

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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

YEAR ENDED JUNE 30, 2024

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Independent Auditors' Report

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

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, 2024, 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, 2024, 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. 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 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, 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.

Ostrow Reisin Berk & Abrams, Ltd.

January 7, 2025

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

STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS

Cash	\$ 4,930,799
Receivable from Chicago Park District	1,354,012
Accounts receivable	55,041
Grants and contributions receivable	420,816
Prepaid expenses and other assets	152,223
Investments restricted for endowment funds	1,072,441
Beneficial interest in perpetual trust	1,216,421
Property, equipment and exhibits, net	13,561,985
Operating lease right-of-use asset	243,540
Finance lease right-of-use asset	62,237
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Total assets	\$ 23,069,515

See notes to financial statements.

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30, 2024

LIABILITIES AND NET ASSETS

Liabilities:

Bonds payable, net of unamortized bond costs	\$ 3,264,476
Operating lease liability	250,605
Finance lease liability	66,915
Accounts payable	77,723
Accrued expenses and other liabilities	394,761
Contract liabilities	405,800

Total liabilities	4,460,280
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Net assets:

Without donor restrictions:

Undesignated	14,395,985
Board-designated	706,090

Total net assets without donor restrictions	15,102,075
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With donor restrictions:

Purpose and time restricted	1,772,262
Permanently restricted	1,734,898

Total net assets with donor restrictions	3,507,160
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Total net assets	18,609,235
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Total liabilities and net assets	\$ 23,069,515
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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, 2024	Without donor restrictions	With donor restrictions	Total
Operating revenue, gains and other support:			
Chicago Park District property tax remittances	\$ 1,834,496		\$ 1,834,496
Grants and contributions	1,324,799	\$ 992,463	2,317,262
Contributed goods and services	249,120		249,120
Special events, net of cost of direct benefits to donors of \$337,980	1,290,805		1,290,805
Contracts and program fees	767,860		767,860
Admissions	491,966		491,966
Memberships	240,688		240,688
Gift shop, less cost of merchandise of \$95,776	140,559		140,559
Private events and other income	102,603		102,603
Net investment income	92,184	187,715	279,899
Net assets released from restrictions	675,574	(675,574)	
 Total operating revenue, gains and other support	 7,210,654	 504,604	 7,715,258

See notes to financial statements.

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

STATEMENT OF ACTIVITIES (CONTINUED)

Year ended June 30, 2024	Without donor restrictions	With donor restrictions	Total
Expenses:			
Program services	\$ 6,203,608		\$ 6,203,608
Management and general	1,966,399		1,966,399
Fundraising	596,003		596,003
Total expenses	8,766,010		8,766,010
Change in net assets from operations	(1,555,356)	\$ 504,604	(1,050,752)
Non-operating revenue (expense):			
Capital projects grants	145,772		145,772
Defined benefit pension cost	(41,868)		(41,868)
Total non-operating revenue, net	103,904		103,904
Change in net assets	(1,451,452)	504,604	(946,848)
Net assets:			
Beginning of year	16,553,527	3,002,556	19,556,083
End of year	\$ 15,102,075	\$ 3,507,160	\$ 18,609,235

See notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

	Program Services			Supporting Services			Cost of direct benefits to donors	Total expenses
	Education, exhibits and biology	Museum operations and guest services	Private events and other	Total	Management and general	Fundraising		
Cost of food and merchandise		\$ 95,776		\$ 95,776	\$ 36,898	\$ 6,724		\$ 95,776
Depreciation and amortization	\$ 960,670	26,218		986,888				1,030,510
Exhibits	260,123			260,123				260,123
Interest	197,136	5,380		202,516	8,475	476		211,467
Occupancy	178,454	17,502	\$ 13,096	209,052	8,772	3,289		221,113
Office and administrative	261,475	97,013	8,092	366,580	176,090	56,138		598,808
Outside services	631,817	562,928	1,113	1,195,858	823,533	45,528		2,064,919
Personnel	1,985,611	754,786	57,228	2,797,625	900,460	349,750		4,047,835
Special events						133,606	\$ 337,980	471,586
Supplies	146,861	37,403	702	184,966	12,171	492		197,629
Total expenses	4,622,147	1,597,006	80,231	6,299,384	1,966,399	596,003	337,980	9,199,766
Less expenses included with revenues on the statement of activities:								
Cost of food and merchandise		(95,776)		(95,776)				(95,776)
Direct benefits to donors							(337,980)	(337,980)
Total expenses included in the expenses section of the statement of activities	\$ 4,622,147	\$ 1,501,230	\$ 80,231	\$ 6,203,608	\$ 1,966,399	\$ 596,003	\$ -	\$ 8,766,010

See notes to financial statements.

