

**KOHL CHILDREN'S MUSEUM  
OF GREATER CHICAGO, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

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, 2021 and 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, 2021 and 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
December 6, 2022

**KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,174,209	\$ 2,953,782
Certificates of Deposit	-	1,958,841
Investments	1,235,161	572,609
Contributions Receivable, Net	1,281,679	2,378,085
In-Kind Rent Receivable	2,313,191	2,418,199
Prepaid Expenses	103,441	206,469
Property and Equipment, Net	9,269,511	9,672,940
Total Assets	\$ 19,377,192	\$ 20,160,925
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 338,758	\$ 311,069
Note Payable and Capital Lease	582,882	545,639
Deferred Membership Revenue	465,308	424,947
Deferred Rent	174,750	171,937
Other Deferred Revenue	152,101	147,326
Total Liabilities	1,713,799	1,600,918
<b>NET ASSETS</b>		
Without Donor Restrictions	9,412,436	9,258,804
With Donor Restrictions	8,250,957	9,301,203
Total Net Assets	17,663,393	18,560,007
Total Liabilities and Net Assets	\$ 19,377,192	\$ 20,160,925

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, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Contributions, Gifts, and Other Support	\$ 608,261	\$ 381,163	\$ 989,424
Government Grants	718,579	4,200	722,779
Special Events, Net of Expenses of \$5,324	122,710	-	122,710
Admissions	84,314	-	84,314
Membership Income	74,791	-	74,791
Field Trips and Educational Programs	210,526	-	210,526
Facility Rental Income	166,754	-	166,754
Other	325	-	325
Net Assets Released from Restrictions	614,413	(614,413)	-
Total Revenue, Support, and Gains	2,600,673	(229,050)	2,371,623
<b>EXPENSES AND LOSSES</b>			
Program Services:			
Education and Exhibits	2,483,945	-	2,483,945
Support Services:			
Management and General	865,192	-	865,192
Fundraising	187,786	-	187,786
Total Program Expenses	3,536,923	-	3,536,923
<b>CHANGE IN NET ASSETS BEFORE OTHER ITEMS</b>	(936,250)	(229,050)	(1,165,300)
<b>OTHER CHANGES IN NET ASSETS</b>			
Play it Forward Campaign Contributions and Other Revenue	-	63,946	63,946
Interest Income	-	27,883	27,883
Net Realized and Unrealized Gains on Investments	-	176,857	176,857
Net Assets Released from Capital Restrictions	1,089,882	(1,089,882)	-
Total Other Changes in Net Assets	1,089,882	(821,196)	268,686
<b>CHANGE IN NET ASSETS</b>	153,632	(1,050,246)	(896,614)
Net Assets - Beginning of Year	9,258,804	9,301,203	18,560,007
<b>NET ASSETS - END OF YEAR</b>	\$ 9,412,436	\$ 8,250,957	\$ 17,663,393

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
<b>REVENUE, SUPPORT, AND GAINS</b>			
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	3,076,408	(672,780)	2,403,628
<b>EXPENSES AND LOSSES</b>			
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	4,328,029	-	4,328,029
<b>CHANGE IN NET ASSETS BEFORE OTHER ITEMS</b>	(1,251,621)	(672,780)	(1,924,401)
<b>OTHER CHANGES IN NET ASSETS</b>			
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	108,627	66,743	175,370
<b>CHANGE IN NET ASSETS</b>	(1,142,994)	(606,037)	(1,749,031)
Net Assets - Beginning of Year	10,401,798	9,907,240	20,309,038
<b>NET ASSETS - END OF YEAR, AS RESTATED</b>	\$ 9,258,804	\$ 9,301,203	\$ 18,560,007

See accompanying Notes to Financial Statements.

**KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	Program Services	Support Services		Total
		Management and General	Fundraising	
Compensation	\$ 1,333,232	\$ 551,104	\$ 162,635	\$ 2,046,971
Supplies and Equipment	86,391	2,806	3,156	92,353
Travel and Meetings	(639)	532	556	449
Advertising, Printing, and Publications	29,821	586	4,962	35,369
Repair, Maintenance, and Construction	98,047	105,786	-	203,833
Rent and Occupancy	227,879	2,198	-	230,077
Utilities	1,056	2,089	127	3,272
Bank Fees and Interest	86,061	180	-	86,241
Depreciation	498,286	10,169	-	508,455
Consulting and Professional Fees	101,549	69,854	16,350	187,753
Miscellaneous	22,262	119,888	-	142,150
Total Expenses Before Special Event and Play it Forward Campaign Expenses	2,483,945	865,192	187,786	3,536,923
Special Events	-	-	5,324	5,324
Total Expenses by Function	<u>\$ 2,483,945</u>	<u>\$ 865,192</u>	<u>\$ 193,110</u>	<u>\$ 3,542,247</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.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (896,614)	\$ (1,749,031)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	508,455	530,850
Change in Discount on Pledges	(17,363)	(12,779)
Change in Provision for and Write-Off of Uncollectible Pledges	-	(12)
Net Realized and Unrealized Investment (Gain) Loss	(176,857)	24,617
Forgiveness of Debt	(522,035)	-
In-Kind Rent Receivable	105,008	103,968
Contributions Restricted for Long-Term Assets	1,432,642	(77,963)
Changes in Operating Assets and Liabilities:		
Contributions and Other Receivables	(1,368,103)	482,528
Prepaid Expenses and Deposits	103,028	(24,842)
Accounts Payable and Accrued Expenses	27,689	(18,324)
Deferred Revenue	45,136	35,496
Deferred Rent	2,813	2,814
Net Cash Used by Operating Activities	(756,201)	(702,678)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(56,118)	(149,229)
Purchases of Investments	(638,675)	(289,709)
Proceeds from Sales of Investments	152,980	172,326
Net (Purchase) Redemption of Certificates of Deposit	1,958,841	(1,883,799)
Net Cash Provided (Used) by Investing Activities	1,417,028	(2,150,411)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Note Payable	523,176	522,035
Payments on Capital Lease	(12,806)	(4,337)
Collection of Contributions Restricted for Acquisition of Long-Term Assets	1,049,230	1,049,230
Net Cash Provided by Financing Activities	1,559,600	1,566,928
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,220,427	(1,286,161)
Cash and Cash Equivalents - Beginning of Year	2,953,782	4,239,943
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,174,209	\$ 2,953,782
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Prepaid Expenses and Deposits for Property and Equipment	\$ -	\$ 136,500
Equipment Financed through Capital Lease Arrangement	\$ 48,908	\$ 27,941

See accompanying Notes to Financial Statements.

**KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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 (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, 2021 AND 2020**

**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 Federal Deposit Insurance Corporation. 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% in 2021 and 2020.

**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

**KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 revenue also contains amounts on gift cards, which do not expire.

**Deferred Rent**

The Museum's ground lease includes escalated rent payments through March 2044. 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, Gifts, and Grants**

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, Special Events Revenue, Field Trips, and Educational Programs**

Income collected for daily admissions, special events, field trips, and educational programs 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.

**Facility and Exhibit Rental**

Facility and exhibit rental revenue is recognized when earned.

**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, 2021 and 2020.

**KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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.

**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.

**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.

**Subsequent Events**

We have evaluated subsequent events through December 6, 2022, the date the financial statements were available to be issued.

**KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 CONTRIBUTIONS RECEIVABLE**

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

	2021	2020
Due Within One Year	\$ 292,897	\$ 767,328
Due in One to Five Years	981,740	1,419,689
Due in Six to Seven Years	50,005	222,982
Total	1,324,642	2,409,999
Less: Allowance for Uncollectible Contributions	11,676	11,676
Less: Allowance for Net Present Value Discount	31,287	20,238
Contributions Receivable, Net	\$ 1,281,679	\$ 2,378,085

**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.

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.

**KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 3 FAIR VALUE INSTRUMENTS (CONTINUED)**

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, 2021 and 2020, and the valuation techniques used by the Museum to determine those fair values:

	2021		
	Level 1	Level 2	Total
Money Market Funds	\$ 8,234	\$ -	\$ 8,234
Equity Funds	930,872	-	930,872
Fixed Income Funds	245,184	-	245,184
Real Estate Funds	50,871	-	50,871
Total	\$ 1,235,161	\$ -	\$ 1,235,161
	2020		
	Level 1	Level 2	Total
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	\$ 572,609	\$ 1,958,841	\$ 2,531,450

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 2021 and 2020.

**NOTE 4 PROPERTY AND EQUIPMENT**

The cost of property and equipment is summarized as follows:

	2021	2020
Buildings and Improvements	\$ 13,951,701	\$ 13,951,701
Exhibits	5,737,463	5,712,204
Vehicles	76,813	19,621
Office Equipment	971,036	948,461
Construction in Progress	474,832	474,832
Total	21,211,845	21,106,819
Less: Accumulated Depreciation	11,942,334	11,433,879
Property and Equipment, Net	\$ 9,269,511	\$ 9,672,940

Depreciation expense was \$508,455 and \$530,850 for 2021 and 2020, respectively.



**KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 5 LINE OF CREDIT**

As of June 30, 2021 and 2020, 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, 2021 and 2020. Repayment of any borrowings under the line of credit is due upon demand from the bank.

**NOTE 6 PAYCHECK PROTECTION PROGRAM**

The Museum received a loan in the amount of \$520,962 on April 16, 2020 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program (PPP). This amount was included in the accompanying statements of financial position as of June 30, 2020 as notes payable. This amount was forgiven by the Small Business Administration (SBA) on November 16, 2020. The revenue from this matter is included in the accompanying statements of activities as government grants.

The Museum received a Second Draw PPP Loan in the amount of \$520,962 on January 29, 2021 as part of the PPP. Subsequent to year-end, this amount was forgiven by the SBA on January 25, 2022.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

**NOTE 7 CAPITAL LEASE**

The Museum entered into a capital lease for office equipment during 2021. The future minimum lease payments under the capital lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 5,551
2023	5,741
2024	5,937
2025	1,008
Total	<u>\$ 18,237</u>

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 \$17,696 as of June 30, 2021. The interest rate on the capital lease is approximately 3% at June 30, 2021.

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**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>2021</u>	<u>2020</u>
Revenue:		
Recognized Over Time:		
Membership Income	\$ 74,791	\$ 641,542
Recognized at a Point in Time:		
Admissions	84,314	611,419
Field Trips and Educational Programs	210,526	119,832
Special Events, Net	12,985	92,892
Other	-	23,462
Total Recognized at a Point in Time	<u>307,825</u>	<u>847,605</u>
Total	<u>\$ 382,616</u>	<u>\$ 1,489,147</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deferred Revenue:			
Recognized Over Time:			
Membership Revenue	\$ 465,308	\$ 424,947	\$ 374,831
Recognized at a Point in Time:			
Gift Cards	103,552	102,412	95,658
Traveling Exhibit	35,000	10,000	45,000
Sponsorship	10,000	25,000	-
Other	3,549	9,914	21,288
Total Recognized at a Point in Time	<u>152,101</u>	<u>147,326</u>	<u>161,946</u>
Total	<u>\$ 617,409</u>	<u>\$ 572,273</u>	<u>\$ 536,777</u>

**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, 2021 and 2020 was approximately \$131,000.

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**NOTE 9 OPERATING LEASES (CONTINUED)**

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, 2021:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 24,360
2023	24,360
2024	26,095
2025	31,300
2026	31,300
Thereafter	655,525
Total	<u>\$ 792,940</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, 2021 and 2020, the Museum contributed \$51,100 and \$52,343, 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>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
Play it Forward Campaign	\$ 3,374,111	\$ 5,885,002
Annual Fund and Other Programs	32,807	44,849
Early Childhood and Other Programs	268,543	380,544
Donor-Restricted Endowment Funds	1,965,470	440,470
Endowment Earnings	296,835	132,139
In-Kind Rent Receivable	2,313,191	2,418,199
Total Net Assets with Donor Restrictions	<u>\$ 8,250,957</u>	<u>\$ 9,301,203</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.

	2021	2020
Satisfaction of Purpose Restrictions:		
Play it Forward Campaign	\$ 1,089,882	\$ 103,986
Early Childhood and Other Programs	614,413	1,014,116
Total Net Assets Released from Donor Restrictions	\$ 1,704,295	\$ 1,118,102

**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, 2021 and 2020, 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, 2021 or 2020. 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)**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 572,609	\$ 572,609
Investment Return:			
Investment Income	-	16,251	16,251
Net Realized and Unrealized Losses on Investments	-	176,857	176,857
Total Investment Return	-	193,108	193,108
Reclassification from Capital Campaign	-	1,496,588	1,496,588
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 2,262,305</u>	<u>\$ 2,262,305</u>
	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 Gains 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>

**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 2021 and 2020.

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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>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 5,174,209	\$ 2,953,782
Contributions Receivable	1,281,679	2,378,085
Certificates of Deposit	-	1,958,841
Other Investments	1,235,161	572,609
Total	<u>7,691,049</u>	<u>7,863,317</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>5,937,766</u>	<u>6,883,004</u>
Total Financial Assets Available to Meet Cash		
Needs for General Expenditures Within One Year	<u>\$ 1,753,283</u>	<u>\$ 980,313</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 had been closed for a significant portion of 2021, except for small-group and VIP Sessions, which has impacted revenues. The Museum fully reopened in June 2021. 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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