

Museum of Science and Industry

Financial Statements

As of and for the Years Ended December 31, 2020
and 2019 and Independent Auditor's Report

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Independent Auditor's Report

RSM US LLP

Board of Trustees
Museum of Science and Industry

Report on the Financial Statements

We have audited the accompanying financial statements of the Museum of Science and Industry (the Museum), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum of Science and Industry as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Chicago, Illinois
May 17, 2021

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Museum of Science and Industry

**Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash	\$ 3,982,081	\$ 3,156,104
Operating investments	2,685,142	4,986,757
Pledges receivable, net	33,273,046	39,456,643
Other assets	2,408,537	3,767,271
Long-term investments	129,215,080	109,635,001
Museum properties, net	129,515,728	129,583,063
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Total assets	\$ 301,079,614	\$ 290,584,839
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Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,976,862	\$ 6,484,024
Bonds payable, net of unamortized financing fees	52,815,519	54,614,145
Other liabilities	9,512,328	4,082,864
Total liabilities	66,304,709	65,181,033
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Net assets:		
Without donor restrictions	163,557,381	156,407,112
With donor restrictions	71,217,524	68,996,694
Total net assets	234,774,905	225,403,806
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Total liabilities and net assets	\$ 301,079,614	\$ 290,584,839
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See notes to financial statements.

Museum of Science and Industry

Statement of Activities and Changes in Net Assets Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Operating income:			
Revenue and support:			
Admissions	\$ 2,138,737	\$ -	\$ 2,138,737
Special exhibits	82,338	-	82,338
Ancillary services	1,405,458	-	1,405,458
Membership	1,337,544	-	1,337,544
Government support	5,439,338	159,602	5,598,940
Private support	22,093,148	18,320,790	40,413,938
Investment return designated for operations	3,843,573	659,848	4,503,421
Other income	301,931	-	301,931
Net assets released from restrictions	17,608,297	(17,608,297)	-
Total revenue and support	54,250,364	1,531,943	55,782,307
Expenses:			
Exhibits and public programs	16,597,914	-	16,597,914
Education programs	7,368,729	-	7,368,729
Guest services	2,306,536	-	2,306,536
Retail and supporting services	1,118,576	-	1,118,576
Membership	539,130	-	539,130
Development	3,485,857	-	3,485,857
Management and general	5,026,217	-	5,026,217
Expenses before depreciation and interest	36,442,959	-	36,442,959
Depreciation	9,850,162	-	9,850,162
Interest	977,028	-	977,028
Operating income (loss), including depreciation and interest expense	6,980,215	1,531,943	8,512,158
Non-operating income (loss):			
Gain on long-term investments, net, after investment return designated for operations	2,600,438	878,303	3,478,741
Other losses, net	(2,430,384)	(189,416)	(2,619,800)
Total non-operating income	170,054	688,887	858,941
Change in net assets	7,150,269	2,220,830	9,371,099
Net assets, beginning of year	156,407,112	68,996,694	225,403,806
Net assets, end of year	\$ 163,557,381	\$ 71,217,524	\$ 234,774,905

See notes to financial statements.

Museum of Science and Industry

Statement of Activities and Changes in Net Assets Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Operating income:			
Revenue and support:			
Admissions	\$ 14,949,977	\$ -	\$ 14,949,977
Special exhibits	982,553	-	982,553
Ancillary services	7,411,658	-	7,411,658
Membership	3,204,612	-	3,204,612
Government support	5,577,461	310,175	5,887,636
Private support	16,171,801	11,137,364	27,309,165
Investment return designated for operations	3,856,526	464,964	4,321,490
Other income	776,702	-	776,702
Net assets released from restrictions	31,302,450	(31,302,450)	-
Total revenue and support	84,233,740	(19,389,947)	64,843,793
Expenses:			
Exhibits and public programs	22,988,902	-	22,988,902
Education programs	11,086,343	-	11,086,343
Guest services	3,345,107	-	3,345,107
Retail and supporting services	2,798,746	-	2,798,746
Membership	975,742	-	975,742
Development	5,415,084	-	5,415,084
Management and general	5,728,973	-	5,728,973
Expenses before depreciation and interest	52,338,897	-	52,338,897
Depreciation	10,580,337	-	10,580,337
Interest	1,710,650	-	1,710,650
Operating income (loss), including depreciation and interest expense	19,603,856	(19,389,947)	213,909
Non-operating income (loss):			
Gain on long-term investments, net, after investment return designated for operations	10,349,658	2,402,441	12,752,099
Other income, net	237,453	95	237,548
Total non-operating income	10,587,111	2,402,536	12,989,647
Change in net assets	30,190,967	(16,987,411)	13,203,556
Net assets, beginning of year, as previously reported	128,562,691	85,984,105	214,546,796
Cumulative-effect adjustment from adoption of ASC 606	(2,346,546)	-	(2,346,546)
Net assets, beginning of year, as adjusted	126,216,145	85,984,105	212,200,250
Net assets, end of year	<u>\$ 156,407,112</u>	<u>\$ 68,996,694</u>	<u>\$ 225,403,806</u>

See notes to financial statements.

