

Museum of Science and Industry

Financial Statements

As of and for the Years Ended December 31, 2022 and 2021
and Independent Auditor's Report

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Museum of Science and Industry

Opinion

We have audited the financial statements of the Museum of Science and Industry (the Museum), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 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 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.

RSM US LLP

Chicago, Illinois
May 12, 2023

Museum of Science and Industry

**Statements of Financial Position
December 31, 2022 and 2021**

	2022	2021
Assets		
Cash	\$ 3,971,000	\$ 4,646,190
Operating investments	40,806,326	24,719,505
Pledges receivable, net	9,770,558	15,166,849
Accounts receivable	8,982,327	4,689,157
Other assets	4,842,600	2,008,350
Long-term investments	203,812,100	245,221,774
Museum properties, net	137,417,381	131,455,407
Total assets	\$ 409,602,292	\$ 427,907,232
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 9,553,331	\$ 6,772,164
Bonds payable, net of unamortized financing fees	48,978,266	50,936,892
Deferred revenue	12,572,344	5,103,518
Other liabilities	1,030,763	3,535,800
Total liabilities	72,134,704	66,348,374
Net assets:		
Without donor restrictions	270,137,978	295,954,592
With donor restrictions	67,329,610	65,604,266
Total net assets	337,467,588	361,558,858
Total liabilities and net assets	\$ 409,602,292	\$ 427,907,232

See notes to financial statements.

Museum of Science and Industry

Statement of Activities and Changes in Net Assets Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating income:			
Revenue and support:			
Admissions	\$ 12,892,647	\$ -	\$ 12,892,647
Special exhibits	2,870,276	-	2,870,276
Ancillary services	7,516,536	-	7,516,536
Membership	2,753,565	-	2,753,565
Government support	7,662,779	956,108	8,618,887
Private support	6,501,880	19,157,648	25,659,528
Private support—in-kind	97,658	-	97,658
Investment return designated for operations	4,955,456	988,283	5,943,739
Other income	829,289	-	829,289
Net assets released from restrictions	11,949,248	(11,949,248)	-
Total revenue and support	58,029,334	9,152,791	67,182,125
Expenses:			
Exhibits and public programs	19,030,496	-	19,030,496
Education programs	8,133,705	-	8,133,705
Guest services	3,316,267	-	3,316,267
Retail and supporting services	1,906,867	-	1,906,867
Membership	716,202	-	716,202
Development	4,045,005	-	4,045,005
Management and general	4,854,439	-	4,854,439
Expenses before depreciation and interest	42,002,981	-	42,002,981
Depreciation	10,069,572	-	10,069,572
Interest	1,094,014	-	1,094,014
Operating income	4,862,767	9,152,791	14,015,558
Non-operating income (loss):			
Loss on long-term investments, net, after investment return designated for operations	(36,147,670)	(4,447,787)	(40,595,457)
Gain on forgiveness of Paycheck Protection Program loan	2,000,000	-	2,000,000
Other income, net	3,468,289	(2,979,660)	488,629
Total non-operating loss, net	(30,679,381)	(7,427,447)	(38,106,828)
Change in net assets	(25,816,614)	1,725,344	(24,091,270)
Net assets, beginning of year	295,954,592	65,604,266	361,558,858
Net assets, end of year	\$ 270,137,978	\$ 67,329,610	\$ 337,467,588

See notes to financial statements.

Museum of Science and Industry

Statement of Activities and Changes in Net Assets Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating income:			
Revenue and support:			
Admissions	\$ 9,723,007	\$ -	\$ 9,723,007
Special exhibits	4,102,241	-	4,102,241
Ancillary services	4,803,921	-	4,803,921
Membership	2,358,439	-	2,358,439
Government support	15,222,810	270,097	15,492,907
Private support	105,369,155	5,708,232	111,077,387
Private support—in-kind	180,570	-	180,570
Investment return designated for operations	3,958,880	913,000	4,871,880
Other income	320,290	-	320,290
Net assets released from restrictions	13,758,705	(13,758,705)	-
Total revenue and support	159,798,018	(6,867,376)	152,930,642
Expenses:			
Exhibits and public programs	17,275,570	-	17,275,570
Education programs	6,078,421	-	6,078,421
Guest services	2,556,663	-	2,556,663
Retail and supporting services	1,127,687	-	1,127,687
Membership	611,527	-	611,527
Development	3,082,888	-	3,082,888
Management and general	4,576,557	-	4,576,557
Expenses before depreciation and interest	35,309,313	-	35,309,313
Depreciation	10,438,717	-	10,438,717
Interest	832,871	-	832,871
Operating income (loss)	113,217,117	(6,867,376)	106,349,741
Non-operating income (loss):			
Gain on long-term investments, net, after investment return designated for operations	14,788,596	1,254,118	16,042,714
Gain on forgiveness of Paycheck Protection program loan	4,923,900	-	4,923,900
Other losses, net	(532,402)	-	(532,402)
Total non-operating income, net	19,180,094	1,254,118	20,434,212
Change in net assets	132,397,211	(5,613,258)	126,783,953
Net assets, beginning of year	163,557,381	71,217,524	234,774,905
Net assets, end of year	\$ 295,954,592	\$ 65,604,266	\$ 361,558,858