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

STATEMENT OF CASH FLOWS

Year ended June 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ (946,848)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,015,687
Amortization of bond costs	15,330
Amortization of operating lease right-of-use asset	75,348
Amortization of finance lease right-of-use asset	14,823
Net realized and unrealized gains on investments restricted for endowment funds	(68,800)
Change in value of beneficial interest in perpetual trust	(84,936)
(Increase) decrease in operating assets:	
Receivable from Chicago Park District	115,988
Accounts receivable	46,348
Grants and contributions receivable	1,145,035
Prepaid expenses and other assets	(49,731)
Increase (decrease) in operating liabilities:	
Accounts payable	15,318
Accrued expenses and other liabilities	70,513
Contract liabilities	24,144
Defined benefit pension liability	(209,102)
Operating lease liability	(71,622)
Net cash provided by operating activities	1,107,495
Cash flows from investing activities:	
Purchases of investments restricted for endowment funds	(657,445)
Proceeds from sales of investments restricted for endowment funds	653,956
Acquisitions of property, equipment and exhibits	(746,135)
Net cash used in investing activities	(749,624)

See notes to financial statements.

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

STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2024	
Cash flows from financing activities:	
Principal payment on bonds payable	\$ (240,000)
Payments on finance lease liability	(13,998)
Net cash used in financing activities	(253,998)
Net change in cash and restricted cash	103,873
Cash and restricted cash:	
Beginning of year	4,826,926
End of year	\$ 4,930,799
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	\$ 213,011
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating lease	\$ 85,809
Financing cash flows from finance lease (principal payments)	\$ 13,998
Operating cash flows from finance lease (interest payments)	\$ 16,655
Supplemental disclosure of non-cash investing and financing activity:	
Right-of-use assets obtained in exchange for lease liabilities:	
Finance lease	\$ 68,789

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.

Recent accounting pronouncement:

Effective July 1, 2023, CAS/PNNM adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This guidance significantly changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from an incurred credit loss methodology to an expected credit loss methodology, which requires consideration of a broad range of reasonable and supportable information to measure credit loss estimates. The standard also requires additional disclosures to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by CAS/PNNM that are subject to the guidance in Topic 326 are accounts receivable. The cumulative effect of adopting Topic 326 was not material to the 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 and defined benefit pension plan cost.

**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, 2024 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.

**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.

Accounts receivable:

Accounts receivable consist of amounts due for various conservation research services, educational programs and public programs and events provided by CAS/PNNM for which CAS/PNNM has an unconditional right to receive payment due to the absence of a right of refund. Accounts receivable are stated at unpaid balances, less an allowance for credit losses, if necessary.

Management evaluates collectibility on a pooled basis where similar characteristics exist and records an allowance for credit losses in an amount equal to the current expected credit losses that result from all possible default events over the expected life of the assets. Management has determined that similar risk characteristics exist for receivables from similar contracts with customers. Accordingly, the pools for which the allowance for credit losses is calculated are receivables from governmental agencies and other organizations for conversation research and those from schools and educational organizations for educational programs. Accounts receivable are evaluated individually when specific balances no longer share those risk characteristics and are considered at risk or uncollectible. The allowance for credit losses is estimated using an analysis of historical loss experience, current receivables aging and management's assessment of current conditions and reasonable and supportable expectations of future conditions.

CAS/PNNM writes off accounts receivable when there is information that indicates there is no possibility of recovery. If recoveries are made from accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery. The allowance for credit losses as well as the provision for credit losses, write-off activity and recoveries for the period presented are not material to the financial statements as of and during the year ended June 30, 2024.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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. 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, 2024, 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 and beneficial interest in perpetual trust at fair value. 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.

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. Depreciation of equipment and furniture, exhibits, and building and building improvements is provided over five to ten, seven to ten, and fifteen to forty years, respectively. Maintenance and repair costs are charged to expense as incurred and betterments are capitalized. The land on which CAS/PNNM's building 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.

**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: (continued)

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, 2024.

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, 2024. 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.