Museum of Science and Industry

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 9,371,099	\$ 13,203,556
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,850,162	10,580,337
Amortization of debt issuance costs	19,374	19,373
Change in value of interest rate swap	2,194,260	(227,960)
Loss on disposal of fixed assets	199,148	138,690
Proceeds from sale of collections	-	(95)
Realized loss (gain) on investments	1,134,978	(5,379,687)
Unrealized gain on investments	(6,459,224)	(8,475,620)
Gifts restricted for permanent endowment	(1,089,440)	(190,241)
Gifts restricted for acquisition of Museum properties	(7,822,576)	(2,809,576)
Changes in operating assets and liabilities:		
Pledges receivable, net	(710,772)	2,502,502
Other assets	1,104,746	1,061,236
Accounts payable and accrued liabilities	(1,101,940)	(2,056,019)
Other liabilities	(1,434,709)	(1,913,800)
Net cash provided by operating activities	5,255,106	6,452,696
Cash flows from investing activities:		
Proceeds from sale of collections	-	95
Purchase of investments	(79,298,679)	(68,997,700)
Proceeds from sale of investments	67,344,461	72,844,669
Purchase of Museum properties	(11,387,196)	(19,527,584)
Net cash used in investing activities	(23,341,414)	(15,680,520)
Cash flows from financing activities:		
Proceeds from forgivable PPP loan	4,923,900	-
Payment on bonds payable	(1,818,000)	(1,738,000)
Proceeds from gifts restricted for permanent endowment	2,257,080	1,510,904
Proceeds from gifts restricted for acquisition of Museum properties	13,549,305	7,174,975
Net cash provided by financing activities	18,912,285	6,947,879
Net change in cash	825,977	(2,279,945)
Cash, beginning of year	3,156,104	5,436,049
Cash, end of year	\$ 3,982,081	\$ 3,156,104
Supplemental disclosure of cash flow information:		
Interest paid	\$ 666,255	\$ 1,525,146
Accounts payable and accrued liabilities for Museum properties	1,029,260	2,434,481

See notes to financial statements.

Museum of Science and Industry

Notes to Financial Statements

Note 1. Description of Organization

The Museum of Science and Industry (the Museum), a 501(c)(3) corporation, is the largest science museum in the Western Hemisphere and home to thousands of exhibits and artifacts. For 85 years, the Museum has been a premier destination in Chicago, Illinois. The Museum's mission is to inspire the inventive genius in everyone and its vision is to inspire and motivate children to achieve their full potential in science, technology, medicine and engineering. The Museum typically welcomes over 1.4 million guests annually and is the top Chicago museum field trip destination for students. Through its Welcome to Science Initiative, the Museum engages over half a million participants annually in science education programs.

World-class permanent exhibitions include *Science Storms*, a 26,000-square-foot exhibit that reveals the extraordinary science behind some of nature's most powerful and compelling phenomena; *Numbers in Nature: A Mirror Maze*, an exhibit that exposes and explains hidden patterns in the natural world and features a 1,800-square-foot mirror maze; and *YOU! The Experience*, a 15,000-square-foot exhibit that explores the human mind, body and spirit. Other favorite experiences include the *U-505 Submarine*, the only German U-boat captured during World War II, surrounded by more than 30,000 square feet of artifacts and interactive activities; the *Coal Mine*, a reproduction of an Illinois coal mine that takes guests down fifty feet in a real hoist to the bottom of a mineshaft; *The Great Train Story*, a dynamic model train display that illustrates modern rail operation; and the *Giant Dome Theater*, which features educational films, rich in content and presented on Chicago's only five-story, domed wrap-around movie screen.

In 2019, the Museum announced a \$125 million unrestricted gift from the Kenneth C. Griffin Charitable Fund. The largest gift in the Museum's history, it will strengthen the Museum's overall financial future and ensure it remains a resource for science learning for generations to come. The gift will be recognized as Private Support in the Statement of Activities when the intention is realized upon receipt of funds. For the years ended December 31, 2020 and 2019, \$15 million and \$10 million is recognized in Private Support. In recognition of this historic gift, the Museum will, in time, become the Kenneth C. Griffin Museum of Science and Industry.

Note 2. COVID-19 Impact

The COVID-19 pandemic has affected the Museum's activities and finances, beginning in March 2020. The Museum experienced a decline in attendance-driven revenues, including admissions, special exhibits, ancillary services, and membership. Due to the publicly ordered closing of all arts and cultural facilities, the Museum was closed to the public from March 14, 2020 until July 28, 2020. The Museum reopened from July 29, 2020 through November 18, 2020 and closed again until the end of 2020. In response to the revenue decline, the Museum took actions to reduce costs, including significant cuts to non-wage budgets and a reduction in staff. Private support, government support, and investment income designated for operations helped to offset the decline in attendance-driven revenues. The Museum reopened at 25% capacity on March 4, 2021 and features a new special exhibit: *Marvel: Universe of Superheroes*, which has experienced strong demand. The Museum expects to stay open as long as it is safe to do so.

Museum of Science and Industry

Notes to Financial Statements

Note 3. Summary of Significant Accounting Policies

Basis of accounting: The financial statements have been prepared using the accrual basis of accounting. The Museum classifies its net assets, revenue, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Museum are reported as follows:

Without donor restrictions: Net assets that are not subject to donor-directed restrictions. Items that affect this net asset category principally consist of attendance-driven revenues and related expenses associated with the core activities of the Museum: general admission, special exhibitions, retail, and guest services. In addition to these exchange transactions, changes in this category of net assets include investment returns on funds functioning as endowments and philanthropic support (government support, private support, and memberships) that is free of a donor-directed restriction.

With donor restrictions: Net assets subject to donor-imposed restrictions that will be met either by actions of the Museum or the passage of time. Items that affect this net asset category are gifts for which donors have directed the use of funds toward areas of importance to the Museum's mission, including education, exhibitions, building preservation, and strategic initiatives. Also included in this category are net assets subject to donor-directed restrictions to be maintained permanently by the Museum, including gifts and pledges to the Museum's endowment fund. Generally, the donors of these assets permit the Museum to use all or part of the income earned on related investments for specific purposes.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Collections: The Museum's permanent collections, which were acquired since the Museum's inception through purchases and contributions from benefactors, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors.

The Museum's collections are made up of artifacts of historical significance, scientific specimens and art objects that are held for educational, research, scientific and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying the items' existence and assessing their condition are performed continuously. The collections are subject to the Museum's policy that requires proceeds from their sales be used for direct care of existing artifacts or acquire other items for collections. Direct care is defined as investing in existing collections by enhancing their life, usefulness or quality and thereby ensuring they will continue to benefit the public.

