

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of Kohl Children's Museum of Greater Chicago, Inc. (the Museum), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum, as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023, on our consideration of the Museum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
March 24, 2023

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 5,567,726	\$ 5,174,209
Investments	1,235,529	1,235,161
Contributions Receivable, Net	1,218,940	1,281,679
In-Kind Rent Receivable	2,207,133	2,313,191
Prepaid Expenses	74,831	103,441
Property and Equipment, Net	9,007,909	9,269,511
Total Assets	\$ 19,312,068	\$ 19,377,192
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 437,154	\$ 338,758
Note Payable and Capital Lease	46,693	582,882
Deferred Membership Revenue	397,765	465,308
Deferred Rent	177,563	174,750
Other Deferred Revenue	209,567	152,101
Total Liabilities	1,268,742	1,713,799
NET ASSETS		
Without Donor Restrictions	10,082,523	9,412,436
With Donor Restrictions	7,960,803	8,250,957
Total Net Assets	18,043,326	17,663,393
Total Liabilities and Net Assets	\$ 19,312,068	\$ 19,377,192

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, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions, Gifts, and Other Support	\$ 327,718	\$ 582,942	\$ 910,660
Contributed Assets	200,000	-	200,000
Government Grants	1,485,868	-	1,485,868
Special Events, Net of Expenses of \$133,389	250,507	-	250,507
Admissions	933,939	-	933,939
Membership Income	866,383	-	866,383
Field Trips and Educational Programs	179,960	-	179,960
Facility Rental Income	1,675	-	1,675
Exhibit Rental Income	65,000	-	65,000
Other	11,842	-	11,842
Net Assets Released from Restrictions	<u>687,928</u>	<u>(687,928)</u>	<u>-</u>
Total Revenue, Support, and Gains	5,010,820	(104,986)	4,905,834
EXPENSES AND LOSSES			
Program Services:			
Education and Exhibits	2,811,890	-	2,811,890
Support Services:			
Management and General	1,164,158	-	1,164,158
Fundraising	<u>390,684</u>	<u>-</u>	<u>390,684</u>
Total Expenses	<u>4,366,732</u>	<u>-</u>	<u>4,366,732</u>
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	644,088	(104,986)	539,102
OTHER CHANGES IN NET ASSETS			
Play it Forward Campaign Contributions and			
Endowment Contributions	-	3,656	3,656
Interest Income	-	19,445	19,445
Net Realized and Unrealized Losses			
on Investments	-	(182,270)	(182,270)
Net Assets Released from Restrictions	<u>25,999</u>	<u>(25,999)</u>	<u>-</u>
Total Other Changes in Net Assets	<u>25,999</u>	<u>(185,168)</u>	<u>(159,169)</u>
CHANGE IN NET ASSETS	670,087	(290,154)	379,933
Net Assets - Beginning of Year	<u>9,412,436</u>	<u>8,250,957</u>	<u>17,663,393</u>
NET ASSETS - END OF YEAR	<u>\$ 10,082,523</u>	<u>\$ 7,960,803</u>	<u>\$ 18,043,326</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, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
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	<u>2,600,673</u>	<u>(229,050)</u>	<u>2,371,623</u>
EXPENSES AND LOSSES			
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 Expenses	<u>3,536,923</u>	<u>-</u>	<u>3,536,923</u>
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	(936,250)	(229,050)	(1,165,300)
OTHER CHANGES IN NET ASSETS			
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	<u>1,089,882</u>	<u>(821,196)</u>	<u>268,686</u>
CHANGE IN NET ASSETS	153,632	(1,050,246)	(896,614)
Net Assets - Beginning of Year	<u>9,258,804</u>	<u>9,301,203</u>	<u>18,560,007</u>
NET ASSETS - END OF YEAR, AS RESTATED	<u>\$ 9,412,436</u>	<u>\$ 8,250,957</u>	<u>\$ 17,663,393</u>

See accompanying Notes to Financial Statements.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Support Services		Total
		Management and General	Fundraising	
Compensation	\$ 1,724,548	\$ 686,172	\$ 318,149	\$ 2,728,869
Supplies and Equipment	115,331	3,878	9,838	129,047
Travel and Meetings	14,787	2,054	2,285	19,126
Advertising, Printing, and Publications	17,655	8,748	35,548	61,951
Repair, Maintenance, and Construction	106,635	140,475	-	247,110
Rent and Occupancy	119,915	95,266	-	215,181
Utilities	106,557	-	-	106,557
Bank Fees and Interest	-	1,241	49	1,290
Depreciation	459,141	19,183	-	478,324
Consulting and Professional Fees	143,936	83,312	24,815	252,063
Miscellaneous	3,385	123,829	-	127,214
Total Expenses Before Special Event and Play it Forward Campaign Expenses	2,811,890	1,164,158	390,684	4,366,732
Special Events	-	-	133,389	133,389
Total Expenses by Function	<u>\$ 2,811,890</u>	<u>\$ 1,164,158</u>	<u>\$ 524,073</u>	<u>\$ 4,500,121</u>