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 contributions revenue without donor restrictions.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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 \$96,055 was recognized during the year ended June 30, 2024, 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. In addition, volunteers have donated their time to CAS/PNNM, including acting as hosts, assisting in a Public Interpretive Program, staffing special events, and various other programs and supporting services of CAS/PNNM. No amounts have been recorded during the year ended June 30, 2024 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 recognized during the year ended June 30, 2024.

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. These services during the year ended June 30, 2024 included \$27,513 related to an immersive exhibit and \$220,427 related to legal, consulting and marketing services. The fair value of supplies was based on the actual cost of the supplies donated as evidenced by invoicing or other support provided by the companies that donated the related supplies.

Contributed goods and services were allocated as follows:

Year ended June 30, 2024	Program services	Management and general	Total
Outside services	\$ 27,513	\$ 220,427	\$ 247,940
Supplies	1,180		1,180
Total contributed goods and services	\$ 28,693	\$ 220,427	\$ 249,120

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Leases:

CAS/PNNM determines whether a contract is a lease at the contract's inception. Identified leases are subsequently measured, classified, and recognized at lease commencement as either a finance lease or an operating lease. Operating and finance lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments to be made over the expected lease term. The lease payments are discounted to present value using a discount rate based on a term commensurate with the lease terms at the lease commencement date. CAS/PNNM has elected to use a risk-free discount rate for office and storage space. CAS/PNNM uses the interest rate implicit in the lease as the discount rate for copiers. The portion of payments on operating lease liabilities related to interest, along with the amortization of the related right-of-use assets, is recognized as operating lease cost. Operating lease cost is recognized on a straight-line basis over the term of the lease.

The portion of payments on finance lease liabilities related to interest is recognized as interest expense. The amortization of the right-of-use assets under finance leases is recognized as depreciation and amortization expense. Finance lease right-of-use assets are amortized from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, or if the lease transfers ownership of the underlying asset to CAS/PNNM or CAS/PNNM is reasonably certain to exercise an option to purchase the underlying asset, then the right-of-use asset is amortized to the end of the useful life of the underlying asset.

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.

THE CHICAGO ACADEMY OF SCIENCES/ PEGGY NOTEBAERT NATURE MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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, 2024.

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 January 7, 2025, 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 contracts and program fees, memberships, admissions, gift shop sales and special events.

Contracts primarily consist of conservation research services for governmental agencies and other organizations, which vary in duration. Program revenue primarily consists of educational programs for schools and educational organizations and are generally conducted in a single day. Program revenue also includes 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 after the service or program is provided. Summer camp program fees are generally received upon registration in advance of the summer camp program and are initially recorded as contract liabilities.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Revenue from contracts with customers (continued)

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 and collected at the point in time when visitors obtain access to CAS/PNNM.

Gift shop sales revenue is recognized and collected 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.

CAS/PNNM holds one significant fundraising event, the Butterfly Ball, every spring. In exchange for the fee, participants receive various direct benefits, including food and beverages. The estimated value of direct benefits provided is recognized as revenue from contracts with customers at the point in time when the event takes place. Amounts are billed in advance of the event.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Revenue from contracts with customers (continued)

Disaggregation of revenue:

Revenue from contracts with customers disaggregated by category are as follows:

<u>Year ended June 30, 2024</u>	
Revenue recognized over time:	
Contracts and program fees	\$ 767,860
Memberships	240,688
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Total revenue recognized over time	1,008,548
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Revenue recognized at a point of time:	
Admissions	491,966
Gift shop sales	236,335
Special events	83,600
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Total revenue recognized at a point in time	811,901
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Revenue from contracts with customers	\$ 1,820,449

The nature, amount, timing, and uncertainty of revenue and cash flows of CAS/PNNM are impacted by its customers being concentrated in the Chicagoland area.

Contract balances:

Accounts receivable related to revenue from contracts with customers were \$55,041 and \$101,745 at June 30, 2024 and 2023, respectively. 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.

<u>June 30,</u>	<u>2024</u>	<u>2023</u>
Contract liabilities:		
Contracts and program fees	\$ 265,517	\$ 253,084
Memberships	140,283	128,572
<hr/>		
Total contract liabilities	\$ 405,800	\$ 381,656

There were no contract assets at June 30, 2024 and 2023.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Revenue from contracts with customers (continued)

Significant judgments:

Significant judgments are required to be made by management to determine the appropriate approach to applying the revenue recognition criteria. Significant judgments are also made by management to determine the fair value of benefits provided to participants at its special events.