See notes to financial statements.

Museum of Science and Industry

Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (24,091,270)	\$ 126,783,953
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,069,572	10,438,717
Amortization of debt issuance costs	19,374	19,373
Forgiveness of Paycheck Protection Program loan	(2,000,000)	(4,923,900)
Change in value of interest rate swap	(3,529,980)	(1,380,174)
Loss on disposal of fixed assets	72,903	1,905,939
Realized loss (gain) on investments	2,335,541	(13,029,133)
Unrealized loss (gain) on investments	36,955,312	(2,810,155)
Gifts restricted for permanent endowment	(51,500)	(387,500)
Gifts restricted for acquisition of Museum properties	(10,628,021)	(896,934)
Changes in operating assets and liabilities:		
Pledges receivable, net	3,483,203	2,840,627
Accounts receivable	(4,293,170)	(4,495,087)
Other assets	(2,834,250)	206,117
Accounts payable and accrued liabilities	1,648,988	854,252
Deferred revenue	7,468,826	3,534,116
Other liabilities	3,024,943	(103,052)
Net cash provided by operating activities	17,650,471	118,557,159
Cash flows from investing activities:		
Purchase of investments	(230,662,846)	(216,935,621)
Proceeds from sale of investments	216,694,846	94,733,851
Purchase of Museum properties	(14,972,270)	(12,343,283)
Net cash used in investing activities	(28,940,270)	(134,545,053)
Cash flows from financing activities:		
Proceeds from forgivable Paycheck Protection Program loan	-	2,000,000
Payment on bonds payable	(1,978,000)	(1,898,000)
Proceeds from gifts restricted for permanent endowment	158,044	787,500
Proceeds from gifts restricted for acquisition of Museum properties	12,434,565	15,762,503
Net cash provided by financing activities	10,614,609	16,652,003
Net (decrease) increase in cash	(675,190)	664,109
Cash, beginning of year	4,646,190	3,982,081
Cash, end of year	\$ 3,971,000	\$ 4,646,190
Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,073,068	\$ 418,167
Accounts payable and accrued liabilities for Museum properties	4,102,491	2,395,124
Non-cash financing activities:		
Forgiveness of Paycheck Protection Program loan	\$ 2,000,000	\$ 4,923,900

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) nonprofit corporation, is the largest science museum in the Western Hemisphere and home to thousands of exhibits and artifacts. For 87 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 an 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 strengthens the Museum's overall financial future and ensures it remains a resource for science learning for generations to come. The gift, which is now fully satisfied, was recognized as private support in the statements of activities and changes in net assets upon receipt of funds. For the year ended December 31, 2021, \$100 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. 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 are 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.

Museum of Science and Industry

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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. Contributed collection items are not reflected in the financial statements.

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 at financial institutions in excess of federally insured limits at December 31, 2022 and 2021. 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.

Pledges receivable: Pledges receivable are recorded in the period during which the pledge is received. Pledges to be collected after one year are discounted to present value using an annual rate commensurate with the risk involved. Amortization of the discount is recorded as private support in the statements of activities and changes in net assets.

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.

Museum of Science and Industry

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts receivable: Performance obligations fulfilled in advance of payments from customers is recorded as accounts receivable. Accounts receivable from contracts with customers was \$3,043,025 and \$2,171,147 at December 31, 2022 and 2021, respectively. The opening balance at January 1, 2021 was \$82,098. Accounts receivable also includes government support receivables for programs where the conditions have been met and the Museum is entitled to the assets. Government support receivables were \$5,939,302 and \$2,518,010 at December 31, 2022 and 2021, respectively, which primarily relate to refundable tax credits filed with the IRS under the Employee Retention Credit program but not yet received, totaling \$3,472,106 and \$2,087,870 at December 31, 2022 and 2021, respectively.