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 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.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 379,933	\$ (896,614)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	478,324	508,455
Change in Discount on Pledges	(2,201)	(17,363)
Change in Provision for and Write-Off of Uncollectible Pledges	8,006	-
Net Realized and Unrealized Investment (Gain) Loss	182,270	(176,857)
Forgiveness of Debt	(523,176)	(522,035)
In-Kind Rent Receivable	106,058	105,008
Contributed Assets	(200,000)	1,432,642
Changes in Operating Assets and Liabilities:		
Contributions and Other Receivables	56,934	(1,368,103)
Prepaid Expenses and Deposits	28,610	103,028
Accounts Payable and Accrued Expenses	98,396	27,689
Deferred Revenue	(10,077)	45,136
Deferred Rent	2,813	2,813
Net Cash Provided (Used) by Operating Activities	<u>605,890</u>	<u>(756,201)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(16,722)	(56,118)
Purchases of Investments	(480,711)	(638,675)
Proceeds from Sales of Investments	298,073	152,980
Net Redemption of Certificates of Deposit	-	1,958,841
Net Cash Provided (Used) by Investing Activities	<u>(199,360)</u>	<u>1,417,028</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	-	523,176
Payments on Note Payable	(7,462)	
Payments on Capital Lease	(5,551)	(12,806)
Collection of Contributions Restricted for Acquisition of Long-Term Assets	-	1,049,230
Net Cash Provided (Used) by Financing Activities	<u>(13,013)</u>	<u>1,559,600</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	393,517	2,220,427
Cash and Cash Equivalents - Beginning of Year	<u>5,174,209</u>	<u>2,953,782</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,567,726</u>	<u>\$ 5,174,209</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment Financed through Capital Lease Arrangement	<u>\$ -</u>	<u>\$ 48,908</u>

See accompanying Notes to Financial Statements.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 AND 2021

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.

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.

The discount rate was 1% in 2022 and 2021.

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 \$106,000.

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

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021.

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.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Adoption of New Accounting Standard

In September 2020, FASB issued amended guidance for contributed nonfinancial assets, Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosure by Not-For-Profit Entities for Contributed Nonfinancial Assets*. The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. The adoption of the new guidance in 2022 did not have a significant effect on the presentation or disclosures within 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.

Subsequent Events

We have evaluated subsequent events through March 24, 2023, the date the financial statements were available to be issued.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 CONTRIBUTIONS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Due Within One Year	\$ 480,760	\$ 292,897
Due in One to Five Years	777,920	981,740
Due in Six to Seven Years	-	50,005
Total	<u>1,258,680</u>	<u>1,324,642</u>
Less: Allowance for Uncollectible Contributions	19,682	11,676
Less: Allowance for Net Present Value Discount	20,058	31,287
Contributions Receivable, Net	<u>\$ 1,218,940</u>	<u>\$ 1,281,679</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.

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, 2022 AND 2021

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, 2022 and 2021, and the valuation techniques used by the Museum to determine those fair values:

	2022		
	Level 1	Level 2	Total
Money Market Funds	\$ 72,383	\$ -	\$ 72,383
Equity Funds	864,340	-	864,340
Fixed Income Funds	253,930	-	253,930
Real Estate Funds	44,876	-	44,876
Total	\$ 1,235,529	\$ -	\$ 1,235,529
	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

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 2022 and 2021.

NOTE 4 PROPERTY AND EQUIPMENT

The cost of property and equipment is summarized as follows:

	2022	2021
Buildings and Improvements	\$ 13,968,424	\$ 13,951,701
Exhibits	5,937,463	5,737,463
Vehicles	76,813	76,813
Office Equipment	971,036	971,036
Construction in Progress	474,832	474,832
Total	21,428,568	21,211,845
Less: Accumulated Depreciation	12,420,659	11,942,334
Property and Equipment, Net	\$ 9,007,909	\$ 9,269,511

Depreciation expense was \$478,324 and \$508,455 for 2022 and 2021, respectively.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 LINE OF CREDIT

As of June 30, 2022 and 2021, 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, 2022 and 2021. 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 in 2021.

