

**THE CHICAGO ACADEMY
OF SCIENCES/
PEGGY NOTEBAERT
NATURE MUSEUM**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

November 22, 2022

Board of Trustees' Finance Committee
The Chicago Academy of Sciences/
Peggy Notebaert Nature Museum

We have audited the financial statements of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum (CAS/PNNM) for the year ended June 30, 2022, and have issued our report thereon dated November 22, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated September 1, 2022 and our pre-audit communication letter dated September 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CAS/PNNM are described in Note 2 to the financial statements. The application of existing policies was not changed during the year ended June 30, 2022. We noted no transactions entered into by CAS/PNNM during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Beneficial interest in charitable remainder trust: CAS/PNNM is named as beneficiary of an irrevocable trust. Upon death of the donor, CAS/PNNM will receive 40% of the value of the trust. The charitable remainder trust is recorded at estimated fair value based on the present value of the estimated future benefits to be received from the trust. Assumptions are made regarding the expected rate of return on investments in the trust and the expected life expectancy of the donor. As the fair value of the trust is derived from internal estimates of the present value of CAS/PNNM's interest in the underlying assets, the amounts ultimately received could differ from the amounts reflected in the historical financial statements.

Beneficial interest in perpetual trust: CAS/PNNM is a beneficiary of a charitable perpetual trust held by The Chicago Community Trust. The beneficial interest in perpetual trust is recorded at estimated fair value based on the fair value of the assets held in the trust reported by the trustee.

Postretirement benefit plan: CAS/PNNM relies upon various actuarial calculations to determine the calculation of the pension liability. The actuarial calculations use various estimates and assumptions including a discount rate of 4.5% and expected return on plan assets of 5.5%.

Effective July 1, 2021, CAS/PNNM adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity has received. Adoption of this standard did not have a significant impact on CAS/PNNM's financial statements.

Effective July 1, 2021, CAS/PNNM adopted ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefits Plans – General*. The new standard modifies disclosure requirements for defined benefit plans. Adoption of this standard did not have a significant impact on CAS/PNNM's financial statements.

New accounting standards affecting the reporting and disclosure of leases will impact CAS/PNNM's financial statements effective for the year ending June 30, 2023. We recommend management review the provisions of ASC 842, *Leases*, and analyze all lease agreements and other contracts or agreements with embedded leases (when an organization has a contract with a vendor that uses an asset as part of the value provided and the use of that asset meets the definition of a lease) with terms greater than 12 months to determine how the implementation of the new accounting standards will affect CAS/PNNM's financial reporting.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

The Chicago Academy of Sciences/
Peggy Notebaert Nature Museum
November 22, 2022
Page 3

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 22, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to CAS/PNNM's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CAS/PNNM's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees' Finance Committee and management of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Ostrow Reisin Berk & Abrams, Ltd.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

YEAR ENDED JUNE 30, 2022

CONTENTS

	Page
Independent auditors' report	1-3
Financial statements:	
Statement of financial position	4-5
Statement of activities	6-7
Statement of functional expenses	8
Statement of cash flows	9-10
Notes to financial statements	11-34
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36



Independent Auditors' Report

Board of Trustees
The Chicago Academy of Sciences/
Peggy Notebaert Nature Museum

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Chicago Academy of Sciences/Peggy Notebaert Nature Museum as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Chicago Academy of Sciences/Peggy Notebaert Nature Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Chicago Academy of Sciences/Peggy Notebaert Nature Museum's ability to continue as a going concern within one year after the date that 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 generally accepted auditing standards 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment 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 Chicago Academy of Sciences/Peggy Notebaert Nature 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Chicago Academy of Sciences/Peggy Notebaert Nature 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022 on our consideration of The Chicago Academy of Sciences/Peggy Notebaert Nature 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 Chicago Academy of Science/Peggy Notebaert Nature 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 Chicago Academy of Sciences/Peggy Notebaert Nature Museum's internal control over financial reporting and compliance.

Ostrow Reisin Berk & Abrams, Ltd.

November 22, 2022

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Cash	\$ 5,650,483
Receivable from Chicago Park District	1,470,000
Accounts receivable	139,614
Grants and contributions receivable	687,467
Prepaid expenses and other assets	83,149
Deposits	27,536
Restricted cash - debt service reserve fund	349,808
Investments restricted for endowment funds	566,349
Beneficial interest in charitable remainder trust	292,409
Beneficial interest in perpetual trust	1,055,023
Property, equipment and exhibits, net	12,388,097
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Total assets	\$ 22,709,935

See notes to financial statements.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30, 2022

LIABILITIES AND NET ASSETS

Liabilities:

Bonds payable, net of unamortized bond costs	\$ 3,708,815
Capital lease obligations	52,540
Accounts payable	689,721
Accrued expenses and other liabilities	244,155
Deferred revenue	2,843
Contract liabilities	179,329
Defined benefit pension liability	395,207

Total liabilities	5,272,610
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Net assets:

Without donor restrictions:

Undesignated	13,481,614
Board-designated	706,090

Total net assets without donor restrictions	14,187,704
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With donor restrictions:

Purpose and time restricted	1,676,121
Permanently restricted	1,573,500

Total net assets with donor restrictions	3,249,621
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Total net assets	17,437,325
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Total liabilities and net assets	\$ 22,709,935
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See notes to financial statements.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

STATEMENT OF ACTIVITIES

Year ended June 30, 2022	Without donor restrictions	With donor restrictions	Total
Operating revenue, gains and other support:			
Chicago Park District property tax remittances	\$ 2,155,908		\$ 2,155,908
Grants and contributions	1,269,532	\$ 2,677,035	3,946,567
Contributed goods and services	112,083		112,083
Special events	1,447,256		1,447,256
Contracts and program fees	382,927		382,927
Admissions	263,173		263,173
Memberships	71,589		71,589
Gift shop, less cost of merchandise of \$54,209	50,942		50,942
Private events and other income	112,182		112,182
Net investment income (loss)	41,885	(334,724)	(292,839)
Net assets released from restrictions	2,148,947	(2,148,947)	
Total operating revenue, gains and other support	8,056,424	193,364	8,249,788

See notes to financial statements.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

STATEMENT OF ACTIVITIES (CONTINUED)

Year ended June 30, 2022	Without donor restrictions	With donor restrictions	Total
Expenses:			
Program services	\$ 4,198,991		\$ 4,198,991
Management and general	1,336,477		1,336,477
Fundraising	519,604		519,604
Total expenses	6,055,072		6,055,072
Change in net assets from operations	2,001,352	\$ 193,364	2,194,716
Non-operating revenue (expense):			
Forgiveness of debt - PPP loan	638,467		638,467
Employee Retention Credit income	25,198		25,198
Capital projects grants	1,507,787		1,507,787
Defined benefit pension cost	(23,980)		(23,980)
Total non-operating revenue, net	2,147,472		2,147,472
Change in net assets	4,148,824	193,364	4,342,188
Net assets:			
Beginning of year	10,038,880	3,056,257	13,095,137
End of year	\$ 14,187,704	\$ 3,249,621	\$ 17,437,325

See notes to financial statements.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022	Program Services			Supporting Services		Total expenses
	Education, exhibits and biology	Museum operations and guest services	Total	Management and general	Fundraising	
Cost of food and merchandise		\$ 54,209	\$ 54,209			\$ 54,209
Depreciation and amortization	\$ 493,583	13,470	507,053	\$ 21,221	\$ 1,193	529,467
Exhibits	95,455		95,455			95,455
Interest	56,718	1,548	58,266	2,439	137	60,842
Occupancy	206,537	22,214	228,751	15,215	5,638	249,604
Office and administrative	153,006	60,447	213,453	90,021	33,585	337,059
Outside services	321,442	449,483	770,925	475,570	50,460	1,296,955
Personnel	1,714,703	484,814	2,199,517	722,860	352,953	3,275,330
Special events					75,067	75,067
Supplies	105,674	19,897	125,571	9,151	571	135,293
Total expenses	3,147,118	1,106,082	4,253,200	1,336,477	519,604	6,109,281
Less expenses included with revenues on the statement of activities: Cost of food and merchandise		(54,209)	(54,209)			(54,209)
Total expenses included in the expenses section of the statement of activities	\$ 3,147,118	\$ 1,051,873	\$ 4,198,991	\$ 1,336,477	\$ 519,604	\$ 6,055,072

See notes to financial statements.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

STATEMENT OF CASH FLOWS

Year ended June 30, 2022

Cash flows from operating activities:	
Change in net assets	\$ 4,342,188
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	529,467
Amortization of bond costs	12,665
Net realized and unrealized loss on investments	108,514
Change in value of beneficial interest in charitable remainder trust	10,772
Change in value of beneficial interest in perpetual trust	231,259
Forgiveness of debt - PPP loan	(638,467)
Loss on disposal of property, equipment and exhibits	356
(Increase) decrease in operating assets:	
Accounts receivable	(50,603)
Grants and contributions receivable	197,190
Prepaid expenses and other assets	(19,402)
Deposits	189,916
Increase (decrease) in operating liabilities:	
Accounts payable	110,194
Accrued expenses and other liabilities	(49,658)
Deferred revenue	(103,518)
Contract liabilities	103,350
Defined benefit pension liability	23,980
Net cash provided by operating activities	4,998,203
Cash flows from investing activities:	
Purchase of investments	(201,361)
Proceeds from sale of investments	708,487
Acquisitions of property, equipment and exhibits	(3,026,260)
Net cash used in investing activities	(2,519,134)

See notes to financial statements.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2022	
Cash flows from financing activities:	
Payments for bond issuance costs	\$ (46,220)
Principal payment on bonds payable	(688,000)
Principal payments on capital lease obligations	(17,788)
Net cash used in financing activities	(752,008)
Net change in cash and restricted cash	1,727,061
Cash and restricted cash:	
Beginning of year	4,273,230
End of year	\$ 6,000,291
Supplemental disclosure of cash flow information:	
Interest paid	\$ 52,275
Supplemental disclosure of non-cash investing and financing activity:	
Purchase of property, equipment and exhibits included in accounts payable	\$ 550,635
Reconciliation of cash and restricted cash within the statement of financial position to the statement of cash flows:	
Cash	\$ 5,650,483
Restricted cash - debt service reserve fund	349,808
Total cash and restricted cash	\$ 6,000,291

See notes to financial statements.