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 statements 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.

Deferred Revenue: Payments received in advance of the Museum satisfying its performance obligations are recorded as deferred revenue. The primary component of deferred revenue relates to multi-year agreements with third-party operators for its foodservice, catering, and gift shop. In exchange for the right to operate these services, the parties have provided upfront payments to the Museum to fund capital improvements. Through December 31, 2022 and 2021, the Museum had received \$10,890,044 and \$3,255,424, respectively, in payments related to these agreements, which have a remaining term of approximately 14 years. Revenue from these payments is being recognized ratably over the life of the agreements and totaled \$550,756 and \$65,440 for 2022 and 2021, respectively. The remaining amounts in deferred revenue relate to funds received for membership revenue in advance of satisfying performance obligations, which is expected to occur in the following year. The opening balance of deferred revenue at January 1, 2021, was \$1,569,402.

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 \$525,064 and \$546,618 at December 31, 2022 and 2021, 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 statements 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.

Museum of Science and Industry

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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 funds are allocated to the Museum and amounted to \$6,189,564 and \$5,134,940 for the years ended December 31, 2022 and 2021, respectively. Funds allocated but not yet received by the Museum are recorded as accounts receivable on the statements of financial position. Other funding from federal and state agencies is 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 is 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.

In-kind contributions: The financial statements reflect amounts for the value of in-kind contributions for which an objective basis is available to measure their value. The Museum has recorded in-kind contributions at their estimated fair values of \$97,658 and \$180,570 in 2022 and 2021, respectively, the majority of which relates to advertising in support of exhibits and public programs. Contributed advertising are valued at the estimated fair value based on current rates for similar online advertising.

Volunteers contributed approximately 12,700 and 6,200 hours to the Museum in 2022 and 2021, 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.

Museum of Science and Industry

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Advertising expense: Advertising expense is recorded in the period in which the advertising first takes place. Advertising expense was \$1,439,699 and \$904,701 for the years ended December 31, 2022 and 2021, 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 believes 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 12 months.

The Museum has federal net operating loss carryforwards available to offset future unrelated business taxable income. The net operating loss carryforwards expire through 2042 and total approximately \$2,397,000 and \$2,697,000 at December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, management has determined the likelihood of realizing the benefit from a future reversal of the net operating loss carryforwards is uncertain. Therefore, a 100% valuation allowance has been applied to the deferred tax assets associated with the net operating loss carryforwards of approximately \$647,000 and \$728,000 at December 31, 2022 and 2021, respectively.

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

Reclassifications: Certain 2021 amounts have been reclassified to conform to the current year presentation. These reclassifications have no effect on net assets or changes in net assets previously reported.

Recent accounting pronouncements: In 2022, the Museum adopted Accounting Standards Update (ASU) 2016-13, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, leases are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets. The adoption of this standard did not affect the financial statements.

In 2022, the Museum adopted FASB 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 adoption of this standard did not have a material effect on the financial statements.

Museum of Science and Industry

Notes to Financial Statements

Note 3. Financial Assets and Liquidity Resources

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

	2022	2021
Financial assets at year-end:		
Cash	\$ 3,971,000	\$ 4,646,190
Operating investments	40,806,326	24,719,505
Pledges receivable	9,770,558	15,166,849
Accounts receivable	8,982,327	4,689,157
Long-term investments	203,812,100	245,221,774
Total financial assets	267,342,311	294,443,475
Less amounts not available to be used within one year:		
Pledges receivable for restricted gifts, net	(8,973,857)	(14,184,392)
Pledges receivable for operations due after one year, net	(391,276)	(556,927)
Long-term investments, net of budgeted investment return designated for operations	(198,576,582)	(240,177,107)
Total financial assets available within one year	59,400,596	39,525,049
Liquidity resources:		
Bank lines of credit	15,000,000	15,000,000
Total financial assets and liquidity resources available within one year	<u>\$ 74,400,596</u>	<u>\$ 54,525,049</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 \$15,000,000 working capital line of credit.

