Holocaust Memorial Foundation of Illinois, Inc.

(a not-for-profit corporation)

Financial Report

December 31, 2019

Contents

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Independent Auditor's Report

To the Board of Directors
Holocaust Memorial Foundation of Illinois, Inc.

We have audited the accompanying financial statements of the Holocaust Memorial Foundation of Illinois, Inc. (a not-for-profit corporation) (the "Foundation"), which comprise the statement of financial position as of December 31, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 audits 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 Holocaust Memorial Foundation of Illinois, Inc. as of December 31, 2019 and 2018 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Foundation's museum has temporarily closed in response to the COVID-19 pandemic declared on March 11, 2020, and it is uncertain when it can operate normally again. Our opinion is not modified with respect to this matter.

To the Board of Directors
Holocaust Memorial Foundation of Illinois, Inc.

As described in Note 2 to the financial statements, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as of January 1, 2019, applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

May 19, 2020

Statement of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 4,545,649	$ 2,378,949
Investments	24,429,629	23,088,420
Receivables:		
Pledges receivable - Net of allowance for doubtful accounts	8,137,013	10,243,356
Interest receivable	121,389	129,320
Accounts receivable	9,121	9,379
Inventory	50,901	42,074
Note receivable	544,383	549,265
Prepaid expenses	444,643	201,232
Right-of-use asset	1,110,559	1,099,639
Property and equipment - Net	37,772,674	37,891,185
Total assets	**$ 77,165,961**	**$ 75,632,819**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 282,795	$ 175,786
Deferred revenue	654,341	537,053
Other accrued expenses	245,886	525,530
Interest rate swap marked to market	417,663	446,931
Operating lease liability	546,932	551,850
Deferred compensation	958,224	858,714
Bonds payable - Net	11,545,172	15,176,771
Total liabilities	14,651,013	18,272,635
Net Assets		
Without donor restrictions	52,681,176	45,364,661
With donor restrictions	9,833,772	11,995,523
Total net assets	62,514,948	57,360,184
Total liabilities and net assets	**$ 77,165,961**	**$ 75,632,819**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	$ 2,301,570	$ 720,883	$ 3,022,453	$ 1,034,719	$ 1,222,386	$ 2,257,105
Grants	560,145	3,472,931	4,033,076	1,215,665	2,031,637	3,247,302
Bequests	-	-	-	20,000	-	20,000
Special event income	4,055,312	165,550	4,220,862	3,929,000	178,483	4,107,483
Membership dues	245,257	-	245,257	229,814	-	229,814
Admissions income	696,569	-	696,569	692,226	-	692,226
Gift shop income	166,837	-	166,837	152,153	-	152,153
Speaker income	14,623	-	14,623	11,208	-	11,208
In-kind contributions	113,774	-	113,774	278,341	-	278,341
Other	59,990	-	59,990	56,615	-	56,615
Interest and dividend income - Net of investment expenses	743,579	16,296	759,875	916,981	5,384	922,365
Realized and unrealized gain (loss) on investments	1,971,647	101,023	2,072,670	(1,467,374)	(14,614)	(1,481,988)
Unrealized gain on interest rate swap	29,268	-	29,268	224,196	-	224,196
Net assets released from restrictions	6,638,434	(6,638,434)	-	4,876,159	(4,876,159)	-
Total revenue, gains, and other support	17,597,005	(2,161,751)	15,435,254	12,169,703	(1,452,883)	10,716,820
Expenses						
Program services:						
Program services	1,869,404	-	1,869,404	1,778,020	-	1,778,020
Program operations	3,734,201	-	3,734,201	3,881,738	-	3,881,738
Support services:						
General and administrative	680,613	-	680,613	566,448	-	566,448
Special events	1,543,403	-	1,543,403	1,477,762	-	1,477,762
Development	976,870	-	976,870	965,860	-	965,860
Supporting operations	1,475,999	-	1,475,999	1,592,992	-	1,592,992
Total expenses	10,280,490	-	10,280,490	10,262,820	-	10,262,820
Increase (Decrease) in Net Assets	7,316,515	(2,161,751)	5,154,764	1,906,883	(1,452,883)	454,000
Net Assets - Beginning of year	45,364,661	11,995,523	57,360,184	43,457,778	13,448,406	56,906,184
Net Assets - End of year	**$ 52,681,176**	**$ 9,833,772**	**$ 62,514,948**	**$ 45,364,661**	**$ 11,995,523**	**$ 57,360,184**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services			Support Services					
	Program Services	Program Operations	Total	General and Administrative	Supporting Operations	Development	Special Events	Total	Total
Salaries, benefits, and payroll taxes	$ 1,139,552	$ 698,221	$ 1,837,773	$ 515,554	$ 197,870	$ 778,111	$ -	$ 1,491,535	$ 3,329,308
Advertising and public relations	-	-	-	-	386,025	-	-	386,025	386,025
Bad debt expense	-	-	-	-	-	23,084	-	23,084	23,084
Bank and credit card charges	14,890	17,339	32,229	-	12,698	30,696	38,744	82,138	114,367
