Cash Equivalents	1,568,204	1,239,595
Cash and Cash Equivalents - Beginning of year	2,671,739	1,432,144
Cash and Cash Equivalents - End of year	\$ 4,239,943	\$ 2,671,739
Supplemental Cash Flow Information - Cash paid for interest	\$ -	\$ 14,998

June 30, 2019 and 2018

Note 1 - Nature of Activities and Significant Accounting Policies

Kohl Children's Museum of Greater Chicago, Inc. (the "Museum") was incorporated as a not-for-profit organization in May 1990 under the laws of the State of Illinois. The Museum is supported primarily by admissions, memberships, special events, and publicly provided contributions, gifts, and grants obtained through operation of its museum facilities in Glenview, Illinois. The Museum is a leader in demonstrating the role of interactive play in learning, creating exemplary, developmentally appropriate, and hands-on educational experiences for young children in a fun, intimate environment. In addition, children learn best through play, and that interactive play between children and caring adults fosters learning and relationship development. In achieving this mission, the Museum strives to engage a multicultural and economically diverse audience to interact in the learning process, serve as a catalyst for constructive new forms of participatory learning for schools and families, implement innovative programs at the Museum and in the community, and impact schools through ongoing, innovative programs.

Note 2 - Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. This method records revenue and related assets when earned and records expenses and related liabilities when the obligations are incurred. These financial statements report amounts separately by class of net assets.

Classification of Net Assets

Net assets of the Museum are classified based on the presence or absence of donor-imposed restrictions and are defined as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Museum.

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

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

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. Throughout the year, the Museum may have amounts on deposit with a financial institution in excess of those insured by the FDIC. Management does not believe this presents a significant risk to the Museum.

Certificates of Deposit in Other Financial Institutions

Certificates of deposit consist of interest-bearing bank certificates of deposit with original maturity dates greater than three months. The certificates are carried at fair value.

Note 2 - Significant Accounting Policies (Continued)

Contributions Receivable

Contributions are recognized as revenue when the donor's commitment is received. Contributions expected to be received over more than one year are initially recorded at fair value by the Museum as contributions receivable. They are subsequently valued at the present value of future cash flows. The valuation of contributions receivable is based upon management's estimate of the collectibility of such receivables. Management records a general reserve equal to the three-year rolling average of historical write-offs. Management monitors the collection of these receivables on a monthly basis. Receivables are deemed delinquent if not collected from the donor in the period they are expected to be received. Delinquent receivables are monitored, and amounts are written off when deemed uncollectible.

Discount rates ranged from 0.12 percent to 1.93 percent and 0.12 percent to 2.77 percent in 2019 and 2018, respectively.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Costs of repairs and maintenance are charged to expense as incurred.

Deferred Revenue

Deferred membership revenue consists of income from membership dues, which is deferred and recognized over the periods to which the dues relate. Deferred revenue - other consists of funds received in advance for future special events and exhibits.

Deferred Rent

The Museum's ground lease includes escalated rent payments through March 2044. Accounting principles generally accepted in the United States of America require that rent expense be recognized ratably over the lease term. The cumulative amount by which rent expense recognized exceeds rent paid is included as deferred rent in the statement of financial position.

Contributions

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

Admissions and Special Events Revenue

Income collected for daily admissions and special events is recognized when earned.

Membership Revenue

Membership dues are recorded as deferred revenue and are recognized ratably over the membership period. Memberships are valid one year from the date of purchase.

June 30, 2019 and 2018

Note 2 - Significant Accounting Policies (Continued)

Donated Services and Assets

The Museum receives a substantial amount of donated services from unpaid volunteers who have made significant contributions of their time to help execute the Museum's programs. There were no donated services reflected in the financial statements for the years ended June 30, 2019 and 2018.

Donated assets are reflected in the financial statements at their estimated values. The Museum received donated assets of \$38,000 and \$0 in 2019 and 2018, respectively.

Income Taxes

The Museum is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Museum is subject to federal income tax on any unrelated business taxable income. The Museum is not considered to be a private foundation.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Costs are charged to program and support services on an actual basis when available. Indirect costs for rent and occupancy, utilities and depreciation and amortization are primarily allocated between program and support services based on square footage of the Museum facility. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 26, 2019, which is the date the financial statements were issued.

Adoption of New Accounting Principle

As of July 1, 2018, the Museum adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Museum, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. The standard has been applied retrospectively, with the exception of the liquidity and availability of resources disclosures, as allowed by the standard. As a result of the adoption of this standard, the financial information for the year ended June 30, 2018 has been restated, as follows: net assets of \$4,874,307 previously reported as temporarily restricted net assets and net assets of \$316,552 previously reported as permanently restricted net assets are now reported as net assets with donor restrictions.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the FASB issued 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 Museum's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Museum has not yet determined which application method it will use. Management has analyzed revenue streams that will be impacted and believes that the pattern of revenue recognition will not change significantly upon adoption of the pronouncement; however, enhanced disclosures to the financial statements are anticipated.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Museum's year ending June 30, 2021 (there is currently a proposal to delay the implementation date for this standard by one year) and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Museum's financial statements as a result of the Museum's operating leases, as disclosed in Note 8, that will be reported on the statement of financial position at adoption. Upon adoption, the Museum will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 3 - Contributions Receivable

Contributions receivable are expected to be collected during the following periods:

	2018	2017
Due within one year	\$ 1,364,224	\$ 1,151,008
Due in one to five years	2,151,058	1,773,917
Due in six to seven years	333,338	-
Total contributions receivable	3,848,620	2,924,925
Less allowance for uncollectible contributions	(11,688)	(8,418)
Less allowance for net present value discount	(33,016)	(26,151)
Net contributions receivable	<u>\$ 3,803,916</u>	<u>\$ 2,890,356</u>

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.