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 4. Investments

Operating investments consisted of the following at December 31:

	2022	2021
Money market fund	\$ 20,959,386	\$ 24,713,505
United States treasuries	19,840,940	-
Common and preferred stocks	6,000	6,000
Total operating investments	<u>\$ 40,806,326</u>	<u>\$ 24,719,505</u>

Museum of Science and Industry

Notes to Financial Statements

Note 4. Investments (Continued)

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

	2022	2021
Short-term investment fund	\$ 2,141,358	\$ 2,600,816
Equity funds:		
Domestic	59,715,232	63,412,395
International	70,107,265	80,174,820
Natural resources	6,667,646	9,483,642
Real estate	8,603,310	12,684,542
Private equity	6,758,417	2,460,889
Fixed income funds	49,818,872	74,404,670
Total long-term investments	<u>\$ 203,812,100</u>	<u>\$ 245,221,774</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 following schedule summarizes the investment return (loss) and its classification in the statements of activities and changes in net assets:

	2022	2021
Investment (loss) return:		
Interest and dividends	\$ 5,058,862	\$ 5,576,642
Net realized (loss) gain on sale of investments	(2,335,541)	13,029,133
Net unrealized (loss) gain on investments	(36,955,312)	2,810,155
Management fees	(419,727)	(501,336)
Total investment (loss) return	<u>\$ (34,651,718)</u>	<u>\$ 20,914,594</u>
Classification in the statements of activities and changes in net assets:		
Investment return designated for operations	\$ 5,943,739	\$ 4,871,880
Investment return, after amount designated for operations	(40,595,457)	16,042,714
Total investment (loss) return	<u>\$ (34,651,718)</u>	<u>\$ 20,914,594</u>

Note 5. Fair Value Disclosures

The Museum follows U.S. GAAP 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 as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

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.

Museum of Science and Industry

Notes to Financial Statements

Note 5. Fair Value Disclosures (Continued)

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, 2022 and 2021, 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).

Investments in private equity are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. The value of the limited partnership interests is held at the manager's reported NAV as a practical expedient.

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 5. 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:

	2022				
	Level 1	Level 2	Level 3	Valued Using NAV ⁽¹⁾	Total
Assets:					
Investments:					
Money market fund	\$ 20,959,386	\$ -	\$ -	\$ -	\$ 20,959,386
Short-term investment fund	-	-	-	2,141,358	2,141,358
United States Treasuries	19,840,940	-	-	-	19,840,940
Common and preferred stocks	6,000	-	-	-	6,000
Equity funds:					
Domestic	38,416,176	-	-	21,299,056	59,715,232
International	58,163,703	-	-	11,943,562	70,107,265
Natural resources	6,667,646	-	-	-	6,667,646
Real estate and infrastructure	8,603,310	-	-	-	8,603,310
Private equity	-	-	-	6,758,417	6,758,417
Fixed income funds	30,616,329	-	-	19,202,543	49,818,872
Total investments at fair value	183,273,490	-	-	61,344,936	244,618,426
Charitable trusts	-	-	635,223	-	635,223
Interest rate swap	-	2,969,882	-	-	2,969,882
Total assets at fair value	\$ 183,273,490	\$ 2,969,882	\$ 635,223	\$ 61,344,936	\$ 248,223,531
2021					
	Level 1	Level 2	Level 3	Valued Using NAV ⁽¹⁾	Total
Assets:					
Investments:					
Money market fund	\$ 24,713,505	\$ -	\$ -	\$ -	\$ 24,713,505
Short-term investment fund	-	-	-	2,600,816	2,600,816
Common and preferred stocks	6,000	-	-	-	6,000
Equity funds:					
Domestic	42,760,655	-	-	20,651,740	63,412,395
International	60,378,314	-	-	19,796,506	80,174,820
Natural resources	9,483,642	-	-	-	9,483,642
Real estate and infrastructure	12,684,542	-	-	-	12,684,542
Private equity	-	-	-	2,460,889	2,460,889
Fixed income funds	26,671,179	-	-	47,733,491	74,404,670
Total investments at fair value	176,697,837	-	-	93,243,442	269,941,279
Charitable trusts	-	-	796,910	-	796,910
Total assets at fair value	\$ 176,697,837	\$ -	\$ 796,910	\$ 93,243,442	\$ 270,738,189
Liabilities:					
Interest rate swap	\$ -	\$ (560,098)	\$ -	\$ -	\$ (560,098)

(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 5. Fair Value Disclosures (Continued)

The Museum is obligated under limited partnership investment fund agreements to advance additional funding periodically up to specified levels. At December 31, 2022 and 2021, the Museum had unfunded commitments of \$30,511,664 and \$8,014,701, respectively.