Conferences and meetings	36,726	-	36,726	24,686	2,087	3,484	-	30,257	66,983
Consultants and temporary help	13,603	7,503	21,106	40,051	2,226	3,508	-	45,785	66,891
Contributions	-	-	-	16,556	-	-	-	16,556	16,556
Cost of goods sold	-	89,376	89,376	-	-	-	-	-	89,376
Depreciation	-	1,459,280	1,459,280	-	440,965	-	-	440,965	1,900,245
Fundraising expenses	-	-	-	-	-	101,327	1,429,909	1,531,236	1,531,236
Education programs	318,387	-	318,387	-	-	-	-	-	318,387
Exhibition costs and maintenance	284,541	-	284,541	-	-	-	-	-	284,541
Information technology	-	135,909	135,909	-	40,315	3,281	-	43,596	179,505
In-kind expenses	-	27,783	27,783	3,000	8,241	-	74,750	85,991	113,774
Insurance	-	58,011	58,011	6,892	17,717	-	-	24,609	82,620
Interest	-	428,891	428,891	8,401	133,334	-	-	141,735	570,626
Office expenses	42,375	20,475	62,850	5,708	9,272	33,379	-	48,359	111,209
Opportunity grants	19,330	-	19,330	-	-	-	-	-	19,330
Professional fees	-	-	-	59,765	-	-	-	59,765	59,765
Building operations	-	462,614	462,614	-	127,716	-	-	127,716	590,330
Security	-	328,799	328,799	-	97,533	-	-	97,533	426,332
Total functional expenses	**$ 1,869,404**	**$ 3,734,201**	**$ 5,603,605**	**$ 680,613**	**$ 1,475,999**	**$ 976,870**	**$ 1,543,403**	**$ 4,676,885**	**$ 10,280,490**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			Support Services					
	Program Services	Program Operations	Total	General and Administrative	Supporting Operations	Development	Special Events	Total	Total
Salaries, benefits, and payroll taxes	$ 1,115,991	$ 674,018	$ 1,790,009	$ 431,809	$ 190,533	$ 745,679	$ -	$ 1,368,021	$ 3,158,030
Advertising and public relations	-	-	-	-	464,046	-	-	464,046	464,046
Bad debt expense	-	-	-	-	-	87,891	-	87,891	87,891
Bank and credit card charges	12,777	9,295	22,072	-	8,336	30,156	37,318	75,810	97,882
Conferences and meetings	24,822	-	24,822	16,942	90	2,266	-	19,298	44,120
Consultants and temporary help	12,886	20,764	33,650	24,000	6,159	1,750	-	31,909	65,559
Contributions	-	-	-	13,235	-	-	-	13,235	13,235
Cost of goods sold	-	81,218	81,218	-	-	-	-	-	81,218
Depreciation	-	1,538,121	1,538,121	-	455,004	-	-	455,004	1,993,125
Fundraising expenses	-	-	-	-	-	57,258	1,285,021	1,342,279	1,342,279
Education programs	306,045	-	306,045	-	-	-	-	-	306,045
Exhibition costs and maintenance	252,772	-	252,772	-	-	-	-	-	252,772
Information technology	-	120,448	120,448	-	35,729	169	-	35,898	156,346
In-kind expenses	-	85,543	85,543	12,000	25,375	-	155,423	192,798	278,341
Insurance	-	58,293	58,293	6,775	17,799	-	-	24,574	82,867
Interest	-	518,476	518,476	8,401	161,184	-	-	169,585	688,061
Office expenses	33,419	17,809	51,228	2,137	6,393	40,691	-	49,221	100,449
Opportunity grants	19,308	-	19,308	-	-	-	-	-	19,308
Professional fees	-	-	-	51,149	-	-	-	51,149	51,149
Building operations	-	445,878	445,878	-	129,832	-	-	129,832	575,710
Security	-	311,875	311,875	-	92,512	-	-	92,512	404,387
Total functional expenses	**$ 1,778,020**	**$ 3,881,738**	**$ 5,659,758**	**$ 566,448**	**$ 1,592,992**	**$ 965,860**	**$ 1,477,762**	**$ 4,603,062**	**$ 10,262,820**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	$ 5,154,764	$ 454,000
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	1,900,245	1,993,125
Bad debt	23,084	87,891
Realized and unrealized (gain) loss on investments	(2,072,670)	1,481,988
Amortization of bond issuance costs	8,401	8,401
Increase in right-to-use asset	(10,920)	(11,201)
Unrealized gain on interest rate swap	(29,268)	(224,196)
Contributions restricted for long-term purposes	(10,000)	(10,590)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Pledges receivable	2,083,259	1,607,910
Interest receivable	7,931	1,902
Accounts receivable	258	8,494
Inventory	(8,827)	(413)
Prepaid expenses	(243,411)	(25,518)
Accounts payable	52,786	(32,326)
Other accrued expenses	(279,644)	153,974
Deferred compensation	99,510	17,211
Deferred revenue	117,288	179,577
Operating lease liability	(4,918)	(4,637)
Net cash and cash equivalents provided by operating activities	6,787,868	5,685,592
Cash Flows from Investing Activities		
Purchases of investments	(11,303,415)	(13,499,336)
Proceeds from sales of investments	12,034,877	13,083,594
Payments on notes receivable	4,882	4,597
Capital expenditures	(1,727,512)	(731,750)
Net cash and cash equivalents used in investing activities	(991,168)	(1,142,895)
Cash Flows from Financing Activities		
Payments on bond payable	(3,640,000)	(6,060,000)
Contributions restricted for long-term purposes	10,000	10,590
Net cash and cash equivalents used in financing activities	(3,630,000)	(6,049,410)
Net Increase (Decrease) in Cash and Cash Equivalents	2,166,700	(1,506,713)
Cash and Cash Equivalents - Beginning of year	2,378,949	3,885,662
Cash and Cash Equivalents - End of year	**$ 4,545,649**	**$ 2,378,949**
Supplemental Cash Flow Information - Cash paid for interest	$ 528,436	$ 657,311

