

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



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INDEPENDENT AUDITORS' REPORT

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

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, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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

Opinion

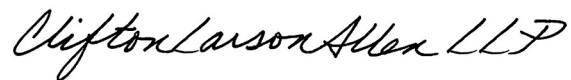
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kohl Children's Museum of Greater Chicago, Inc. as of June 30, 2020, and the changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Correction of an Error

As discussed in Note 16 to the financial statements, the Museum has an undervalued land lease which should be reflected in the financial statements as an in-kind rent receivable in accordance with accounting principles generally accepted in the United States of America. Accordingly, in-kind rent receivable and net assets with donor restrictions have been restated as of the beginning of the year ended June 30, 2019 to correct the error. Our opinion is not modified with respect to this matter.

Other Matter

The 2019 financial statements of Kohl Children's Museum of Greater Chicago, Inc. were audited by other auditors whose report dated September 26, 2019 expressed an unmodified opinion on those statements.



CliftonLarsonAllen LLP

Oak Brook, Illinois
October 1, 2020

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019 (RESTATED)

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 2,953,782	\$ 4,239,943
Certificates of Deposit	1,958,841	75,042
Investments	572,609	479,843
Contributions Receivable, Net	2,378,085	3,803,916
In-Kind Rent Receivable	2,418,199	2,522,167
Other Receivables	-	15,173
Prepaid Expenses	206,469	318,127
Property and Equipment, Net	9,672,940	9,890,120
Total Assets	\$ 20,160,925	\$ 21,344,331
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 311,069	\$ 329,393
Note Payable and Capital Lease	545,639	-
Deferred Membership Revenue	424,947	374,831
Deferred Rent	171,937	169,123
Other Deferred Revenue	147,326	161,946
Total Liabilities	1,600,918	1,035,293
NET ASSETS		
Without Donor Restrictions	9,258,804	10,401,798
With Donor Restrictions	9,301,203	9,907,240
Total Net Assets	18,560,007	20,309,038
Total Liabilities and Net Assets	\$ 20,160,925	\$ 21,344,331

See accompanying Notes to Financial Statements.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions, Gifts, and Other Support	\$ 241,731	\$ 337,496	\$ 579,227
Government Grants	19,200	3,840	23,040
Special Events, Net of Expenses of \$173,802	237,554	-	237,554
Admissions	611,419	-	611,419
Membership Income	641,542	-	641,542
Field Trips and Educational Programs	119,832	-	119,832
Facility Rental Income	143,680	-	143,680
Exhibit Rental Income	18,300	-	18,300
Other	29,034	-	29,034
Net Assets Released from Restrictions	1,014,116	(1,014,116)	-
Total Revenue, Support, and Gains	<u>3,076,408</u>	<u>(672,780)</u>	<u>2,403,628</u>
EXPENSES AND LOSSES			
Program Services:			
Education and Exhibits	3,350,408	-	3,350,408
Support Services:			
Management and General	803,860	-	803,860
Fundraising	173,761	-	173,761
Total Program Expenses	<u>4,328,029</u>	<u>-</u>	<u>4,328,029</u>
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	(1,251,621)	(672,780)	(1,924,401)
OTHER CHANGES IN NET ASSETS			
Play it Forward Campaign Contributions and Other Revenue	-	181,396	181,396
Play it Forward Campaign Expenses	(40,347)	-	(40,347)
Interest Income	44,988	13,950	58,938
Net Realized and Unrealized Losses on Investments	-	(24,617)	(24,617)
Net Assets Released from Capital Restrictions	103,986	(103,986)	-
Total Other Changes in Net Assets	<u>108,627</u>	<u>66,743</u>	<u>175,370</u>
CHANGE IN NET ASSETS	(1,142,994)	(606,037)	(1,749,031)
Net Assets - Beginning of Year, As Restated	<u>10,401,798</u>	<u>9,907,240</u>	<u>20,309,038</u>
NET ASSETS - END OF YEAR	<u>\$ 9,258,804</u>	<u>\$ 9,301,203</u>	<u>\$ 18,560,007</u>