Investments valued at NAV using the practical expedient as of December 31, 2022, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Short-term investment fund (a)	\$ 2,141,358	\$ -	Daily	2 days
Equity funds:				
Domestic (b)	21,299,056	-	Daily	2 days
International (c)	11,943,562	-	Daily	2 days
Fixed income funds (d)	19,202,543	-	Daily	2 days
Private equity (e)	6,758,417	30,511,664	n/a	n/a
Balance as of December 31, 2022	<u>\$ 61,344,936</u>	<u>\$ 30,511,664</u>		

Investments valued at NAV using the practical expedient as of December 31, 2021, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Short-term investment fund (a)	\$ 2,600,816	\$ -	Daily	2 days
Equity funds:				
Domestic (b)	20,651,740	-	Daily	2 days
International (c)	19,796,506	-	Daily	2 days
Fixed income funds (d)	47,733,491	-	Daily	2 days
Private equity (e)	2,460,889	8,014,701	n/a	n/a
Balance as of December 31, 2021	<u>\$ 93,243,442</u>	<u>\$ 8,014,701</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.
- (e) Funds invested in limited partnership interests. There is no provision for redemptions during the life of these funds. Distributions from each fund will be received as the underlying funds are liquidated.

Museum of Science and Industry

Notes to Financial Statements

Note 6. 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, 2022 and 2021, by expected period of payment:

	2022	2021
Amounts expected to be collected in:		
Less than one year	\$ 3,712,978	\$ 7,566,583
One to five years	4,864,000	4,506,137
More than five years	2,700,000	5,300,000
Total pledges receivable	<u>11,276,978</u>	<u>17,372,720</u>
Less:		
Reserve on uncollectible pledges	-	(40,000)
Discount	(1,506,420)	(2,165,871)
Pledges receivable, net	<u>\$ 9,770,558</u>	<u>\$ 15,166,849</u>

The Museum has received conditional pledges totaling \$789,020 and \$1,985,172 for the years ended December 31, 2022 and 2021, respectively. These gifts will be recognized as private support revenue when the conditions are met (generally when qualifying expenses have been incurred and all other grant requirements have been met).

Note 7. Net Assets

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

	2022	2021
Without donor restrictions:		
Undesignated	<u>\$ 270,137,978</u>	<u>\$ 295,954,592</u>
With donor restrictions:		
Purpose restricted:		
Strategic initiatives	\$ 5,596,482	\$ 6,560,413
Education programs	11,379,017	8,038,736
Building preservation	5,247,768	9,223,247
Exhibit development and maintenance	20,561,597	10,629,991
	<u>42,784,864</u>	<u>34,452,387</u>
Passage of time	<u>3,250,727</u>	<u>5,568,116</u>
Endowment funds, donations held in perpetuity:		
Education programs	11,102,917	11,102,917
Exhibit development and maintenance	6,349,000	6,327,500
Endowment for operations	2,527,798	2,391,252
Endowment funds, accumulated earnings:		
Education programs	1,166,022	3,803,342
Exhibit development and maintenance	202,469	1,541,475
Endowment for operations	(54,187)	417,277
	<u>21,294,019</u>	<u>25,583,763</u>
	<u>\$ 67,329,610</u>	<u>\$ 65,604,266</u>

Museum of Science and Industry

Notes to Financial Statements

Note 7. Net Assets (Continued)

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

	2022	2021
Satisfaction of purpose restrictions:		
Strategic initiatives	\$ 1,771,864	\$ 62,214
Education programs	4,889,278	3,694,568
Building preservation	4,078,500	7,883,440
Exhibit development and maintenance	616,791	1,546,829
Passage of time	592,815	571,654
	<u>\$ 11,949,248</u>	<u>\$ 13,758,705</u>

Note 8. 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). At December 31, 2022, funds with original gift values of \$14,840,283, fair values of \$14,484,379, and deficiencies of \$355,904 were reported in net assets with donor restrictions.

Museum of Science and Industry

Notes to Financial Statements

Note 8. Donor Restricted Endowments (Continued)

The Museum has adopted investment and spending policies for endowment assets that aim 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, 2022 and 2021, 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.