Cash: The Museum had deposits in excess of federally insured limits at December 31, 2020 and 2019. However, the Museum had not experienced any losses in these accounts and believes that it is not exposed to any significant credit risk.

Investments: Investments are presented in the financial statements at fair value in accordance with U.S. GAAP. Investment income, realized gains (losses), and changes in unrealized gains (losses) are reflected in the statements of activities and changes in net assets. Investments received as contributions are recorded at fair value at the date of receipt. Investments are classified as either operating or long-term, based on intended use.

The Museum's investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. Because of these risks, it is possible that changes in the fair value of investments may occur and that such changes could materially affect the Museum's financial statements.

Museum of Science and Industry

Notes to Financial Statements

Note 3. Summary of Significant Accounting Policies (Continued)

Pledges receivable: Pledges receivable are recorded in the period during which the pledge is received. Pledges to be collected after one year are discounted using an annual rate commensurate with the risk involved. Amortization of the discount is recorded as additional private support.

Pledges are recorded net of an allowance for uncollectible amounts. The Museum determines its allowance for uncollectible amounts by considering a number of factors, including the length of time receivables are past due, previous collection history, the donor's current ability to pay, and the condition of the general economy and industry as a whole. The Museum writes off pledges receivable that have become uncollectible.

Interest in charitable trusts: The Museum is the designated beneficiary of certain trusts held by third parties. For trusts that are irrevocable, the Museum records an asset equal to the fair value of its beneficial interest in these trusts, included in Other Assets on the statement of financial position. For trusts in which the Museum does not have an irrevocable interest (i.e. the trust has variance power), the value of the trust is not included in the financial statements.

Asset retirement obligations: U.S. GAAP requires the current recognition of a liability when a legal obligation exists relative to an asset retirement in which the timing or method of settlement are conditional and/or based on a future event that may or may not be under the control of the entity. The Illinois Commercial and Public Building Asbestos Abatement Act requires the controlled removal or encapsulation of asbestos by a licensed contractor in commercial and public buildings, including renovation and partial or complete demolition activities.

An asset retirement obligation (ARO) liability was recognized at its net present value, with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to accretion expense. The Museum has estimated its asbestos removal cost to be \$541,076 and \$602,874 at December 31, 2020 and 2019, respectively. The Museum's estimate represents the present value of anticipated costs of asbestos abatement utilizing a discount rate of 5% and the projected year of removal based on the Museum's capital plan or an estimated future date. The liability is included within Other Liabilities on the statement of financial position.

Revenue recognition: The Museum recognizes revenue for admissions, special exhibits, ancillary services, and memberships based on the satisfaction of performance obligations. Performance obligations are determined based on the service provided by the Museum. The following explains the performance obligations related to each revenue stream and how those are recognized. The revenue streams noted below do not include significant financing components as performance obligations are satisfied within a year of receipt of payment. In addition, there are no consideration amounts that are variable. Payments received in advance of the Museum satisfying its performance obligations are recorded as deferred revenue, which is included in Other Liabilities in the statement of financial position.

Admissions and special exhibits: Revenue from ticket sales, events, and group admissions is recognized on the date of visit. Payment is collected at the time of purchase.

Ancillary services: The Museum receives revenue from various ancillary services, including commissions for food sales, retail store purchases, and special events. The Museum recognizes revenue for purchases of goods and food commissions at the point in time when the sale occurs. Revenue from special events is recognized when the event occurs. Commission payments are generally due within 15 to 30 days following the month in which the revenue is earned.

Museum of Science and Industry

Notes to Financial Statements

Note 3. Summary of Significant Accounting Policies (Continued)

Memberships: The Museum receives revenue from various levels of membership. Membership benefits include free admission to the Museum and the ability to attend certain special events. The portion of the membership related to Museum admission is recognized over the membership period. The portion related to special events is recognized when the event occurs. Certain membership levels contain a contribution element, which is recognized as revenue upon receipt of the membership payment. Payment for all membership levels is collected at the time of purchase.

Government support: The Museum receives support from the Chicago Park District based upon the annual tax levy ordinance of the Park District, as well as funding from various federal and state agencies for research, programming, and capital projects. Support from the Park District is recognized in the year payments are received. Other funding from federal and state agencies are primarily conditional contributions in which revenues are recognized as qualifying expenditures are incurred.

Private support: Contributions are recognized in the period received. The Museum recognizes donors' unconditional promises to give cash and other assets as revenue in the period the promises are made. Conditional pledges are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Funding for specific programs are restricted and classified as net assets with donor restrictions and released from restriction as expenses are incurred. Funding for the purchase or construction of capital projects are restricted and classified as net assets with donor restrictions and released when the asset is placed into service or according to the terms of the donor agreement, if more specific.

Gains and losses on other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

Donated services and in-kind contributions: The financial statements reflect amounts for the value of donated services and in-kind contributions for which an objective basis is available to measure their value. The Museum has recorded donated services and in-kind contributions at their estimated fair values of \$307,591 and \$468,272 in 2020 and 2019, respectively. The amount relating to services is \$206,274 and \$413,214 in 2020 and 2019, respectively, the majority of which relates to advertising in support of exhibits and public programs.

Volunteers contributed approximately 10,000 and 44,000 hours to the Museum in 2020 and 2019, respectively. The volunteers provided various services throughout the Museum. These services do not meet the criteria for financial statement recognition and, accordingly, the value of these services has not been reported in the financial statements.

Advertising expense: Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$431,240 and \$2,666,541 for the years ended December 31, 2020 and 2019, respectively.

Income tax: The Financial Accounting Standards Board (FASB) issued guidance requiring tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained should the position be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. There are no tax positions for which a material change in any unrecognized tax benefit or liability is reasonably possible in the next twelve months.