See accompanying Notes to Financial Statements.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019 (RESTATED)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions, Gifts, and Other Support	\$ 345,713	\$ 844,723	\$ 1,190,436
Government Grants	20,200	3,050	23,250
Special Events, Net of Expenses of \$311,757	295,119	-	295,119
Admissions	816,051	-	816,051
Membership Income	916,070	-	916,070
Field Trips and Educational Programs	174,371	-	174,371
Facility Rental Income	194,009	-	194,009
Exhibit Rental Income	24,700	-	24,700
Other	37,682	-	37,682
Net Assets Released from Restrictions	1,427,985	(1,427,985)	-
Total Revenue, Support, and Gains	<u>4,251,900</u>	<u>(580,212)</u>	<u>3,671,688</u>
EXPENSES AND LOSSES			
Program Services:			
Education and Exhibits	3,905,410	-	3,905,410
Support Services:			
Management and General	677,002	-	677,002
Fundraising	314,248	-	314,248
Total Program Expenses	<u>4,896,660</u>	<u>-</u>	<u>4,896,660</u>
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	(644,760)	(580,212)	(1,224,972)
OTHER CHANGES IN NET ASSETS			
Play it Forward Campaign Contributions and Other Revenue	-	3,220,721	3,220,721
Play it Forward Campaign Expenses	(142,095)	-	(142,095)
Interest Income	11,338	12,561	23,899
Net Realized and Unrealized Gains on Investments	-	5,914	5,914
Net Assets Released from Capital Restrictions	575,476	(575,476)	-
Total Other Changes in Net Assets	<u>444,719</u>	<u>2,663,720</u>	<u>3,108,439</u>
CHANGE IN NET ASSETS	(200,041)	2,083,508	1,883,467
Net Assets - Beginning of Year	<u>10,601,839</u>	<u>5,190,859</u>	<u>15,792,698</u>
Prior Period Adjustment - See Note 16	<u>-</u>	<u>2,632,873</u>	<u>2,632,873</u>
NET ASSETS - END OF YEAR, AS RESTATED	<u>\$ 10,401,798</u>	<u>\$ 9,907,240</u>	<u>\$ 20,309,038</u>

See accompanying Notes to Financial Statements.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Support Services		Total
		Management and General	Fundraising	
Compensation	\$ 2,003,614	\$ 719,480	\$ 153,647	\$ 2,876,741
Supplies and Equipment	123,093	3,138	1,197	127,428
Travel and Meetings	47,513	5,194	8,682	61,389
Advertising, Printing, and Publications	61,275	3,988	621	65,884
Repair, Maintenance, and Construction	232,730	3,060	-	235,790
Rent and Occupancy	131,226	2,174	-	133,400
Utilities	98,771	630	-	99,401
Bank Fees and Interest	365	1,811	1,154	3,330
Depreciation	520,233	10,617	-	530,850
Consulting and Professional Fees	87,919	45,830	8,460	142,209
Miscellaneous	43,669	7,938	-	51,607
Total Expenses Before Special Event and Play it Forward Campaign Expenses	3,350,408	803,860	173,761	4,328,029
Special Events	-	-	173,802	173,802
Play it Forward Campaign	32,786	-	7,561	40,347
 Total Expenses by Function	 \$ 3,383,194	 \$ 803,860	 \$ 355,124	 \$ 4,542,178

See accompanying Notes to Financial Statements.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019 (RESTATED)

	Program Services	Support Services		Total
		Management and General	Fundraising	
Compensation	\$ 2,144,866	\$ 511,834	\$ 298,448	\$ 2,955,148
Supplies and Equipment	140,013	3,533	3,127	146,673
Travel and Meetings	89,130	14,718	6,361	110,209
Advertising, Printing, and Publications	72,212	1,422	4,403	78,037
Repair, Maintenance, and Construction	165,496	1,075	-	166,571
Rent and Occupancy	289,277	3,534	-	292,811
Utilities	113,916	773	228	114,917
Bank Fees and Interest	1,216	25	-	1,241
Depreciation	699,344	14,272	-	713,616
Consulting and Professional Fees	128,365	111,076	508	239,949
Miscellaneous	61,575	14,740	1,173	77,488
Total Expenses Before Special Event and Play it Forward Campaign Expenses	3,905,410	677,002	314,248	4,896,660
Special Events	-	-	311,757	311,757
Play it Forward Campaign	6,449	822	134,824	142,095
Total Expenses by Function	<u>\$ 3,911,859</u>	<u>\$ 677,824</u>	<u>\$ 760,829</u>	<u>\$ 5,350,512</u>