Note 4 - Fair Value Measurements (Continued)

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

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

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

In instances 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 Museum's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Level 1 investments consist of money market funds, common stock funds, government bond funds, fixed-income exchange-traded funds, real estate funds, commodity-linked funds, and commodity exchange-traded funds. Estimated fair values for the Museum's Level 1 investments were based on quoted market prices.

Level 2 investments consist of negotiable certificate of deposits. Estimated fair values of the Museum's Level 2 investments were based on quoted prices for similar assets in active markets.

The Museum currently uses no Level 3 inputs.

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

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2019
Investments:			
Money market funds	\$ 5,890	\$ -	\$ 5,890
Certificates of deposit	-	75,042	75,042
Corporate bond funds	77,901	-	77,901
Real estate funds	23,074	-	23,074
Government agencies	35,402	-	35,402
Common stock funds:			
MFB Northern FDS Multi-Manager Emerging Markets Equity Fund	36,995	-	36,995
Equity funds	27,609	-	27,609
International region	55,456	-	55,456
U.S. small-cap funds	14,012	-	14,012
U.S. mid-cap funds	19,562	-	19,562
U.S. large-cap funds	76,204	-	76,204
MFB Northern FDS Stock Index Fund	54,495	-	54,495
MFB Northern International Equity Index Fund	53,243	-	53,243
Total investments:	\$ 479,843	\$ 75,042	\$ 554,885

Notes to Financial Statements

June 30, 2019 and 2018

Note 4 - Fair Value Measurements (Continued)

	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)	Balance at June 30, 2018
Investments:			
Money market funds	\$ 7,128	\$ -	\$ 7,128
Certificates of deposit	-	785,602	785,602
Corporate bond funds	55,994	-	55,994
Real estate funds	15,441	-	15,441
Government agencies	24,326	-	24,326
Fixed-income traded fund	17,336	-	17,336
Common stock funds:			
MFB Northern FDS Multi-Manager Emerging Markets Equity Fund	46,869	-	46,869
Equity funds	25,883	-	25,883
International region	49,298	-	49,298
U.S. small-cap funds	12,712	-	12,712
U.S. mid-cap funds	18,072	-	18,072
U.S. large-cap funds	58,611	-	58,611
MFB Northern FDS Stock Index Fund	53,033	-	53,033
MFB Northern International Equity Index Fund	55,259	-	55,259
Total investments	<u>\$ 439,962</u>	<u>\$ 785,602</u>	<u>\$ 1,225,564</u>

The Museum'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. There were no significant transfers between levels of the fair value hierarchy during 2019 and 2018.

Note 5 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2019	2018	Depreciable Life - Years
Buildings and improvements	\$ 13,951,701	\$ 13,951,701	40
Exhibits	5,441,175	5,398,189	10
Vehicles	19,621	19,621	3-5
Office equipment	898,730	898,729	3-10
Construction in progress	433,381	-	-
Total cost	<u>20,744,608</u>	<u>20,268,240</u>	
Less accumulated depreciation	<u>10,903,032</u>	<u>10,189,415</u>	
Net property and equipment	<u>\$ 9,841,576</u>	<u>\$ 10,078,825</u>	

Depreciation expense was \$713,617 and \$558,364 for 2019 and for 2018, respectively.

Note 6 - Line of Credit

As of June 30, 2019 and 2018, the Museum has a \$500,000 line of credit available with Northern Trust that bears interest at the prime rate and is secured by the assets of the Museum. There were no borrowings outstanding on this line of credit as of June 30, 2019 and 2018. Repayment of any borrowings under the line of credit is due upon demand from the bank.

Note 7 - Bonds Payable

In July 2004, the Museum received financing for the construction of the museum building from the Illinois Finance Authority through the issuance of Series 2004, Adjustable Rate Demand Revenue Bonds (the "Bonds") in the original amount of \$13,395,000. The Bonds required interest payments on a monthly basis with the entirety of the principal amount coming due at maturity on July 1, 2034.

The Bonds were subject to a remarketing agreement and were secured through an irrevocable, transferable direct-pay letter of credit expiring on August 11, 2019. In the event that the Bonds could not be remarketed, the letter of credit would be drawn on to redeem all or a portion of the outstanding obligations from the bond holders.

Interest on the Bonds is payable monthly and accrues weekly based on an adjustable national index of tax-exempt variable-rate bonds. The weekly rates for 2018 averaged 0.74 percent.