Museum of Science and Industry

Notes to Financial Statements

Note 3. Summary of Significant Accounting Policies (Continued)

The Museum has federal net operating loss carryforwards available to offset future unrelated business taxable income. The net operating loss carryforwards expire through 2040 and total approximately \$2,558,000 and \$2,483,000 at December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, management has determined the likelihood of realizing the benefit from a future reversal of the net operating loss carryforwards is uncertain. Therefore, a 100% allowance has been applied to the deferred tax assets associated with the net operating loss carryforwards of approximately \$691,000 and \$670,000 at December 31, 2020 and 2019, respectively.

The Museum files Form 990 in the U.S. federal jurisdiction and the State of Illinois.

Accounting pronouncements adopted: In 2020, the Museum adopted Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU affects any entity that is required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The adoption of this standard did not have a material effect on the financial statements. Refer to Note 6 for the Museum's fair value disclosures.

In 2020, the Museum adopted ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. This ASU modifies the definition of the term *collections* and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The adoption of this standard did not have a material effect on the financial statements.

In 2019, the Museum adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 requires the Museum to recognize the amount of revenue it expects to be entitled to for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in U.S. GAAP when it became effective. The Museum elected the modified retrospective method. Refer to Note 17 for the effect on the financial statements.

Recent accounting pronouncements: In 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU addresses presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets. The new standard is effective for the Museum in 2022.

Reclassifications: Certain 2019 amounts have been reclassified to conform to the current year presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

Museum of Science and Industry

Notes to Financial Statements

Note 4. Financial Assets and Liquidity Resources

The table below represents financial assets and liquidity resources available for general expenditures within one year of December 31:

	2020	2019
Financial assets at year-end:		
Cash	\$ 3,982,081	\$ 3,156,104
Operating investments	2,685,142	4,986,757
Pledges receivable	33,273,046	39,456,643
Accounts receivable	194,070	1,863,102
Long-term investments	129,215,080	109,635,001
Total financial assets	<u>169,349,419</u>	<u>159,097,607</u>
Less amounts not available to be used within one year:		
Pledges receivable for restricted gifts, net	(32,411,551)	(38,413,710)
Pledges receivable for operations due after one year, net	(515,000)	(470,000)
Long-term investments, net of investment return designated for operations	(125,222,353)	(105,745,898)
Total financial assets available within one year	<u>11,200,515</u>	<u>14,467,999</u>
Liquidity resources:		
Bank lines of credit	<u>25,000,000</u>	<u>30,000,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 36,200,515</u>	<u>\$ 44,467,999</u>

The Museum's cash flows have variations due to the seasonality of admissions revenue and a concentration of private support received at year-end. To manage its cash position, the Museum has various sources of liquidity at its disposal, including cash, short-term investments, as well as a \$5,000,000 working capital line of credit and a \$25,000,000 pledge-backed line of credit. The Museum intends to let the working capital line of credit expire in July 2021.

In addition to financial assets and liquidity resources available within one year, the Museum operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 5. Investments

Operating investments consisted of the following at December 31:

	2020	2019
Money market fund	\$ 2,679,142	\$ 4,977,757
Common and preferred stocks	6,000	9,000
Total operating investments	<u>\$ 2,685,142</u>	<u>\$ 4,986,757</u>

Museum of Science and Industry

Notes to Financial Statements

Note 5. Investments (Continued)

Long-term investments consisted of the following at December 31:

	2020	2019
Short-term investment fund	\$ 2,578,035	\$ 1,476,481
Common and preferred stocks	1,660,223	-
Equity funds:		
Domestic	31,849,086	26,609,713
International	42,869,727	26,064,458
Natural resources	2,657,509	8,323,240
Real estate	6,346,528	7,717,138
Fixed income funds	41,253,972	39,443,971
Total long-term investments	<u>\$ 129,215,080</u>	<u>\$ 109,635,001</u>

The trustees of the Museum have authorized a portion of the cumulative investment return for support of current operations. The remainder is retained to support operations of future years and to offset potential market declines. The amount designated for operations is calculated using the average fair value of the investment pool for the twelve trailing quarters ending September 30 of the previous year. The following schedule summarizes the investment return (loss) and its classification in the statements of activities and changes in net assets:

	2020	2019
Investment return (loss):		
Interest and dividends	\$ 2,902,218	\$ 3,411,327
Net realized (loss) gain on sale of investments	(1,134,978)	5,379,687
Net unrealized gain on investments	6,459,224	8,475,620
Management fees	(244,303)	(193,045)
Total investment return	<u>\$ 7,982,161</u>	<u>\$ 17,073,589</u>
Classification in the statement of activities and changes in net assets:		
Investment return designated for operations	\$ 4,503,421	\$ 4,321,490
Investment return, after amount designated for operations	3,478,740	12,752,099
Total investment return	<u>\$ 7,982,161</u>	<u>\$ 17,073,589</u>

Note 6. Fair Value Disclosures

The Museum follows the accounting guidance on fair value measurements and disclosures, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Museum of Science and Industry

Notes to Financial Statements

Note 6. Fair Value Disclosures (Continued)

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but which are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable data requires significant judgment by the Museum. The Museum considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Museum's perceived risk of that instrument.

Transfers between levels are recognized as of the end of the reporting period. For the years ended December 31, 2020 and 2019, there were no such transfers.

Investments with values that are based on quoted market prices in active markets are classified within Level 1 of the hierarchy. These include investments in money market funds, stocks, fixed-income funds, and equity funds.

The fair value of the Museum's investments in certain equity funds and fixed income funds generally represents the amount the Museum would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply. The fair value of these funds is based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date, as determined by the fund manager or the Museum. In determining fair value, the Museum utilizes valuations provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds are determined by the managers of the investment fund. Investments in these funds have certain restrictions on liquidation and may have underlying investments in private placements or other securities for which prices are not readily available. For these investments, the Museum uses the practical expedient. The practical expedient represents the applicable percentage ownership of the underlying funds' net assets as of the measurement date or net asset value (NAV).