See accompanying Notes to Financial Statements.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019 (RESTATED)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,749,031)	\$ 1,883,467
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	530,850	713,617
Change in Discount on Pledges	(12,779)	6,865
Change in Provision for and Write-Off of Uncollectible Pledges	(12)	3,270
Net Realized and Unrealized Investment (Gain) Loss	24,617	(5,914)
In-Kind Rent Receivable	103,968	110,706
Contributions Restricted for Long-Term Assets	(77,963)	(3,199,092)
Changes in Operating Assets and Liabilities:		
Contributions and Other Receivables	482,528	(445,240)
Prepaid Expenses and Deposits	(24,842)	(166,482)
Accounts Payable and Accrued Expenses	(18,324)	(64,308)
Conditional Gift	-	(100,000)
Deferred Revenue	35,496	(81,377)
Deferred Rent	2,814	2,374
Net Cash Used by Operating Activities	(702,678)	(1,342,114)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(149,229)	(476,368)
Purchases of Investments	(289,709)	(33,967)
Proceeds from Sales of Investments	172,326	
Net (Purchase) Redemption of Certificates of Deposit	(1,883,799)	710,560
Net Cash Provided (Used) by Investing Activities	(2,150,411)	200,225
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	522,035	-
Payments on Capital Lease	(4,337)	-
Collection of Contributions Restricted for Acquisition of Long-Term Assets	1,049,230	2,710,093
Net Cash Provided by Financing Activities	1,566,928	2,710,093
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,286,161)	1,568,204
Cash and Cash Equivalents - Beginning of Year	4,239,943	2,671,739
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,953,782	\$ 4,239,943
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ -	\$ 14,998
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Prepaid Expenses and Deposits for Property and Equipment	\$ 136,500	\$ -
Equipment Financed through Capital Lease Arrangement	\$ 27,941	\$ -

See accompanying Notes to Financial Statements.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Kohl Children's Museum of Greater Chicago, Inc. (the Museum) was incorporated as a nonprofit 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.

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 (U.S. GAAP). 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 granters. 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.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less. 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

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.

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 collectability 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% to 1.93% in 2020 and 2019.

In-Kind Rent Receivable

In-kind rent receivable consists of a below market rent land lease through March 2044, with the Village of Glenview. The present value of the contribution, as determined at the date of the lease was effective using a 1% interest rate, is recorded in net assets with donor restrictions and in-kind receivable. Annually, this receivable is amortized and released from restriction at approximately \$104,000.

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.

Buildings and Improvements	40 Years
Exhibits	10 Years
Vehicles	3 to 5 Years
Office Equipment	3 to 10 Years

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.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent

The Museum's ground lease includes escalated rent payments through March 2044. U.S. GAAP 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.

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, 2020 and 2019.

Donated assets are reflected in the financial statements at their estimated values. The Museum received donated assets of \$-0- and \$38,000 in 2020 and 2019, 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 U.S. GAAP 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.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Adoption of New Accounting Standards

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The financial statements reflect the application of ASC 606 guidance beginning in 2018. The modified retrospective method was selected, and no cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Museum's reported historical revenue.

Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of this standard had no impact on the Museum's financial statements.

Pending Accounting Standard

Leases

In February 2016, FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Museum's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for the Museum for the fiscal year ending June 30, 2023.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Prior year amounts have been reclassified, where appropriate, to conform to the current year method of presentation. These changes had no impact to the change in net assets.