4. Liquidity and availability

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)

4. Liquidity and availability (continued)

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

<u>June 30, 2024</u>	
Financial assets at year-end:	
Cash	\$ 4,930,799
Receivable from Chicago Park District	1,354,012
Accounts receivable	55,041
Grants and contributions receivable	420,816
Investments restricted for endowment funds	1,072,441
Beneficial interest in perpetual trust	1,216,421
<hr/>	
Total financial assets at year-end	9,049,530
<hr/>	
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	(398,679)
Board-designated funds not expected to be spent in one year	(706,090)
Investments restricted for endowment funds (less endowment appropriation for operations in the next twelve months)	(1,041,951)
Beneficial interest in perpetual trust	(1,216,421)
<hr/>	
Total amounts not available to be used within one year	(3,363,141)
<hr/>	
Financial assets available to meet general expenditures within one year	\$ 5,686,389

Board-designated net assets of \$706,090 held in cash as of June 30, 2024 can be used with approval by the Board of Trustees. As of June 30, 2024, the Board of Trustees has not designated any amount of these net assets for use during the year ending June 30, 2025.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. 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 the 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, 2024.

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)

5. Fair value measurements (continued)

For the year ended June 30, 2024, 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 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, 2024	Level 1	Level 3
Recurring fair value measurements:		
Assets:		
Mutual and exchange-traded funds	\$ 1,072,441	
Beneficial interest in perpetual trust		\$ 1,216,421
Total recurring fair value measurements	\$ 1,072,441	\$ 1,216,421

For the beneficial interest in perpetual trust, unrealized gains of \$125,439 during the year ended June 30, 2024 are included in net investment income 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Grants and contributions receivable

Unconditional promises to give are as follows:

<u>June 30, 2024</u>	
Receivable due in one year	\$ 264,161
Receivable due in one to five years	175,000
 Total grants and contributions receivable	 439,161
 Discount	 (18,345)
 <u>Total grants and contributions receivable, net</u>	 <u>\$ 420,816</u>

Unconditional promises to give were discounted at rates ranging from 4.33% to 4.71% at June 30, 2024.

7. Property, equipment and exhibits

Property, equipment and exhibits consist of the following:

<u>June 30, 2024</u>	
Land	\$ 900,000
Building	17,136,970
Exhibits	12,488,181
Equipment and furniture	1,438,077
Building improvements	3,860,566
	35,823,794
<u>Accumulated depreciation</u>	<u>(22,261,809)</u>
 Property, equipment and exhibits, net	 \$ 13,561,985

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Bonds payable

Bonds payable consists of:

June 30, 2024	
Illinois Finance Authority Revenue Bonds (The Chicago Academy of Sciences Project), Series 2013	\$ 3,356,750
Unamortized bond costs	(92,274)
Bonds payable, net of unamortized bond costs	\$ 3,264,476

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 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. A principal redemptions of \$240,000 was made in June 2024. Future mandatory redemptions are as follows:

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 was 5.38% at June 30, 2024.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Bonds payable (continued)

In October 2024, the Bond and Loan Agreement was amended with the Authority and the Bank. Under this amendment, the variable interest rate was changed from November 1, 2024 to the sum of (i) 80% of Adjusted One-Month Secured Overnight Financing Rate (SOFR) and (ii) the Initial Applicable Spread of .90%. Adjusted One-Month SOFR is equal to the sum of (a) TERM SOFR and (b) the SOFR Adjustment of .09%. Interest on the base rate is calculated based on a year of 360 days and the actual days elapsed and is paid quarterly.

Under a Continuing Covenants Agreement with the Bank, CAS/PNNM is required to meet certain financial and operational covenants. One financial covenant includes maintaining a Debt Service Coverage Ratio of at least 1.00. CAS/PNNM was not in compliance with this covenant as of June 30, 2024. In a letter dated January 7, 2025, the Bank waived any event of default under the Continuing Covenants Agreement caused by CAS/PNNM not maintaining the minimum Debt Service Coverage Ratio. CAS/PNNM was in compliance with all other financial covenants as of June 30, 2024.

9. Benefit plans

CAS/PNNM had 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. In September 2023, CAS/PNNM submitted a PBGC Form 500 Standard Termination notice with the Pension Benefit Guaranty Corporation and terminated the Plan effective October 11, 2023. Upon Plan termination, participants were given the option to receive a lump sum payment or annuity benefit. CAS/PNNM made a final Plan contribution of \$250,970 during the year ended June 30, 2024.