While principal payments were not required under the bond agreement until maturity, the Museum has historically made annual principal payments on the Bonds and, in May 2018, paid down the entirety of the outstanding bond balance of \$1,475,000.

Note 8 - Operating Leases

The Museum has a ground lease agreement with the Village of Glenview, Illinois. The term of the lease is 39 years, expiring in March 2044, with an option for an additional 40 years. The Museum recognizes rent expense on a straight-line basis over the life of the lease. The deferred rent and unamortized lease incentives are included in deferred rent liability on the statement of financial position. Rent expense for each of the years ended June 30, 2019 and 2018 was \$27,173.

The following is a schedule of future minimum rental payments required under the ground lease that have initial or remaining noncancelable lease terms in excess of one year as June 30, 2019:

Years Ending June 30	Amount
2020	\$ 24,360
2021	24,360
2022	24,360
2023	24,360
2024	26,095
Thereafter	718,125
Total	<u>\$ 841,660</u>

Note 9 - Retirement Plan

The Museum offers a 401(k) plan covering all eligible employees. The Museum makes employer contributions amounting to 100 percent of the employee contribution, not exceeding 3 percent of compensation, plus 50 percent of contributions in excess of 3 percent, but not greater than 5 percent of compensation. During the years ended June 30, 2019 and 2018, the Museum contributed \$67,386 and \$59,591, respectively, to the plan.

Notes to Financial Statements

June 30, 2019 and 2018

Note 10 - Net Assets with Donor Restrictions

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

	2019	2018
Play it Forward Campaign	\$ 5,911,025	\$ 3,287,409
Annual fund and other programs	50,997	130,101
Early childhood and other programs	943,208	1,333,387
Donor-restricted endowment funds	337,352	316,552
Endowment earnings restricted for capital improvements	142,491	123,410
Total	<u>\$ 7,385,073</u>	<u>\$ 5,190,859</u>

Note 11 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Play it Forward Campaign	\$ 575,476	\$ 1,025,119
Early childhood and other programs	1,317,279	826,474
Total	<u>\$ 1,892,755</u>	<u>\$ 1,851,593</u>

Note 12 - Donor-restricted Endowments

The Museum's endowment consists of one donor-restricted fund established for the support of the Museum's capital improvements. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of June 30, 2019 and 2018, there are no board-designated endowment funds.

Interpretation of Relevant Law

The Museum is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Museum had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Museum considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Museum has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Museum 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 Museum and the donor-restricted endowment fund
- General economic conditions

Notes to Financial Statements

June 30, 2019 and 2018

Note 12 - Donor-restricted Endowments (Continued)

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Museum
- The investment policies of the Museum

Endowment Net Asset Composition by Type of Fund as of June 30, 2019			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 479,843	\$ 479,843
Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 439,962	\$ 439,962
Investment return:			
Investment income	-	11,714	11,714
Net realized and unrealized gains on investments	-	6,761	6,761
Total investment return	-	18,475	18,475
Contributions	-	21,406	21,406
Endowment net assets - End of year	\$ -	\$ 479,843	\$ 479,843
Endowment Net Asset Composition by Type of Fund as of June 30, 2018			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 439,962	\$ 439,962
Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ -	\$ 355,197	\$ 355,197
Investment return:			
Investment income	-	8,764	8,764
Net realized and unrealized gains on investments	-	23,727	23,727
Total investment return	-	32,491	32,491
Contributions	-	52,274	52,274
Endowment net assets - End of year	\$ -	\$ 439,962	\$ 439,962

Note 12 - Donor-restricted Endowments (Continued)

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to preserve, protect, and grow the assets, as well as maintain sufficient liquid reserves to meet obligations arising from planned activities. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity.

Strategies Employed for Achieving Objectives

The endowment will achieve a long-term rate of return on investments that ensures the growth of the assets will be sufficient to offset or exceed inflation, required spending, investment management fees, expenses, and taxes over a full market cycle. The portfolio will also be diversified among various asset classes with the goal of reducing volatility of return and, among various issues of securities, to reduce nonsystematic, single-issuer, principal risk. The endowment will maintain liquidity in the portfolio sufficient to meet the obligations as they arise over time. Administrative, investment, and management expenses will also be controlled.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowment will spend an amount each year determined annually by the finance committee after considering all factors enumerated in Section 4 of the Illinois Uniform Prudent Management of Institutional Funds Act. There was no spending in 2019 or 2018.

Note 13 - Liquidity and Availability of Resources

The following reflects the Museum's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions or board designations that limit availability within one year of the statement of financial position date.

Cash and cash equivalents	\$ 4,239,943
Accounts receivable	15,173
Contributions receivable	3,803,916
Certificates of deposit	75,042
Other investments	<u>479,843</u>
Financial assets - At year end	8,613,917
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions - Restricted by donor with time or purpose restrictions	<u>7,385,073</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,228,844</u></u>

The Museum has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Museum invests cash in excess of daily requirements in various short-term investments, including certificate of deposits and short-term treasury investments. In addition to the above financial assets, the Museum has the ability to borrow up to \$500,000 under the line of credit disclosed in Note 6.