Subsequent Events

We have evaluated subsequent events through October 1, 2020, the date the financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Due Within One Year	\$ 767,328	\$ 1,364,224
Due in One to Five Years	1,419,689	2,151,058
Due in Six to Seven Years	<u>222,982</u>	<u>333,338</u>
Total	2,409,999	3,848,620
Less: Allowance for Uncollectible Contributions	11,676	11,688
Less: Allowance for Net Present Value Discount	<u>20,238</u>	<u>33,016</u>
Contributions Receivable, Net	<u>\$ 2,378,085</u>	<u>\$ 3,803,916</u>

NOTE 3 FAIR VALUE MEASUREMENTS

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

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

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 FAIR VALUE INSTRUMENTS (CONTINUED)

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, 2020 and 2019, and the valuation techniques used by the Museum to determine those fair values:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>June 30, 2020</u>			
Money Market Funds	\$ 11,696	\$ -	\$ 11,696
Certificates of Deposit	-	1,958,841	1,958,841
Equity Funds	355,319	-	355,319
Fixed Income Funds	189,135	-	189,135
Real Estate Funds	16,459	-	16,459
Total	<u>\$ 572,609</u>	<u>\$ 1,958,841</u>	<u>\$ 2,531,450</u>
<u>June 30, 2019</u>			
Money Market Funds	\$ 5,890	\$ -	\$ 5,890
Certificates of Deposit	-	75,042	75,042
Equity Funds	337,576	-	337,576
Fixed Income Funds	113,303	-	113,303
Real Estate Funds	23,074	-	23,074
Total	<u>\$ 479,843</u>	<u>\$ 75,042</u>	<u>\$ 554,885</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 2020 and 2019.

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NOTE 4 PROPERTY AND EQUIPMENT

The cost of property and equipment is summarized as follows:

	<u>2020</u>	<u>2019</u>
Buildings and Improvements	\$ 13,951,701	\$ 13,951,701
Exhibits	5,712,204	5,489,719
Vehicles	19,621	19,621
Office Equipment	948,461	898,730
Construction in Progress	474,832	433,381
Total	<u>21,106,819</u>	<u>20,793,152</u>
Less: Accumulated Depreciation	11,433,879	10,903,032
Property and Equipment, Net	<u>\$ 9,672,940</u>	<u>\$ 9,890,120</u>

Depreciation expense was \$530,850 and \$713,617 for 2020 and 2019, respectively.

NOTE 5 LINE OF CREDIT

As of June 30, 2020 and 2019, 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, 2020 and 2019. Repayment of any borrowings under the line of credit is due upon demand from the bank.

NOTE 6 NOTE PAYABLE

The Museum received a loan in the amount of approximately \$520,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

NOTE 7 CAPITAL LEASE

The Museum entered into a capital lease for office equipment during 2020. The future minimum lease payments under the capital lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 5,367
2022	5,551
2023	5,741
2024	5,937
2025	1,008
Total	<u>\$ 23,604</u>

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NOTE 7 CAPITAL LEASE (CONTINUED)

Equipment purchased under the capital lease arrangement has been capitalized at a value of \$27,971 and is included in property and equipment. Depreciation of assets under the capital lease is included in depreciation expense. The net book value of the assets under the capital lease is \$23,284 as of June 30, 2020. The interest rate on the capital lease is approximately 3% at June 30, 2020.

NOTE 8 REVENUE AND DEFERRED REVENUE

The following table shows the Museum's revenue disaggregated according to the timing of the transfer of goods and services:

	<u>2020</u>	<u>2019</u>
Revenue:		
Recognized Over Time:		
Membership Income	\$ 641,542	\$ 916,070
Recognized at a Point in Time:		
Admissions	611,419	816,051
Field Trips and Educational Programs	119,832	174,371
Special Events, Net	92,892	162,734
Other	23,463	26,814
Total Recognized at a Point in Time	<u>847,606</u>	<u>1,179,970</u>
Total	<u>\$ 1,489,148</u>	<u>\$ 2,096,040</u>

The following table shows the Museum's deferred revenue disaggregated according to the timing of the transfer of goods and services:

	<u>2020</u>	<u>2019</u>
Deferred Revenue:		
Recognized Over Time:		
Membership Revenue	\$ 424,947	\$ 374,831
Recognized at a Point in Time:		
Gift Cards	102,412	95,658
Traveling Exhibit	10,000	45,000
Sponsorship	25,000	-
Other	9,914	21,288
Total Recognized at a Point in Time	<u>147,326</u>	<u>161,946</u>
Total	<u>\$ 572,273</u>	<u>\$ 536,777</u>

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NOTE 9 OPERATING LEASES

The Museum has a ground lease agreement with the Village of Glenview, Illinois, which resulted in the recognition of an in-kind rent receivable. 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, 2020 and 2019 was approximately \$131,000.