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, 2024.

10. Lease commitments

CAS/PNNM leased copiers under a finance lease expiring in June 2024. In December 2023, CAS/PNNM terminated the lease and returned the equipment. CAS/PNNM leases copiers under a finance lease through March 2029. CAS/PNNM has an option to purchase the copiers at fair market value at the end of the lease, which CAS/PNNM is not reasonably certain to exercise. Payments of \$2,845 are billed and paid monthly.

CAS/PNNM leases office and storage space under an operating lease expiring in May 2027. The lease requires monthly payments of base rent. There are no variable payments.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Lease commitments (continued)

The following summarizes the components of lease cost:

Year ended June 30, 2024	
Operating lease cost	\$ 88,470
Finance lease costs:	
Amortization of right-of-use asset	14,823
Interest on lease liability	16,655
Total lease cost	\$ 119,948

Future lease payments are as follows:

Year ending June 30:	Operating lease	Finance lease
2025	\$ 88,372	\$ 34,140
2026	91,018	34,140
2027	85,712	34,140
2028		34,140
2029		25,605
Total undiscounted lease payments	265,102	162,165
Imputed interest	(14,497)	(95,250)
Total lease liabilities	\$ 250,605	\$ 66,915

The following summarizes the weighted-average remaining lease terms and discount rates:

Year ended June 30, 2024	
Weighted-average remaining lease term (years):	
Finance lease	4.75
Operating lease	2.92
Weighted-average discount rate:	
Finance lease	44.67%
Operating lease	2.88%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Net assets with donor restrictions

Net assets with donor restrictions are as follows:

<u>June 30, 2024</u>	
Purpose and time restrictions:	
Biology	\$ 10,745
Capital improvements	398,679
Education	298,168
Guest engagement and experience	328,867
Time	98,017
Endowment funds	553,964
Flight of Butterflies exhibit	83,822
Total purpose and time restrictions	1,772,262
Permanent restrictions:	
Beneficial interest in perpetual trust	1,216,421
Endowment funds	518,477
Total permanent restrictions	1,734,898
Total net assets with donor restrictions	\$ 3,507,160

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

<u>Year ended June 30, 2024</u>	
Biology	\$ 11,159
Capital improvements	80,591
Education	216,656
Public engagement	180,000
Endowment	30,490
Flight of Butterflies exhibit	156,678
Total net assets released from restrictions	\$ 675,574

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. 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 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, 2024. CAS/PNNM has no Board-designated endowment funds.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Endowment funds (continued)

Interpretation of relevant law: (continued)

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

	With donor restrictions		
	Purpose restricted	Permanently restricted	Total
Endowment net assets as of July 1, 2023	\$ 481,675	\$ 518,477	\$ 1,000,152
Investment income	102,779		102,779
Appropriation of endowment assets for expenditure	(30,490)		(30,490)
Endowment net assets as of June 30, 2024	\$ 553,964	\$ 518,477	\$ 1,072,441

Contributions to the endowment:

There were no contributions to the endowment during the year ended June 30, 2024.

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, 2024.

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.

THE CHICAGO ACADEMY OF SCIENCES/ PEGGY NOTEBAERT NATURE MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Endowment funds (continued)

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.

13. Commitments and contingencies

CAS/PNNM has received funds from state agencies during the year ended June 30, 2024 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.

14. Concentrations

CAS/PNNM maintains a portion of its cash in bank accounts which exceed Federal Deposit Insurance Corporation (FDIC) insured limits. At June 30, 2024, cash in excess of these limits totaled approximately \$3,246,000. In addition, CAS/PNNM maintained cash at June 30, 2024 totaling approximately \$1,520,000 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.

During the year ended June 30, 2024, contributions from one donor accounted for approximately 24% of total grants and contributions revenue.

15. Collective bargaining agreement

In October 2024, certain CAS/PNNM employees have agreed to a collective bargaining agreement effective October 16, 2024. The agreement includes guidelines and requirements regarding compensation, benefits and working conditions. The agreement terminates on October 15, 2027. Approximately 69% of CAS/PNNM's employees are covered by the collective bargaining agreement.

16. Related party transactions

Grants and contributions from Board members were approximately \$1,122,000 during the year ended June 30, 2024.



January 7, 2025

The Chicago Academy of Sciences/
Peggy Notebaert Nature Museum
2430 North Cannon Drive
Chicago, IL 60614

We have audited the financial statements of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements. Our independent auditors' report with respect thereto was dated January 7, 2025.