THE CHICAGO ACADEMY OF SCIENCES/ PEGGY NOTEBAERT NATURE MUSEUM

NOTES TO FINANCIAL STATEMENTS

1. Nature of activities

The Chicago Academy of Sciences/Peggy Notebaert Nature Museum (CAS/PNNM) is Chicago's oldest museum, founded in 1857 by a group of local natural history enthusiasts. CAS/PNNM's mission is to create a positive relationship between people and nature through collaborations, education, research and collections, exhibits and public forums that fosters urban connections to the region's nature and science. Operating support is primarily derived from grants and contributions, support from the Chicago Park District and fee-based programs.

2. Summary of significant accounting policies

The significant accounting policies of CAS/PNNM are summarized below:

Basis of accounting:

CAS/PNNM's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Adoption of new accounting standards:

During the year ended June 30, 2022, CAS/PNNM adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item on the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including policies regarding monetization and utilization during the reporting period, information on donor-imposed restrictions and valuation techniques. Adoption of this standard did not have a significant impact on CAS/PNNM's financial statements.

Effective July 1, 2021, CAS/PNNM adopted ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefits Plans – General*. The new standard modifies disclosure requirements for defined benefit plans. Adoption of this standard did not have a significant impact on CAS/PNNM's financial statements.

Intermediate measure of operations:

CAS/PNNM classifies all recurring museum revenues, gains and other support and expenses as operating activities except for non-operating items, which include grants for capital projects, changes in the defined benefit pension plan asset or liability, forgiveness of debt income and Employee Retention Credit income.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Basis of presentation:

CAS/PNNM reports information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets without donor restrictions are available to finance the general operations of CAS/PNNM. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of CAS/PNNM, the environment in which it operates and the purposes specified in its Articles of Incorporation, Constitution and By-Laws. Voluntary resolutions by the Board of Trustees to designate a portion of CAS/PNNM’s net assets without donor restrictions for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board of Trustees at any time, designated net assets are included under the caption “net assets without donor restrictions.” Board-designated net assets include assets over which the Board of Trustees retains control and may, at their discretion, subsequently be used for other purposes. The Board of Trustees has designated net assets without donor restrictions of \$706,090 at June 30, 2022 for operations or capital projects to be approved by the Board of Trustees.

Net assets with donor restrictions – Net assets with donor restrictions result (a) from contributions and other inflows of assets, the use of which by CAS/PNNM is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of CAS/PNNM pursuant to those stipulations, (b) from contributions and other inflows of assets with donor-imposed stipulations that the contributed resources be maintained permanently but permit CAS/PNNM to utilize or expend part or all of the income or other economic benefits derived from the donated assets and (c) from other asset enhancements and diminishments subject to the same kinds of stipulations.

Investments:

Investments are carried at fair value. Realized and unrealized investment gains and losses and other investment income less external investment expenses are reflected in the statement of activities as net investment income (loss).

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Receivable from Chicago Park District:

CAS/PNNM receives support from property taxes that are collected by the Chicago Park District. CAS/PNNM also receives support from the Chicago Park District replacement tax levy assessed on capital stock and business income. These tax revenues are recognized on the accrual basis as earned (when levied by the City of Chicago) and a corresponding receivable is included in the statement of financial position. Management expects this receivable to be collected within the next year.

Grants and contributions receivable:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Total unconditional promises to give at June 30, 2022 are due within one year. Conditional promises to give are not included in revenue until the conditions are substantially met. CAS/PNNM provides an allowance for estimated uncollectible grants and contributions, as needed, based upon management's judgment including such factors as prior collection history, specific donor circumstances and general economic conditions. As of June 30, 2022, management has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Bond costs:

Costs incurred for bond financing are capitalized and amortized over the life of the bonds payable. Unamortized bond costs are reported on the statement of financial position as a direct deduction from the face amount of the bonds payable. CAS/PNNM reflects amortization of bond costs as interest expense.

Financial instruments:

CAS/PNNM carries its financial instruments including investments, beneficial interest in charitable remainder trust, and beneficial interest in perpetual trust at fair value. Changes in the fair value of the beneficial interest in charitable remainder trust are recognized as gains and losses in net assets with donor restrictions. In accordance with the terms of the charitable perpetual trust agreement, the trustee makes annual distributions of trust income which are recognized as income without donor restrictions.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Property, equipment and exhibits:

Property, equipment and exhibits are reported at cost and are depreciated on a straight-line basis over their estimated useful lives, which range between 3 and 40 years. Maintenance and repair costs are charged to expense as incurred and betterments are capitalized. The land on which CAS/PNNM is situated is owned by the Chicago Park District. The sole and permanent right to the use and occupancy of the land, including any future improvements, was vested at no cost to CAS/PNNM as long as CAS/PNNM uses the property for the purpose for which it was founded.