During 2022 and 2021, the Museum had the following donor-restricted endowment-related activities:

	2022	2021
Endowment net assets, beginning of year	\$ 25,583,763	\$ 23,542,145
Private support	158,044	787,500
Investment (loss) returns:		
Interest and dividends	485,175	539,551
Realized (loss) gain on sale of investments	(235,454)	1,361,748
Net unrealized (loss) gain on investments	(3,709,226)	265,819
Total investment (loss) return	(3,459,505)	2,167,118
Appropriation of endowment assets for expenditures	(988,283)	(913,000)
Total change in endowment net assets	(4,289,744)	2,041,618
Endowment net assets, end of year	<u>\$ 21,294,019</u>	<u>\$ 25,583,763</u>

Note 9. Defined Contribution Plan

The Museum has an active 401(k) plan. Under the terms and conditions of the 401(k) plan, participants may defer up to 50% of annual salary or a maximum amount defined by law of \$20,500 for 2022 and \$19,500 for 2021. 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 \$464,702 and \$420,994 in 2022 and 2021, respectively.

Note 10. 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 of Science and Industry

Notes to Financial Statements

Note 10. Museum Properties (Continued)

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:

	2022	2021
Building improvements	\$ 143,100,533	\$ 124,538,278
Henry Crown Space Center	11,009,176	11,009,176
Exhibits	167,904,521	167,331,073
Underground garage	54,666,665	54,666,665
Equipment, furniture and fixtures	18,647,036	18,183,696
Construction in progress	6,565,019	10,904,748
Total properties	401,892,950	386,633,636
Less accumulated depreciation	(264,475,569)	(255,178,229)
Properties, net	<u>\$ 137,417,381</u>	<u>\$ 131,455,407</u>

Depreciation expense was \$10,069,572 and \$10,438,717 for the years ended December 31, 2022 and 2021, respectively. Loss on disposal of fixed assets totaling \$72,903 and \$1,905,939 for the years ended December 31, 2022 and 2021, respectively, relate to replacement and disposition of building improvements, exhibits and equipment.

Construction in progress consists primarily of building improvements to the electrical system and roof, food court renovations and exhibit construction. The total remaining cost to complete these projects at December 31, 2022 is expected to be approximately \$32.8 million.

Note 11. Other Assets

Other assets balances at December 31:

	2022	2021
Interest rate swap	\$ 2,969,882	\$ -
Prepaid expenses and deposits	756,934	770,771
Charitable remainder trusts	635,223	796,910
Life insurance policy	225,944	205,827
Film consortium investment	183,190	163,411
Inventories	71,427	71,431
Total other assets	<u>\$ 4,842,600</u>	<u>\$ 2,008,350</u>

Museum of Science and Industry

Notes to Financial Statements

Note 11. Other Assets (Continued)

Other assets consists of: (1) the fair value of the asset in connection with the Museum's interest rate swap agreement, (2) prepaid expenses for insurance and other agreements whose economic benefits extend into future fiscal years, (3) the Museum's irrevocable interest in donors' charitable trusts, (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, and (6) inventories, primarily for items held for resale.

Note 12. Other Liabilities

Other liabilities balances at December 31:

	2022	2021
Asset retirement obligation	\$ 525,064	\$ 546,618
Funds on deposit	210,315	166,095
Supplemental retirement plans	129,700	64,850
Interest payable	104,782	20,568
Purchase agreement	60,902	177,571
Paycheck Protection Program forgivable loan	-	2,000,000
Interest rate swap	-	560,098
Total other liabilities	<u>\$ 1,030,763</u>	<u>\$ 3,535,800</u>

Other liabilities consists of: (1) an asset retirement obligation for the Museum's estimated cost of asbestos remediation, (2) funds on deposit for group admissions and rental space, (3) a supplemental executive retirement plan, (4) interest payable on the Museum's outstanding bonds, (5) the present value of amounts due under a purchase agreement for energy efficiency equipment, (6) 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, and (7) the fair value of the liability in connection with the Museum's interest rate swap agreement.