We have not audited or reported on any financial statements of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum as of any date or for any period subsequent to June 30, 2024.

In a letter dated January 7, 2025, management of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum has represented to us that The Chicago Academy of Sciences/Peggy Notebaert Nature Museum is not aware of any Default or Event of Default, as of June 30, 2024, in respect to the covenants set forth in Section 6.23 of the Continuing Covenants Agreement dated as of January 1, 2013, as amended on September 14, 2018, December 21, 2021 and November 1, 2024. Management also represented that PNC Bank, N.A. has consented for The Chicago Academy of Sciences/Peggy Notebaert Nature Museum to not maintain a Debt Service Coverage Ratio of at least 1.00 as of June 30, 2024 and waived any event of default under the Continuing Covenants Agreement caused by The Chicago Academy of Sciences/Peggy Notebaert Nature Museum not maintaining the minimum Debt Service Coverage Ratio.

We have obtained no knowledge of any Default or Event of Default by The Chicago Academy of Sciences/Peggy Notebaert Nature Museum in the fulfillment of any of the terms, covenants, provisions or conditions of the Continuing Covenants Agreement relating to financial matters through January 7, 2025.

This letter should not be taken to supplant any additional inquiries or procedures that PNC Bank, N.A. would undertake in their consideration of any default by The Chicago Academy of Sciences/Peggy Notebaert Nature Museum in the fulfillment of any of the covenants set forth in Section 6.23 of the Continuing Covenants Agreement dated as of January 1, 2013, as amended on September 14, 2018, December 21, 2021 and November 1, 2024. Further, we make no representations regarding questions of legal interpretation.

This letter is solely for your information and that of PNC Bank, N.A. pursuant to Section 6.23 of the Continuing Covenants Agreement dated as of January 1, 2013, as amended on September 14, 2018, December 21, 2021 and November 1, 2024, and it is not to be used, circulated, quoted or otherwise referred to for any other purpose.

We have no responsibility to update this letter for events and circumstances occurring after January 7, 2025.

Ostrow Reisin Berk & Abrams, Ltd.



January 23, 2025

Board of Trustees
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, 2024, and have issued our report thereon dated January 7, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 to you dated September 5, 2024 and in our pre-audit communication letter dated September 5, 2024. 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. Except for the adoption of the accounting policy described below, the application of existing policies was not changed during the year ended June 30, 2024. 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.

Effective July 1, 2023, CAS/PNNM adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This guidance significantly changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from an incurred credit loss methodology to an expected credit loss methodology, which requires consideration of a broad range of reasonable and supportable information to measure credit loss estimates. The standard also requires additional disclosures to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by CAS/PNNM that are subject to the guidance in Topic 326 are accounts receivable. The cumulative effect of adopting Topic 326 was not material to the financial statements.

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 affecting the financial statements is:

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.

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.

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. The material misstatement in the attached schedule was detected as a result of audit procedures and was corrected by management.

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 January 7, 2025.

The Chicago Academy of Sciences/
Peggy Notebaert Nature Museum
January 23, 2025
Page 3

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 identified deficiencies in internal control over financial reporting related to year-end close procedures, bank reconciliations, and IT controls and have communicated our findings in a separate letter dated January 23, 2025.

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 Reissin Berk & Abrams, Ltd.

The Chicago Academy of Sciences/
Peggy Notebaert Nature Museum
January 23, 2025
Page 4

MATERIAL MISSTATEMENT CORRECTED BY MANAGEMENT

To adjust accumulated depreciation and net assets
without donor restrictions

	<u>DEBIT</u>	<u>CREDIT</u>
Accumulated depreciation	\$ 911,286	
Net assets without donor restrictions		\$ 911,286



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

In planning and performing our audit of the financial statements of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum (CAS/PNNM) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered CAS/PNNM's system of internal control over financial reporting (internal control) as a basis for designing 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 CAS/PNNM's internal control. Accordingly, we do not express an opinion on the effectiveness of CAS/PNNM's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the attached schedule, we identified a certain deficiency in internal control that we consider to be a material weakness and certain deficiencies in internal control that we consider to be significant deficiencies.

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 CAS/PNNM's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in CAS/PNNM's internal control described in the attached schedule to be a material weakness.

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. We consider the deficiencies in CAS/PNNM's internal control described in the attached schedule to be significant deficiencies.