Management reviews the carrying values of property, equipment and exhibits for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Collections:

CAS/PNNM holds a collection of natural history items for education, research, and public exhibition (the Collection). Additions to the Collection are made primarily through field collection and donations or gifts and bequests. CAS/PNNM's collections are not recognized or capitalized.

CAS/PNNM manages the Collection in accordance with a formal policy adopted by CAS/PNNM. Under this policy, proceeds from sales, if any, can only be used for the preservation and direct care of the permanent collections or for new acquisitions. There were no sales during the year ended June 30, 2022. Direct care is defined as any activity that involves the protection and preservation of the Collection.

Grants and contributions:

Grants and contributions received are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Grants and contributions: (continued)

Support with donor restrictions is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. CAS/PNNM reports grants and contributions with donor restrictions for which restrictions are met in the same reporting period as received as grants and contribution income without donor restrictions.

Private event income:

Facility rental fees for private events are recognized when the private event occurs.

Facility rental fees received in advance of the private event are deferred. Private event income of \$66,340 was recognized during the year ended June 30, 2022, and is included in private events and other income on the statement of activities.

Contributed goods and services:

Contributed goods and services are reflected as revenue at their fair value at the date of donation. CAS/PNNM recognizes the fair value of contributed services when the services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. Volunteers have donated their time to CAS/PNNM's programs and supporting services, but no amounts have been recorded during the year ended June 30, 2022 because the services do not meet the criteria for recognition under generally accepted accounting principles.

Contributed goods are not sold, and goods and services are only utilized by CAS/PNNM. There were no donor restrictions for contributed goods and services during the year ended June 30, 2022.

CAS/PNNM receives donated outside services that would typically be purchased if not provided as contributed services. Contributed services are valued at estimated fair value using standard industry pricing for similar services. For the year ended June 30, 2022, these services included \$34,101 related to the construction of new exhibits at CAS/PNNM and have been capitalized as part of the construction project.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Contributed goods and services: (continued)

CAS/PNNM also receives supplies which it uses in programming activities. Contributed supplies are valued at estimated fair value using estimates of wholesale value. For the year ended June 30, 2022, these donations included \$4,999 related to a website domain, which was capitalized.

During the year ended June 30, 2022, contributed goods and services were allocated as follows:

Year ended June 30, 2022	Program services	Management and general	Fundraising	Total
Outside services		\$ 96,034	\$ 10,000	\$ 106,034
Supplies	\$ 6,049			6,049
Total in-kind contributions	\$ 6,049	\$ 96,034	\$ 10,000	\$ 112,083

Functional expenses:

The costs of providing various programs and related supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses directly identifiable with a functional area are charged to that area. Personnel expenses are allocated on the basis of estimates of time and effort. Depreciation and amortization and interest are allocated based on square footage utilized for program and supporting services. All other expenses are reported using the direct allocation method.

Taxes:

CAS/PNNM, an Illinois nonprofit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and applicable state law, except for taxes pertaining to unrelated business income, if any. In addition, CAS/PNNM qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Code.

Management has determined that CAS/PNNM was not required to record a liability related to uncertain tax positions as of June 30, 2022.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management of CAS/PNNM has reviewed and evaluated subsequent events through November 22, 2022, the date the financial statements were available to be issued.

3. Revenue from contracts with customers

CAS/PNNM recognizes revenue upon delivery of goods or services in an amount that reflects the consideration CAS/PNNM expects to receive in exchange for those goods or services.

CAS/PNNM's revenue streams that fall under this guidance are derived primarily from contracts and program fees, memberships, admissions, and gift shop sales.

Contracts and program fees revenue is primarily for various conservation research services, educational programs and public programs and events provided by CAS/PNNM. Revenue is recognized over time as services are provided and programs are held. CAS/PNNM generally invoices customers for services provided or when programs are held. Summer camp program fees are generally received upon registration in advance of the summer camp program and are initially recorded as contract liabilities.

Memberships revenue is collected at the commencement of the membership period and allows the member unlimited visits to CAS/PNNM over the course of the membership period, as well as discounts on various programs and events. Management considers most of the membership fee to represent an exchange transaction accounted for as revenue from contracts with customers. An insignificant amount of the membership fee is allocated as contributions. Payments for annual memberships are due upon registration. Memberships revenue is deferred and recognized as revenue in equal monthly amounts during the applicable membership period.

Admissions revenue is recognized at a point in time as visitors obtain access to CAS/PNNM.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Revenue from contracts with customers (continued)

Gift shop sales revenue is recognized at the point in time when the sale occurs and the customer takes possession of the merchandise. Sales taxes collected from customers are excluded from revenues and the obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing authorities.