Note 13. 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:

	2022	2021
Cash and investments held by the Museum	\$ 244,593,586	\$ 261,934,476
Outstanding pledges, gross	10,120,000	12,185,209
Private support contributions	13,038,730	6,722,164
Utilities	1,004,514	1,210,509
Amounts due under purchase agreements	60,902	177,571
Interest and bank fees	305,376	3,636
Other	110,683	65,588

Museum of Science and Industry

Notes to Financial Statements

Note 14. Bonds Payable and Lines of Credit

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

	2022	2021
Illinois Finance Authority (IFA) secured bonds:		
Series 2017A—PNC Bank, N.A.	\$ 28,764,000	\$ 29,917,000
Series 2017B—BMO Harris Bank	20,542,000	21,367,000
Total	49,306,000	51,284,000
Less unamortized financing fees	(327,734)	(347,108)
Bonds payable, per statements of financial position	<u>\$ 48,978,266</u>	<u>\$ 50,936,892</u>

Aggregate maturities of bonds payable at December 31, 2022, are as follows:

2023	\$ 2,058,000
2024	2,138,000
2025	2,218,000
2026	2,318,000
2027	2,418,000
2028 and thereafter	38,156,000
Total	<u>\$ 49,306,000</u>

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 Series 2009 bonds. 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, 2022 is 3.83%. In March 2023, the Museum amended the variable interest rate formula of its series 2017A and 2017B bonds with existing lenders, replacing one-month LIBOR with one-month term SOFR. 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 entered into an interest rate swap agreement to convert \$30,000,000 of notional principal from floating-rate to fixed-rate instruments on previously issued bonds. The agreement, which expires in December 2029, has monthly settlement and a fixed interest rate of 1.2885%. As of December 31, 2022 and 2021, the cumulative unrealized gain (loss) on the Museum's swap positions was \$2,969,882 and (\$560,098), respectively, based on the amount that such an instrument could be settled with a third party as determined by the counterparty. Changes in valuation of the Museum's swap of \$3,529,980 in 2022 and \$1,380,174 in 2021 is recognized under non-operating activities within other income, net, on the statements of activities and changes in net assets.

Lines of credit: In May 2019, the Museum entered into 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. In October 2021, the \$5,000,000 working capital line of credit was increased to \$15,000,000 which expires in July 2023. The Museum intends to renew this agreement. 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 was terminated in June 2021.

Museum of Science and Industry

Notes to Financial Statements

Note 15. Functional Classification of Expenses

Expenses by functional classification for the year ended December 31, 2022, 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 and benefits	\$ 7,845,287	\$ 5,910,816	\$ 1,931,592	\$ 567,032	\$ 191,270	\$ 2,689,709	\$ 3,470,719	\$ 22,606,425
Facilities operations	4,317,354	190,791	192,253	941,833	-	75,781	428,997	6,147,009
Supplies, services, and other	6,867,855	2,032,098	1,192,422	398,002	524,932	1,279,515	954,723	13,249,547
Depreciation	7,781,577	148,368	1,516,976	279,475	-	-	343,176	10,069,572
Interest	1,094,014	-	-	-	-	-	-	1,094,014
Total	<u>\$ 27,906,087</u>	<u>\$ 8,282,073</u>	<u>\$ 4,833,243</u>	<u>\$ 2,186,342</u>	<u>\$ 716,202</u>	<u>\$ 4,045,005</u>	<u>\$ 5,197,615</u>	<u>\$ 53,166,567</u>

Expenses by functional classification for the year ended December 31, 2021, 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 and benefits	\$ 7,794,401	\$ 4,877,098	\$ 1,379,661	\$ 516,743	\$ 145,720	\$ 2,460,559	\$ 3,329,392	\$ 20,503,574
Facilities operations	3,529,084	157,871	150,732	464,826	-	36,370	348,582	4,687,465
Supplies, services, and other	5,952,085	1,043,452	1,026,270	146,118	465,807	585,959	898,583	10,118,274
Depreciation	8,389,705	192,008	856,797	556,090	-	-	444,117	10,438,717
Interest	832,871	-	-	-	-	-	-	832,871
Total	<u>\$ 26,498,146</u>	<u>\$ 6,270,429</u>	<u>\$ 3,413,460</u>	<u>\$ 1,683,777</u>	<u>\$ 611,527</u>	<u>\$ 3,082,888</u>	<u>\$ 5,020,674</u>	<u>\$ 46,580,901</u>

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

Note 16. 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, 2022, the total commitments under those contracts are approximately \$2,150,000.

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 17. Subsequent Events

The Museum evaluated its December 31, 2022, financial statements for subsequent events through May 12, 2023, the date the financial statements were issued.