Charitable trusts are recorded at their estimated fair value based on the present value of the estimated future cash receipts from the trust. Assumptions are made regarding the expected rate of return on investments in the trust, the discount rate, and the expected mortality of the individual(s) if the termination of the agreement is dependent on life expectancy. As the fair value of these trusts is derived from internal estimates of the present value of the Museum's interest in the underlying assets, the amounts ultimately received could differ from the amounts reflected in the historical financial statements. The fair value estimate is classified as Level 3.

Museum of Science and Industry

Notes to Financial Statements

Note 6. Fair Value Disclosures (Continued)

The interest rate swap is valued using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses of observable market-based inputs, including interest rates. The fair value estimate is classified as Level 2.

The following tables summarize financial instruments by fair value levels as of December 31:

	2020				
	Level 1	Level 2	Level 3	Valued Using NAV ⁽¹⁾	Total
Assets:					
Investments					
Money market fund	\$ 2,679,142	\$ -	\$ -	\$ -	\$ 2,679,142
Short-term investment fund	-	-	-	2,578,035	2,578,035
Common and preferred stocks	1,666,223	-	-	-	1,666,223
Equity funds:					
Domestic	16,291,782	-	-	15,557,304	31,849,086
International	19,776,462	-	-	23,093,265	42,869,727
Natural resources	2,657,509	-	-	-	2,657,509
Real estate and infrastructure	6,346,528	-	-	-	6,346,528
Fixed income funds	15,139,502	-	-	26,114,470	41,253,972
Total investments at fair value	64,557,148	-	-	67,343,074	131,900,222
Charitable trusts	-	-	712,041	-	712,041
Total assets at fair value	\$ 64,557,148	\$ -	\$ 712,041	\$ 67,343,074	\$ 132,612,263
Liabilities					
Interest rate swap	\$ -	\$ (1,940,272)	\$ -	\$ -	\$ (1,940,272)
2019					
	Level 1	Level 2	Level 3	Valued Using NAV ⁽¹⁾	Total
Assets:					
Investments					
Money market fund	\$ 4,977,757	\$ -	\$ -	\$ -	\$ 4,977,757
Short-term investment fund	-	-	-	1,476,481	1,476,481
Common and preferred stocks	9,000	-	-	-	9,000
Equity funds:					
Domestic	20,025,957	-	-	6,583,756	26,609,713
International	14,701,564	-	-	11,362,894	26,064,458
Natural resources	8,323,240	-	-	-	8,323,240
Real estate and infrastructure	7,717,138	-	-	-	7,717,138
Fixed income funds	30,542,189	-	-	8,901,782	39,443,971
Total investments at fair value	86,296,845	-	-	28,324,913	114,621,758
Charitable trusts	-	-	643,644	-	643,644
Interest rate swap	-	253,988	-	-	253,988
Total assets at fair value	\$ 86,296,845	\$ 253,988	\$ 643,644	\$ 28,324,913	\$ 115,519,390

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Museum of Science and Industry

Notes to Financial Statements

Note 6. Fair Value Disclosures (Continued)

Investments valued at NAV using the practical expedient as of December 31, 2020, consisted of the following:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Short-term investment fund (a)	\$ 2,578,035	\$ -	Daily	2 days
Equity funds:				
Domestic (b)	15,557,304	-	Daily	2 days
International (c)	23,093,265	-	Daily	2 days
Fixed income funds (d)	26,114,470	-	Daily	2 days
Balance as of December 31, 2020	<u>\$ 67,343,074</u>	<u>\$ -</u>		

Investments valued at NAV using the practical expedient as of December 31, 2019, consisted of the following:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Short-term investment fund (a)	\$ 1,476,481	\$ -	Daily	2 days
Equity funds:				
Domestic (b)	6,583,756	-	Daily	2 days
International (c)	11,362,894	-	Daily	2 days
Fixed income funds (d)	8,901,782	-	Daily	2 days
Balance as of December 31, 2019	<u>\$ 28,324,913</u>	<u>\$ -</u>		

- (a) Funds invested in high-grade money market instruments with short maturities.
- (b) Funds with principally long, diversified portfolios invested in highly liquid publicly traded U.S. equity securities, including large cap, mid-cap, and small cap.
- (c) Funds with principally long, diversified portfolios invested in highly liquid international equity securities, including developed funds and emerging funds.
- (d) Fund positions include a broad variety of highly liquid investments that are anticipated to have primarily a fixed income focus, including corporate, government and high yield investments.

Museum of Science and Industry

Notes to Financial Statements

Note 7. Pledges Receivable

The Museum has received various pledges from individuals and corporate donors. Pledges to be collected after one year are discounted using an annual rate of 5%, which is for present value including a risk factor. The following is a summary of pledges receivable as of December 31, 2020 and 2019, by expected period of payment:

	2020	2019
Amounts expected to be collected in		
Less than one year	\$ 20,581,202	\$ 23,509,667
One to five years	10,002,437	13,626,137
More than five years	5,400,000	7,300,000
Total pledges receivable	<u>35,983,639</u>	<u>44,435,804</u>
Less:		
Reserve on uncollectible pledges	(40,000)	(1,559,768)
Discount	(2,670,593)	(3,419,393)
Pledges receivable, net	<u>\$ 33,273,046</u>	<u>\$ 39,456,643</u>

As of December 31, 2020 and 2019, a single donor has an outstanding pledge balance of \$11,976,468 and \$22,003,416, respectively, primarily to support building preservation efforts.

During 2020, receivables totaling \$1,559,768 which were fully reserved for at December 31, 2019 were deemed to be uncollectible and written off.