With the exception of memberships, which can be for a period of one or two years, all of CAS/PNNM's revenue from contracts with customers are from performance obligations with an initial expected duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

Disaggregation of revenue:

Revenue from contracts with customers disaggregated by category for the year ended June 30, 2022 are as follows:

<u>Year ended June 30, 2022</u>	
Revenue recognized over time:	
Contracts and program fees	\$ 382,927
Memberships	71,589
<hr/>	
Total revenue recognized over time	454,516
<hr/>	
Revenue recognized at a point of time:	
Admissions	263,173
Gift shop sales	105,151
<hr/>	
Total revenue recognized at a point in time	368,324
<hr/>	
Revenue from contracts with customers	\$ 822,840
<hr/>	

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Revenue from contracts with customers (continued)

Contract balances:

Accounts receivable related to revenue from contracts with customers are \$139,614 and \$89,011 at June 30, 2022 and 2021, respectively. Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. CAS/PNNM provides an allowance for estimated uncollectible accounts receivable, as needed, based upon management’s judgment including such factors as prior collection history and general economic conditions. As of June 30, 2022, management has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Contract liabilities consist of contracts and program fees and membership dues for which consideration has been received in advance of when performance obligations are met.

June 30,	2022	2021
Contract liabilities:		
Contracts and program fees	\$ 108,189	\$ 65,002
Memberships	71,140	10,977
Total contract liabilities	\$ 179,329	\$ 75,979

There were no contract assets at June 30, 2022 and 2021.

Significant judgments:

Significant judgments are required to be made by management to determine the appropriate approach to applying the revenue recognition criteria.

4. COVID-19

During the year ended June 30, 2021, CAS/PNNM elected to not re-open to the public due to various financial and operational issues, and remained closed through July 7, 2021, at which time it re-opened on a limited basis. On September 7, 2021, the facility fully re-opened, with programming ramping up gradually. During its closure, CAS/PNNM continued to serve its audiences through digital and limited in-person programming.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. COVID-19 (continued)

In response to the COVID-19 pandemic, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) that, among other economic stimulus measures, established the Employee Retention Credit (ERC) to provide a refundable tax credit against certain employment taxes if eligibility requirements are met. The credit is equal to 50% of qualified wages paid from March 12, 2020 to December 31, 2020 with a maximum credit of \$5,000 per employee for 2020. During calendar year 2021, the credit is equal to 70% of qualified wages per quarter, with a maximum quarterly credit of \$7,000 per employee. CAS/PNNM applied for the ERC for the quarters ended September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021. CAS/PNNM accounted for the ERC as a conditional contribution and has recognized revenue of \$25,198 during the year ended June 30, 2022.

5. Cash

CAS/PNNM maintains a portion of its cash in bank accounts which exceed Federal Deposit Insurance Corporation (FDIC) insured limits. At June 30, 2022, cash in excess of these limits totaled approximately \$4,160,000. In addition, CAS/PNNM maintained cash at June 30, 2022 totaling approximately \$1,805,000 in money market funds which are not insured nor guaranteed by the FDIC. Management believes that CAS/PNNM is not exposed to any significant credit risk on cash.

6. Conditional promises to receive

CAS/PNNM has conditional promises to receive of approximately \$1,323,000 as of June 30, 2022 from various state governmental agencies for capital improvement projects. Payment is contingent upon incurring capital project expenses. Funds received in advance of conditions being met totaled \$2,843 as of June 30, 2022 and are recorded as deferred revenue on the statement of financial position.

7. Liquidity and availability

The sources of liquidity available to CAS/PNNM are cash, investments, and receivables. CAS/PNNM manages available cash to meet general expenditures. To facilitate this, CAS/PNNM prepares monthly budgetary projections for the upcoming year. Known expenditures are accounted for in preparing the budget. Management and the Board of Trustees monitor liquidity measures on an ongoing basis such as by reviewing financial statements and budget-to-actual reports on a monthly basis.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Liquidity and availability (continued)

The following represents CAS/PNNM's financial assets available to meet general expenditures within one year:

<u>June 30, 2022</u>	
Financial assets at year-end:	
Cash	\$ 5,650,483
Receivables:	
Chicago Park District	1,470,000
Accounts receivable	139,614
Grants and contributions	687,467
Restricted cash - debt service reserve fund	349,808
Investments restricted for endowment funds	566,349
Beneficial interest in charitable remainder trust	292,409
Beneficial interest in perpetual trust	1,055,023
Total financial assets at year-end	10,211,153
Less amounts not available to be used within one year:	
Purpose restricted net assets held in cash or investments not expected to be spent in one year	(1,053,554)
Board-designated funds not expected to be spent in one year	(706,090)
Restricted cash - debt service reserve fund	(349,808)
Investments restricted for endowment funds (less endowment appropriation for operations in the next twelve months)	(542,349)
Beneficial interest in charitable remainder trust	(292,409)
Beneficial interest in perpetual trust	(1,055,023)
Total amounts not available to be used within one year	(3,999,233)
Financial assets available to meet general expenditures within one year	\$ 6,211,920

Board-designated net assets of \$706,090 held in cash as of June 30, 2022 can be used with approval by the Board of Trustees. As of June 30, 2022, the Board of Trustees has not designated any amount of these net assets for use during the year ending June 30, 2023.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value measurements

There are three levels of inputs used to measure fair value. The definition of each input is described below:

Level 1 Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CAS/PNNM has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs that are unobservable inputs for the asset or liability.