CAS/PNNM's written responses to the material weakness and significant deficiencies identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within 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.

Ostron Reisin Berk & Abrams, Ltd.

January 23, 2025

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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED JUNE 30, 2024

Material weakness

Year-end close procedures:

Due to turnover of accounting personnel leaving only one member of the accounting team in place, numerous post-close adjustments were provided by management during audit fieldwork. A timely and accurate fiscal year-end close is necessary in order to ensure proper and accurate financial reporting. This deficiency in internal control could prevent management from preventing, or detecting and correcting, misstatements on a timely basis. We recommend that management review fiscal year-end closing policies and procedures to ensure a timely year-end close.

Management Response

CAS/PNNM acknowledges that there were several adjustments (< 10) made during the first days of audit fieldwork, similar to prior years. This was noted in the CAS/PNNM fiscal year 2024 audit as a material weakness. These adjustments included such items as annual depreciation, in-kind services, new accounting standard for leases, and some correcting entries. As noted by the auditors, the CAS/PNNM accounting team was limited to one person due to the resignation of the Chief Operating Officer earlier in the fiscal year. A CAS/PNNM staff accountant was selected in April 2024, but ultimately declined the offer of employment due to the challenges of relocating from out-of-state. The staff accountant position was eventually filled in mid-August 2024, just a few weeks before audit fieldwork began. The following are additional action steps CAS/PNNM will implement.

Action steps for fiscal year 2025:

- A) Complete month-end close process no later than 15 business days after month-end.
- B) Create and share Quarterly Finance Committee Checklist including due dates on PBC (Provided By Client) list from auditors. Report progress to Finance Committee on a monthly or quarterly basis depending on meetings.
- C) Complete required audit deliverables on an ongoing basis. Report progress to Finance Committee.
- D) Share date of scheduled audit with Finance Committee by July 2025, ensuring date allows enough time for auditors to finish audit report for submittal to PNC by November 27.

**THE CHICAGO ACADEMY OF SCIENCES/
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COMMENTS AND RECOMMENDATIONS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Significant deficiencies

Bank reconciliations:

Due to turnover of accounting personnel leaving only one member of the accounting team in place, monthly bank reconciliations were not prepared and reviewed in a timely manner. This deficiency in internal control could prevent management from preventing, or detecting and correcting, misstatements on a timely basis. We recommend that monthly bank reconciliations are prepared and reviewed within 15 days after month-end.

Management Response

CAS/PNNM acknowledges that the monthly bank reconciliations were not performed in a timely manner. This was noted in the CAS/PNNM fiscal year 2024 audit as a significant deficiency. As noted, the bank reconciliation process was a responsibility of the Chief Operating Officer who resigned mid-way through the fiscal year. Additionally, the bank statements were reviewed by the CAS/PNNM VP of Finance & Administration as a part of month-end close, but the formal reconciliation process (as a separation of duties) was a task of the Chief Operating Officer. Prior to audit fieldwork, the VP of Finance & Administration prepared the bank reconciliations. The following is an additional action step CAS/PNNM will adopt in fiscal year 2025.

Action step for fiscal year 2025:

- A) Prepare bank reconciliations within 15 days of month-end close.

Commerce platform user access controls:

Users of CAS/PNNM's museum store commerce platform were found to be sharing user IDs and passwords thereby bypassing user access controls of the system. This deficiency in IT controls could allow an unauthorized user to access the commerce platform which could lead to a misstatement of the financial reporting of CAS/PNNM. We recommend that management implement user access controls for the commerce platform, including the use of unique user IDs and passwords for each individual who has access to the platform.

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COMMENTS AND RECOMMENDATIONS (CONTINUED)

YEAR ENDED JUNE 30, 2024

Significant deficiencies (continued)

Commerce platform user access controls: (continued)

Management Response

CAS/PNNM acknowledges that a Shopify login was shared by the VP of Finance & Administration and Assistant Manager of Guest Experience & Engagement. This was noted in the CAS/PNNM fiscal year 2024 audit as a significant deficiency. During the pandemic, the Museum moved to a new platform (Shopify) for gift shop inventory and sales using their basic monthly plan which allowed for limited users. The VP of Finance & Administration only used the login to access monthly sales transactions and reports. The following is an additional action step CAS/PNNM has adopted.

Action step for fiscal year 2025:

- A) Upgrade to version of Shopify that allows for more users.