In addition, the Museum has received conditional pledges totaling \$2,501,000 and \$8,857,000 for the years ended December 31, 2020 and 2019, respectively. These gifts will be recognized as private support revenue when the conditions are met.

Museum of Science and Industry

Notes to Financial Statements

Note 8. Net Assets

Net assets are available for the following purposes at December 31:

	2020	2019
Without donor restrictions:		
Undesignated	<u>\$ 163,557,381</u>	<u>\$ 156,407,112</u>
With donor restrictions:		
Purpose restricted		
Strategic initiatives	\$ 5,299,438	\$ 2,053,191
Education programs	8,230,434	11,683,080
Building preservation	16,234,754	22,160,921
Exhibit development and maintenance	12,701,265	8,534,011
	<u>42,465,891</u>	<u>44,431,203</u>
Passage of time	<u>5,209,488</u>	<u>4,158,729</u>
Endowment funds, donations held in perpetuity		
Education programs	11,102,917	10,589,162
Exhibit development and maintenance	5,670,000	5,667,500
Endowment for operations	2,261,253	1,931,252
Endowment funds, accumulated earnings		
Education programs	3,031,491	939,094
Exhibit development and maintenance	1,222,875	1,114,916
Endowment for operations	253,609	164,838
	<u>23,542,145</u>	<u>20,406,762</u>
	<u>\$ 71,217,524</u>	<u>\$ 68,996,694</u>

Net assets were released from donor designations by incurring expenditures that satisfy the designated purpose and through the passage of time as defined below:

	2020	2019
Satisfaction of purpose restrictions:		
Strategic initiatives	\$ 2,683,974	\$ 2,957,073
Education programs	4,557,421	6,572,566
Building preservation	6,036,334	18,536,317
Exhibit development and maintenance	2,956,102	2,026,203
Passage of time	1,374,466	1,210,291
	<u>\$ 17,608,297</u>	<u>\$ 31,302,450</u>

Museum of Science and Industry

Notes to Financial Statements

Note 9. Donor Restricted Endowments

The Museum's endowment consists of donor-restricted funds primarily to support the maintenance and upkeep of certain exhibits.

The Museum accounts for endowment net assets by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Museum classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

The Museum 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 the Museum 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 the Museum.
7. The investment policies of the Museum.

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Museum to retain as a fund of perpetual duration (underwater endowments). In this situation, the Museum has elected to cease spending on underwater endowments until fair value of the endowment assets are restored above the original gift value. As of December 31, 2020 and 2019, there were no funds with deficiencies.

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As of December 31, 2020 and 2019, endowment assets only include those assets of donor-restricted funds that the Museum must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets. The Museum has an active Finance Committee that meets regularly to ensure the objectives of the investment policy are being met, and that strategies used to meet the objectives are in accordance with the Museum's investment policy.

Museum of Science and Industry

Notes to Financial Statements

Note 9. Donor Restricted Endowments (Continued)

During 2020 and 2019, the Museum had the following donor-restricted endowment-related activities:

	2020	2019
Endowment net assets, beginning of year	\$ 20,406,762	\$ 16,493,417
Private support	2,257,080	1,510,904
Investment returns:		
Interest and dividends	465,549	548,470
Realized (loss) gain on sale of investments	(185,647)	905,435
Net unrealized gain on investments	1,258,249	1,413,500
Total investment return	1,538,151	2,867,405
Appropriation of endowment assets for expenditures	(659,848)	(464,964)
Total change in endowment net assets	3,135,383	3,913,345
Endowment net assets, end of year	<u>\$ 23,542,145</u>	<u>\$ 20,406,762</u>

Note 10. Retirement Plans

Defined Benefit Plan

On December 31, 2018, the Museum terminated the Original Employees' Retirement Plan (the Plan). In 2019, benefits were distributed to participants in the form of lump sum payments and through the purchase of irrevocable, nonparticipating annuity contracts with a licensed insurance company. Upon distribution of all benefits, the plan ceased operations and reverted \$432,940 in assets to the Museum. As a result of settling the Plan's projected benefit obligation, the Museum recognized a non-operating gain of \$235,100 for the year ended December 31, 2019.

Defined Contribution Plan

The Museum has an active 401(k) plan. Under the terms and conditions of the 401(k) plan, participants may annually defer up to 50% of annual salary or a maximum amount defined by law of \$19,000 for 2020 and for 2019. Participants who have attained age 50 before the end of the plan year are also eligible to make catch-up contributions.

The Museum makes a matching contribution of 100% of the first 1% contributed by participants and 50% of the next 5% contributed by participants. Vesting is 100% in the employee contribution and Museum match at all times. The Museum matches were \$552,281 and \$524,280 in 2020 and 2019, respectively.

Museum of Science and Industry

Notes to Financial Statements

Note 11. Museum Properties

The legal title to the Museum's land and original building is vested with the Chicago Park District. The sole and permanent right to the use and occupancy of the land and original building rests with the Museum under an agreement that extends in perpetuity as long as the Museum uses the property for the purposes under which it is incorporated.

Museum properties of \$5,000 or greater are recorded at cost and depreciated on a straight-line basis over the assets' estimated useful lives as follows:

Asset description	Life
Building improvements	15 to 30 years
Henry Crown Space Center	40 years
Exhibits	3 to 10 years
Underground garage	40 years
Equipment, furniture and fixtures	3 to 10 years

Museum properties consisted of the following at December 31:

	2020	2019
Building improvements	\$ 128,658,355	\$ 104,901,963
Henry Crown Space Center	11,009,176	12,209,176
Exhibits	163,515,666	163,337,867
Underground garage	54,666,665	54,666,665
Equipment, furniture and fixtures	18,156,922	18,414,212
Construction in progress	7,029,110	23,325,562
Total properties	383,035,894	376,855,445
Less accumulated depreciation	(253,520,166)	(247,272,382)
Properties, net	<u>\$ 129,515,728</u>	<u>\$ 129,583,063</u>

Depreciation expense was \$9,850,162 and \$10,580,337 for the years ended December 31, 2020 and 2019, respectively. Loss on disposal of fixed assets totaling \$199,148 and \$138,690 for the years ending December 31, 2020 and 2019, respectively, relate to replacement and disposition of obsolete building improvements, exhibits, and equipment.