CAS/PNNM assesses the levels of financial instruments at each measurement date and transfers between levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with CAS/PNNM's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers for the year ended June 30, 2022.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. CAS/PNNM's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value measurements (continued)

For the year ended June 30, 2022, the application of valuation techniques applied to similar assets has been consistent with techniques used in previous years. The valuation methodologies used for instruments at fair value are described below:

Mutual and exchange-traded funds: Valued at fair value based on quoted market prices.

Beneficial interest in charitable remainder trust: CAS/PNNM is named as beneficiary of an irrevocable trust. Upon death of the donor, CAS/PNNM will receive 40% of the value of the trust. The charitable remainder trust is recorded at estimated fair value based on the fair value of the assets held in the trust reported by the trustee. The amounts ultimately received could differ from the amount reflected in the financial statements.

Beneficial interest in perpetual trust: CAS/PNNM is a beneficiary of a charitable perpetual trust held by The Chicago Community Trust. The beneficial interest in perpetual trust is recorded at estimated fair value based on the fair value of the assets held in the trust reported by the trustee. CAS/PNNM considers the measurement of its beneficial interest in perpetual trust to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, CAS/PNNM will never receive those assets or have the ability to direct the trustee to redeem them.

The following table sets forth by level, within the fair value hierarchy, CAS/PNNM's assets at fair value. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

June 30, 2022	Level 1	Level 3
Recurring fair value measurements:		
Assets:		
Mutual and exchange-traded funds	\$ 566,349	
Beneficial interest in charitable remainder trust		\$ 292,409
Beneficial interest in perpetual trust		1,055,023
Total recurring fair value measurements	\$ 566,349	\$ 1,347,432

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value measurements (continued)

For the beneficial interest in charitable remainder trust, unrealized losses of \$10,772 during the year ended June 30, 2022 are included in net investment income (loss) on the statement of activities. For the beneficial interest in perpetual trust, unrealized losses of \$189,512 during the year ended June 30, 2022 are included in net investment income (loss) on the statement of activities.

Risks and uncertainties:

CAS/PNNM invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

9. Property, equipment and exhibits

Property, equipment and exhibits consist of the following:

<u>June 30, 2022</u>	
Land	\$ 900,000
Building	17,136,970
Exhibits	10,577,945
Equipment and furniture	1,541,357
Building improvements	2,759,499
	<u>32,915,771</u>
Less accumulated depreciation	<u>(20,527,674)</u>
Property, equipment and exhibits, net	<u>\$ 12,388,097</u>

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Bonds payable

Bonds payable consists of:

<u>June 30, 2022</u>	
Illinois Finance Authority Revenue	
Bonds (The Chicago Academy of Sciences Project), Series 2013	\$ 3,831,750
Unamortized bond costs	(122,935)
	<u>\$ 3,708,815</u>

In January 2013, CAS/PNNM entered into a Bond and Loan Agreement with the Illinois Finance Authority (the Authority) and PNC Bank, National Association (the Bank), under which the Authority issued \$5,519,750 of Revenue Bonds (The Chicago Academy of Sciences Project), Series 2013, tax-exempt variable rate bonds (the 2013 Bonds). Proceeds from the 2013 Bonds were loaned to CAS/PNNM and were used to refund the outstanding Illinois Development Finance Authority Adjustable Demand Revenue Bonds, Series 1998 (The Chicago Academy of Sciences Project) (the 1998 Bonds) and to pay the costs of issuing the 2013 Bonds. As part of this transaction, the Bank purchased the 2013 Bonds from the Authority. In addition, the Authority has assigned a security interest and all rights, title and interest in the 2013 Bonds, with certain exclusions as defined in the Bond and Loan Agreement. The 2013 Bonds mature on January 1, 2033.

In September 2018, CAS/PNNM amended its Bond and Loan Agreement with the Authority and the Bank. Under this amendment, the Bank's original optional tender date of December 31, 2019 was extended to December 31, 2021. In addition, the variable interest rate was changed to 80% of one month LIBOR plus .85% through December 31, 2021. The variable interest rate is pre-determined monthly and interest was payable quarterly. CAS/PNNM was required to fund a debt service reserve fund which may only be used to redeem, on an interest payment date or on the maturity date, a portion of the 2013 Bonds.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Bonds payable (continued)

In December 2021, CAS/PNNM amended its Bond and Loan Agreement with the Authority and the Bank. Under this amendment, the Bank's optional tender date was extended to December 31, 2026. In addition, the variable interest rate was changed to 80% of one-month Bloomberg Short-Term Bank Yield Index (BSBY) plus 1.10% through December 31, 2026. The variable interest rate is pre-determined monthly and interest is payable quarterly. Subsequent to December 31, 2026, the 2013 Bonds shall bear interest at a rate to be determined as provided in the Bond and Loan Agreement. As part of the amendment, a principal redemption of \$688,000 was made in December 2021. Future mandatory redemptions are as follows:

June 1, 2023	\$235,000
June 1, 2024	\$240,000
June 1, 2025	\$250,000
June 1, 2026	\$250,000

Management expects to refinance the \$2,856,750 remaining principal due on or before December 31, 2026. The effective interest rate at June 30, 2022 was 1.81%.