The following is a schedule of future minimum cash rental payments required under the ground lease that have initial or remaining noncancelable lease terms in excess of one year as June 30, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 24,360
2022	24,360
2023	24,360
2024	26,095
2025	31,300
Thereafter	686,825
Total	<u>\$ 817,300</u>

NOTE 10 RETIREMENT PLAN

The Museum offers a 401(k) plan covering all eligible employees. The Museum makes employer contributions amounting to 100% of the employee contribution, not exceeding 3% of compensation, plus 50% of contributions in excess of 3%, but not greater than 5% of compensation. During the years ended June 30, 2020 and 2019, the Museum contributed \$52,343 and \$67,386, respectively, to the plan.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Play it Forward Campaign	\$ 5,885,002	\$ 5,911,025
Annual Fund and Other Programs	44,849	50,997
Early Childhood and Other Programs	380,544	943,208
Donor-Restricted Endowment Funds	440,470	337,352
Endowment Earnings	132,139	142,491
In-Kind Rent Receivable	2,418,199	2,522,167
Total Net Assets with Donor Restrictions	<u>\$ 9,301,203</u>	<u>\$ 9,907,240</u>

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NOTE 12 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.

	2020	2019
Satisfaction of Purpose Restrictions:		
Play it Forward Campaign	\$ 103,986	\$ 575,476
Early Childhood and Other Programs	1,014,116	1,427,985
Total Net Assets Released from Donor Restrictions	\$ 1,118,102	\$ 2,003,461

NOTE 13 DONOR-RESTRICTED ENDOWMENTS

The Museum's endowment consists of one donor-restricted fund. As required by U.S. 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, 2020 and 2019, 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. There were no underwater endowments at June 30, 2020 or 2019. 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 purposes of the organization 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 organization
- The investment policies of the organization

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NOTE 13 DONOR-RESTRICTED ENDOWMENTS (CONTINUED)

June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 479,843	\$ 479,843
Investment Return:			
Investment Income	-	12,841	12,841
Net Realized and Unrealized Losses on Investments	-	(23,508)	(23,508)
Total Investment Return	-	(10,667)	(10,667)
Contributions	-	103,433	103,433
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 572,609</u>	<u>\$ 572,609</u>
<u>June 30, 2019</u>			
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	<u>\$ -</u>	<u>\$ 479,843</u>	<u>\$ 479,843</u>

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 2020 and 2019.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 14 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.

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,953,782	\$ 4,239,943
Accounts Receivable	-	15,173
Contributions Receivable	2,378,085	3,803,916
Certificates of Deposit	1,958,841	75,042
Other Investments	572,609	479,843
Total	<u>7,863,317</u>	<u>8,613,917</u>
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>6,883,004</u>	<u>7,385,073</u>
Total Financial Assets Available to Meet Cash		
Needs for General Expenditures Within One Year	<u>\$ 980,313</u>	<u>\$ 1,228,844</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 5.

NOTE 15 CONTINGENCIES

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Museum, COVID-19 has and will continue to impact various parts of its operations and financial results. Specifically, the Museum has been closed temporarily since March 2020, except for small-group and VIP Sessions, which has impacted revenues. Management believes the Museum is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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NOTE 16 PRIOR PERIOD ADJUSTMENT

The accompanying financial statements reflect a restatement of beginning of year net assets to include the in-kind rent receivable as a result of the undervalued land lease as described in Note 1. The effect of this entry was a restatement to increase net assets with donor restrictions as of July 1, 2018 by \$2,632,873. This restatement also increased in-kind rent receivable by \$2,522,167 and rent and occupancy expense by \$110,706 for the year ending June 30, 2019.