Construction in progress consists primarily of building improvements to the electrical system and roof, rebuilding and restoration of architectural features, and exterior waterproofing. The total remaining cost to complete these projects is expected to be approximately \$42.8 million.

Museum of Science and Industry

Notes to Financial Statements

Note 12. Other Assets

Other assets balances at December 31:

	2020	2019
Prepaid expenses and deposits	\$ 1,080,887	\$ 590,306
Charitable remainder trusts	712,041	643,644
Trade accounts receivable	194,070	1,863,102
Life insurance policy	184,831	163,210
Film consortium investment	158,448	168,015
Inventories	78,260	85,006
Interest rate swap	-	253,988
Total other assets	<u>\$ 2,408,537</u>	<u>\$ 3,767,271</u>

Other assets consists of: (1) prepaid expenses for insurance and other agreements whose economic benefits extend into future fiscal years (2) the Museum's irrevocable interest in donors' charitable trusts, (3) trade accounts receivable arising through the normal course of business, (4) a life insurance policy that was purchased by a donor for the Museum and recorded at its surrender value, (5) the Museum's interest in the Giant Dome Theatre Consortium, whose purpose is to promote and support the development, production, distribution and exhibition of educational films for giant dome theatres, (7) inventories, primarily for items held for resale, and (8) the fair value of the asset in connection with the Museum's interest rate swap agreement.

Note 13. Other Liabilities

Other liabilities balances at December 31:

	2020	2019
Paycheck Protection Program forgivable loan	\$ 4,923,900	\$ -
Interest rate swap	1,940,272	-
Deferred revenue	1,569,402	2,541,022
Asset retirement obligation	541,076	602,874
Purchase agreement	337,308	852,743
Funds on deposit	176,988	27,577
Interest payable	23,382	58,648
Total other liabilities	<u>\$ 9,512,328</u>	<u>\$ 4,082,864</u>

Other liabilities consists of: (1) the outstanding balance on a forgivable loan from the Small Business Administration under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security Act, (2) the fair value of the liability in connection with the Museum's interest rate swap agreement, (3) deferred revenue from guests' purchases of future admissions and advance payments from retail partners, (4) an asset retirement obligation for the Museum's estimated cost of asbestos remediation, (5) the present value of amounts due under a purchase agreement for energy efficiency equipment, (6) funds on deposit for group admissions and rental space, and (7) interest payable on the Museum's outstanding bonds.

Museum of Science and Industry

Notes to Financial Statements

Note 14. Related-Party Transactions

The Museum obtains banking and other services, as well as procures products from companies with which certain Museum trustees are associated. The Museum also receives pledges and contributions from its trustees. A summary of balances and activities as recorded in these financial statements are as follows:

	2020	2019
Cash and investments held by the Museum	\$ 132,025,396	\$ 114,874,526
Outstanding pledges	29,864,335	40,184,288
Debt held by the Museum	22,158,000	22,916,000
Contributions	13,107,168	5,663,602
Utilities	1,531,177	1,797,924
Amounts due under purchase agreements	337,308	852,743
Interest and bank fees	537,650	660,950
Other	169,279	409,703

Note 15. Bonds Payable and Lines of Credit

Following is a summary of bonds payable as of December 31:

	2020	2019
Illinois Finance Authority (IFA) secured bonds:		
Series 2017A - PNC Bank, N.A.	\$ 31,024,000	\$ 32,084,000
Series 2017B - BMO Harris Bank	22,158,000	22,916,000
Total	53,182,000	55,000,000
Less unamortized financing fees	(366,481)	(385,855)
Bonds payable, per statements of financial position:	<u>\$ 52,815,519</u>	<u>\$ 54,614,145</u>

Aggregate maturities of bonds payable at December 31, 2020, are as follows:

2021	\$ 1,898,000
2022	1,978,000
2023	2,058,000
2024	2,138,000
2025	2,218,000
2026 and thereafter	42,892,000
Total	<u>\$ 53,182,000</u>

Museum of Science and Industry

Notes to Financial Statements

Note 15. Bonds Payable and Lines of Credit (Continued)

IFA Series 2017 Bonds:

In June 2017, the Museum issued to the IFA tax-exempt bonds (Series 2017A – PNC Bank, N.A. and Series 2017B – BMO Harris Bank) totaling \$60,000,000 through a private placement. The proceeds were loaned to the Museum for the purpose of redeeming 2009 bonds. In January 2020, the Museum refinanced its series 2017A and 2017B bonds with existing lenders, amending the variable interest rate formula to achieve interest expense savings. The bonds have a variable interest rate based on a percentage of one-month LIBOR plus a fixed basis point component. The interest rate at December 31, 2020 is 0.82%. Certain expenses incurred in connection with the bond issue were deferred and are being amortized over the period the bonds are outstanding.

Interest Rate Swap Agreement:

In December 2019, the Museum terminated an interest rate swap agreement to convert \$15,000,000 of notional principal from floating-rate to fixed-rate (2.54%) instruments on previously issued bonds and recognized a loss of \$332,200. Concurrent with the termination, the Museum entered into a new interest rate swap agreement to convert \$30,000,000 of notional principal from floating-rate to fixed-rate instruments on previously issued bonds. The new agreement, which expires in December 2029, has monthly settlement and a fixed interest rate of 1.2885%. As of December 31, 2020 and 2019, the cumulative unrealized (loss) gain on the Museum's swap positions was (\$1,940,272) and \$253,988, respectively, based on the amount that such an instrument could be settled with a third party as determined by the counterparty. The (loss) gain on the Museum's swap is recognized under non-operating activities within other (losses) income, net, on the statement of activities and changes in net assets.