The Museum received a Second Draw PPP Loan in the amount of \$520,962 on January 29, 2021 as part of the PPP. This amount was forgiven by the SBA on January 25, 2022 and the revenue from this matter is included in the accompanying statements of activities as government grants in 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 2022. The future minimum lease payments under the capital lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 5,741
2024	5,937
2025	1,008
Total	<u>\$ 12,686</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 \$12,108 as of June 30, 2022. The interest rate on the capital lease is approximately 3% at June 30, 2022.

KOHL CHILDREN'S MUSEUM OF GREATER CHICAGO, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 PROPERTY AND EQUIPMENT LOAN

During the year ended June 30, 2021, the Museum acquired certain property and equipment under a financing agreement that requires monthly payments of \$815 including interest at 5.99%. The balance due under the agreement at June 30, 2022 and 2021 is \$34,007 and \$41,469, respectively. Principal maturities are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 7,917
2024	8,405
2025	8,922
2026	8,763
Total	<u>\$ 34,007</u>

NOTE 9 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>2022</u>	<u>2021</u>
Revenue:		
Recognized Over Time:		
Membership Income	\$ 866,383	\$ 74,791
Recognized at a Point in Time:		
Admissions	933,939	84,314
Field Trips and Educational Programs	179,960	210,526
Special Events, Net	77,570	12,985
Other	11,450	-
Total Recognized at a Point in Time	<u>1,202,919</u>	<u>307,825</u>
Total	<u>\$ 2,069,302</u>	<u>\$ 382,616</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred Revenue:			
Recognized Over Time:			
Membership Revenue	\$ 397,765	\$ 465,308	\$ 424,947
Recognized at a Point in Time:			
Gift Cards	111,318	103,552	102,412
Exhibit	50,000	35,000	10,000
Sponsorship	41,500	10,000	25,000
Other	6,749	3,549	9,914
Total Recognized at a Point in Time	<u>209,567</u>	<u>152,101</u>	<u>147,326</u>
Total	<u>\$ 607,332</u>	<u>\$ 617,409</u>	<u>\$ 572,273</u>

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NOTE 10 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, 2022 and 2021 was approximately \$133,000.

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, 2022:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 24,360
2024	26,095
2025	31,300
2026	31,300
2027	31,300
Thereafter	624,225
Total	<u>\$ 768,580</u>

NOTE 11 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, 2022 and 2021, the Museum contributed \$51,431 and \$51,100, respectively, to the plan.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Play it Forward Campaign	\$ 3,351,768	\$ 3,374,111
Annual Fund and Other Programs	31,509	32,807
Early Childhood and Other Programs	270,913	268,543
Donor-Restricted Endowment Funds	1,984,915	1,965,470
Endowment Earnings	114,565	296,835
In-Kind Rent Receivable	2,207,133	2,313,191
Total Net Assets with Donor Restrictions	<u>\$ 7,960,803</u>	<u>\$ 8,250,957</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 13 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.

	2022	2021
Satisfaction of Purpose Restrictions:		
Play it Forward Campaign	\$ 25,999	\$ 1,089,882
Early Childhood and Other Programs	687,928	614,413
Total Net Assets Released from Donor Restrictions	\$ 713,927	\$ 1,704,295

NOTE 14 DONOR-RESTRICTED ENDOWMENTS

The Museum's endowment consists of one donor-restricted fund. 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, 2022 and 2021, 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, 2022 or 2021. 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)

Interpretation of Relevant Law (Continued)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 2,262,305	\$ 2,262,305
Investment Income (Loss):			
Investment Income	-	19,445	19,445
Net Realized and Unrealized Losses on Investments	-	(182,270)	(182,270)
Total Investment Loss	-	(162,825)	(162,825)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 2,099,480</u>	<u>\$ 2,099,480</u>
	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 Gains 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>

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 2022 and 2021.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 15 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>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 5,567,726	\$ 5,174,209
Contributions Receivable	1,218,940	1,281,679
Other Investments	<u>1,235,529</u>	<u>1,235,161</u>
Total	8,022,195	7,691,049
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>5,753,670</u>	<u>5,937,766</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 2,268,525</u></u>	<u><u>\$ 1,753,283</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 5.

NOTE 16 CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Museum received a contribution of an exhibit during the year ended June 30, 2022 for \$200,000. The Museum recognizes contributed nonfinancial assets at their estimated fair value when received. All contributions received were unrestricted.



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