Under a Continuing Covenants Agreement with the Bank, CAS/PNNM is required to meet certain financial and operational covenants. The Bank consented for CAS/PNNM to incur additional debt pursuant to the Paycheck Protection Program (see Note 11) and waived any event of default under the Continuing Covenants Agreement caused by CAS/PNNM borrowing additional debt. CAS/PNNM was in compliance with all other financial and operational covenants as of June 30, 2022.

11. Note payable

One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used for other allowable costs.

In January 2021, CAS/PNNM applied for and received a second PPP loan in the amount of \$638,467 (PPP 2 loan). The PPP 2 loan had a maturity date of February 18, 2026 and an annual interest rate of 1% per year. CAS/PNNM accounted for the PPP 2 loan under the debt model. In February 2022, CAS/PNNM applied for and received forgiveness of the entire PPP 2 loan balance. The loan forgiveness of \$638,467 is recorded as forgiveness of debt revenue during the year ended June 30, 2022 on the statement of activities.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Benefit plans

CAS/PNNM has a defined benefit plan (the Plan). CAS/PNNM amended the Plan to freeze pension benefits as of December 31, 2003. After that date, no individual shall become a participant in the Plan and no further benefits shall accrue under the Plan. Provisions have been made for normal cost and amortization of unfunded prior service cost over 30 years. CAS/PNNM's annual contribution to the Plan is approximately equal to the provision for expense.

CAS/PNNM uses a June 30 measurement date for its Plan.

The following table sets forth the Plan's funded status at June 30 and amounts recognized in CAS/PNNM's statement of financial position:

June 30, 2022	
Change in benefit obligation:	
Benefit obligation, July 1	\$ 1,943,660
Interest cost	85,546
Actuarial gain	(362,190)
Benefits paid	(85,290)
Benefit obligation, June 30,	\$ 1,581,726
Change in plan assets:	
Fair value of plan assets, July 1	\$ 1,572,433
Actual return on plan assets	(300,624)
Benefits paid	(85,290)
Fair value of plan assets, June 30,	\$ 1,186,519
Funded status	\$ (395,207)

The projected benefit obligation assumptions impacting net actuarial gains consist of changes in discount and mortality rates, as well as changes in plan experience. A significant component of the increase in actuarial gains during the year was the change in discount rates.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Benefit plans (continued)

Amounts recognized in the statement of financial position consist of:

June 30, 2022	
Liability:	
Defined benefit pension liability	\$ (395,207)

Amounts recognized in the statement of activities consist of:

Year ended June 30, 2022	
Net actuarial gain	\$ 423,915
Net periodic pension benefit cost	(447,895)
Total	\$ (23,980)

The components of net periodic pension benefit cost are as follows:

Year ended June 30, 2022	
Interest cost	\$ (85,546)
Expected return on plan assets	84,138
Amortization of net actuarial loss	(446,487)
Net periodic pension benefit cost	\$ (447,895)

The key actuarial assumptions used in developing the data were as follows:

June 30, 2022	
Weighted average assumptions used in computing ending obligations and net cost:	
Discount rate	4.50%
Expected return on plan assets	5.50%

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Benefit plans (continued)

CAS/PNNM’s investment strategy is to meet its obligation to retired employees. To achieve this objective, CAS/PNNM invests in mutual funds. The asset allocation is regularly reviewed in order to provide the most favorable total return.

The following table presents CAS/PNNM’s Plan assets using the fair value hierarchy. Substantially all of CAS/PNNM’s Plan assets are invested in mutual funds, which are traded in active exchange markets. The fair values of CAS/PNNM’s Plan assets by asset category, which are considered all Level 1 assets, are as follows:

<u>June 30, 2022</u>	
Mutual funds	\$ 1,186,519

Future benefits under the Plan are expected to be paid as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2023	\$ 98,102
2024	99,133
2025	103,446
2026	103,281
2027	105,191
Thereafter	530,628
Total	\$ 1,039,781

CAS/PNNM expects to make a contribution to the Plan of \$17,500 during the year ending June 30, 2023.

In addition, CAS/PNNM sponsors a 401(k) retirement savings plan covering all eligible employees, which provides for optional matching contributions of up to 3% of employees’ salaries. There were no employer contributions to the 401(k) plan during the year ended June 30, 2022.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Special events

CAS/PNNM holds one significant fundraising event, the Butterfly Ball, on an annual basis. As a result of the COVID-19 pandemic, the Butterfly Ball was a virtual online event during the year ended June 30, 2022 (with no direct benefits to donors). The following table reflects the revenue and expenses incurred related to that event:

<u>Year ended June 30, 2022</u>	
Special event revenue	\$ 1,447,256
Special event expenses	<u>(75,067)</u>
Total special event revenue, net of expenses	<u>\$ 1,372,189</u>

14. Lease commitments

CAS/PNNM leases equipment under a capital lease. The total capitalized cost of the leased property at June 30, 2022 was \$103,280, which is included in property, equipment and exhibits in the statement of financial position. Accumulated amortization on capitalized assets was \$59,524 as of June 30, 2022. Amortization expense on capital leases is included in depreciation and amortization expense and was \$18,797 for the year ended June 30, 2022.