Lines of Credit:

In June 2017, the Museum entered into a \$10,000,000 working capital line of credit agreement with an interest rate of one-month LIBOR plus a fixed basis point component on outstanding amounts. The line expired in May 2019 and was replaced with a \$5,000,000 working capital line of credit agreement with an interest rate of one-month LIBOR plus a fixed basis point component on outstanding amounts. The working capital line of credit is up for renewal in July 2021, at which point the Museum will allow the line to expire. In June 2017, the Museum entered into a \$25,000,000 pledge-backed project line of credit with an interest rate of one-month LIBOR plus a fixed basis point component on outstanding amounts. The pledge-backed line of credit expires in May 2022. There were no outstanding borrowings on the lines of credit at December 31, 2020 and 2019.

Note 16. Functional Classification of Expenses

Expenses by functional classification for the year ended December 31, 2020 consist of the following:

	Program Expenses							Total
	Exhibits and public programs	Education Programs	Guest services	Retail and supporting services	Membership	Development	Management and general	
Compensation & benefits	\$ 9,757,462	\$ 6,212,315	\$ 1,835,537	\$ 389,104	\$ 154,417	\$ 2,358,517	\$ 3,534,031	\$24,241,383
Facilities operations	3,778,266	162,377	165,253	574,488	-	91,320	375,581	5,147,285
Supplies, services, and other	3,062,186	994,037	305,746	154,984	384,713	1,036,020	1,116,605	7,054,291
Depreciation	7,298,192	135,112	1,461,015	643,328	-	-	312,515	9,850,162
Interest	977,028	-	-	-	-	-	-	977,028
Total	\$24,873,134	\$ 7,503,841	\$ 3,767,551	\$ 1,761,904	\$ 539,130	\$ 3,485,857	\$ 5,338,732	\$47,270,149

Museum of Science and Industry

Notes to Financial Statements

Note 16. Functional Classification of Expenses (Continued)

Expenses by functional classification for the year ended December 31, 2019 consist of the following:

	Program Expenses							Total
	Exhibits and public programs	Education Programs	Guest services	Retail and supporting services	Membership	Development	Management and general	
Compensation & benefits	\$10,103,003	\$ 8,497,493	\$ 2,063,316	\$ 986,892	\$ 217,757	\$ 3,603,313	\$ 3,730,160	\$29,201,934
Facilities operations	4,659,599	213,053	202,955	856,471	-	137,837	487,496	6,557,411
Supplies, services, and other	8,226,300	2,375,797	1,078,836	955,383	757,985	1,673,934	1,511,317	16,579,552
Depreciation	8,118,804	120,552	1,446,240	615,903	-	-	278,838	10,580,337
Interest	1,710,650	-	-	-	-	-	-	1,710,650
Total	\$32,818,356	\$11,206,895	\$ 4,791,347	\$ 3,414,649	\$ 975,742	\$ 5,415,084	\$ 6,007,811	\$64,629,884

Natural expenses attributable to more than one functional expense category are allocated based on headcount, square footage, and time and effort.

Note 17. Adoption of New Revenue Recognition Standard

The Museum adopted Topic 606 using the modified retrospective method applied to contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy GAAP. The Museum recorded a net change in beginning net assets without donor restrictions of \$2,346,546 as of January 1, 2019. The impact of the cumulative effect adjustment on the statement of financial position upon adoption was as follows:

	As of December 31, 2018	Cumulative Effect Adjustment	As of January 1, 2019
Other liabilities	\$ 3,624,089	\$ 2,436,546	\$ 6,060,635
Net assets without donor restrictions	128,562,691	(2,436,546)	126,126,145
Total net assets	214,546,796	(2,436,546)	212,110,250

The impact of adoption on the Museum's financial statements as of and for the year ended December 31, 2020 was as follows:

Statement of Financial Position	As of December 31, 2019		
	As Reported	Balances without adoption of Topic 606	Effect of Adoption Increase/(Decrease)
	Other liabilities	\$ 4,082,864	\$ 1,999,754
Net assets without donor restrictions	156,407,112	156,143,676	263,436
Total net assets	225,403,806	225,140,370	263,436

Statement of Activities	For the year ended December 31, 2019		
	As Reported	Balances without adoption of Topic 606	Effect of Adoption Increase/(Decrease)
	Membership	\$ 3,204,612	\$ 2,948,160
Private support without donor restrictions	16,171,801	16,164,817	6,984
Total revenue and support	64,843,793	64,580,357	263,436
Change in net assets	13,203,556	12,940,120	263,436

Adoption of the new revenue standard had no impact to cash from or used in operating, financing or investing on the statements of cash flows.

Museum of Science and Industry

Notes to Financial Statements

Note 18. Commitments and Contingencies

In its normal course of operations, the Museum has various contracts including food service, janitorial, advertising, and fabrication for exhibits. As of December 31, 2020, the total commitments under those contracts are approximately \$2,920,000.

From time to time, the Museum is a defendant in legal proceedings arising out of the ordinary course of its business. Although the outcome of these proceedings cannot readily be determined, in the opinion of management, disposition of these proceedings would not have a material adverse effect on the financial position of the Museum.

Note 19. Subsequent Events

On March 16, 2021, the Museum received a \$2,000,000 Second Draw Paycheck Protection Program loan from the Small Business Administration. The Museum can use the loan for payroll and utility expenses incurred during the 24-week period following receipt of the proceeds. The loan is eligible for forgiveness if certain employee and compensation levels are maintained. The Museum expects to meet the necessary criteria, which would result in forgiveness of the loan.

The Museum evaluated its December 31, 2020 financial statements for subsequent events through May 17, 2021, the date the financial statements were issued.