The following is a schedule of future minimum payments due under the lease:

<u>Year ending June 30:</u>	<u>Amount</u>
2023	\$ 24,180
2024	24,180
2025	<u>11,109</u>
Total payments	59,469
Imputed interest	<u>(6,929)</u>
Total capital lease obligations	<u>\$ 52,540</u>

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Lease commitments (continued)

CAS/PNNM leases office and storage space under an operating lease which expires in May 2024. Rent expense was \$82,284 for the year ended June 30, 2022. Future minimum lease payments are as follows:

Year ending June 30:	Amount
2023	\$ 84,067
2024	78,463
Total	\$ 162,530

15. Net assets with donor restrictions

Net assets with donor restrictions are as follows:

June 30, 2022	
Purpose and time restrictions:	
Biology	\$ 10,002
Capital improvements	1,053,554
Education	230,127
Guest engagement and experience	42,157
Time	292,409
Endowment funds	47,872
Total purpose and time restrictions	1,676,121
Permanent restrictions:	
Beneficial interest in perpetual trust	1,055,023
Endowment funds	518,477
Total permanent restrictions	1,573,500
Total net assets with donor restrictions	\$ 3,249,621

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. Net assets with donor restrictions (continued)

Net assets with donor restrictions were released from donor restrictions by the passage of time and by incurring expenses satisfying the following purpose and time restrictions specified by donors:

<u>Year ended June 30, 2022</u>	
Biology	\$ 4,278
Capital improvements	1,780,987
Education	212,290
Guest engagement and experience	25,955
Marketing	30,000
Time	70,000
Endowment	25,437
<u>Total net assets released from restrictions</u>	<u>\$ 2,148,947</u>

16. Endowment funds

CAS/PNNM's endowment funds consist of seven individual donor-restricted funds. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

CAS/PNNM's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Illinois as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CAS/PNNM classifies as net assets with donor restrictions - permanently restricted (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. Endowment funds (continued)

Interpretation of relevant law: (continued)

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions - permanently restricted is classified as net assets with donor restrictions - purpose and time restricted until those amounts are appropriated for expenditure by CAS/PNNM in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CAS/PNNM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of CAS/PNNM and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of CAS/PNNM
7. The investment policies of CAS/PNNM

All of CAS/PNNM's endowment funds were donor-restricted for the year ended June 30, 2022. CAS/PNNM has no Board-designated endowment funds.

Composition of and changes in endowment net assets are as follows:

	With donor restrictions		
	Purpose restricted	Permanently restricted	Total
Endowment net assets as of June 30, 2021	\$ 166,001	\$ 518,477	\$ 684,478
Investment loss	(92,692)		(92,692)
Appropriation of endowment assets for expenditure	(25,437)		(25,437)
Endowment net assets as of June 30, 2022	\$ 47,872	\$ 518,477	\$ 566,349

**THE CHICAGO ACADEMY OF SCIENCES/
PEGGY NOTEBAERT NATURE MUSEUM**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. Endowment funds (continued)

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by the donor or UPMIFA. There were no deficiencies of this nature for the year ended June 30, 2022.

Return objectives and risk parameters:

CAS/PNNM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that CAS/PNNM must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to conserve corpus while assuming a minimal level of investment risk.

Strategies employed for achieving objectives:

CAS/PNNM invested all endowment assets in a portfolio of publicly-traded mutual and exchange-traded funds in accordance with an endowment investment policy statement. These strategies will be amended as the investment corpus grows.

Spending policy and how the investment objectives relate to spending policy:

CAS/PNNM's spending policy is limited to earnings on the endowment funds. The spending policy allows CAS/PNNM to spend up to 4% of the market value of the fund's assets based on the previous 12 quarters.

17. Commitments and contingencies

CAS/PNNM has received funds from state agencies during the year ended June 30, 2022 which are subject to audits by the granting agencies. Management believes that any adjustments that might arise from these audits would be insignificant to CAS/PNNM's operations.

18. Concentration of risk

During the year ended June 30, 2022, contributions from one donor accounted for approximately 72% of total grants and contributions.



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees' Finance Committee
The Chicago Academy of Sciences/
Peggy Notebaert Nature Museum

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Chicago Academy of Sciences/Peggy Notebaert Nature Museum's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Chicago Academy of Sciences/Peggy Notebaert Nature Museum's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Chicago Academy of Sciences/Peggy Notebaert Nature Museum's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ostrouh Reisin Berk & Abrams, Ltd.

Chicago, IL
November 22, 2022