See notes to financial statements.

Note 1 - Nature of Organization

Holocaust Memorial Foundation of Illinois, Inc. (a not-for-profit corporation) (the "Foundation") was formed in September 1981 to present vehicles of education, remembrance, recording, and collecting memorabilia and documentation of the period of time referred to as the Holocaust and the Pre-War European Jewish Culture. The Foundation operates a 65,000 square-foot museum in Skokie, Illinois known as Illinois Holocaust Museum and Education Center.

Note 2 - Significant Accounting Policies

Classification of Net Assets

Net assets of the Foundation are classified based on the presence of absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Adoption of New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The standard requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases are classified as either finance or operating leases, with the classification affecting the pattern of expense recognition in the statement of activities. Previously, leases were classified as either capital or operating leases, with only capital leases recognized on the statement of financial position. The new guidance was adopted as of January 1, 2019 and applied retrospectively to all periods presented. Accordingly, the Foundation has recognized the right-of-use asset and related lease liability based on the present value of the minimum lease payments for its land lease. To establish the initial lease liability, the lease was reported with a total future commitment, discounted for present value of $556,483. The right-of-use assets are amortized over the term of the leases and have a combined carrying value of $1,110,559 and $1,099,639 as of December 31, 2019 and 2018, respectively. As a result of the adoption of this standard, the financial information as of December 31, 2018 has been restated as follows: total assets and liabilities increased by $551,850. There was no cumulative effect on the change in net assets.

Revenue Recognition

The following revenue streams are included in the revenue standard ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606):*

- Gift shop income
- Admissions income
- Membership dues
- Other

Note 2 - Significant Accounting Policies (Continued)

For each revenue stream identified above, revenue recognition is subject to the completion of performance obligations. For each contract with a customer, the Foundation determined whether the performance obligations in the contract are distinct or should be bundled. Factors to be considered include the pattern of the transfer, whether visitors or participants (customers) can benefit from the resources, and whether the resources are readily available. The Foundation also performs an analysis to determine if membership dues constitute separate performance obligations. The Foundation's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. The Foundation recognizes the revenue over a period of time if the customer receives and consumes the benefits that the Foundation provided or if the Foundation's performance does not create an asset with alternative use, and has an enforceable right to payment for the performance. The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods.

The transaction price is calculated as the amount of consideration to which the Foundation expects to be entitled (such as sales price, admission price, and price of membership). Payment is typically expected at the point of sale. In some situations, the Foundation bills customers and collects cash prior to the satisfaction of the performance obligation, which results in the Foundation recognizing contract liabilities upon receipt of payment. Total contract liabilities as of December 31, 2019 and 2018 were $379,293 and $301,766, respectively, and are included in deferred revenue on the statement of financial position. Revenue recognized in 2019 and 2018 that was included in the contract liability balance at the beginning of the year was $265,030 and $238,236, respectively.

Performance Obligations

The following explains the performance obligations related to each revenue stream under the new standard and how they are recognized.

Gift Shop Income

The Foundation generates revenue from implied agreements for a specific exchange of merchandise priced at a market value and recognized at time of performance.

Admissions

The Foundation charges entrance to the museum priced at a level determined by the Foundation to be reasonable and recognized at date of admission.

Membership Dues

The Foundation earns dues from its members for memberships. Membership dues are earned over the course of one or two years, representing the period over which the Foundation satisfies the performance obligation.

Other

The Foundation receives other income, including room rental fees, which is recognized at time of performance.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Note 2 - Significant Accounting Policies (Continued)

Contributions and Support

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Contributions received are recorded as without donor restriction, or with donor restriction depending on the existence and/or nature of any donor restrictions. However, if a restriction is fulfilled for an individual gift in its entirety in the same period in which the contribution is received, the Foundation reports the support as unrestricted. Expenses are recorded as decreases in net assets without donor restrictions.

Revenue from conditional contributions is recognized in the period when qualified expenditures have been incurred in compliance with the grantor's conditions. Cash received before conditions are met is recorded as deferred revenue. There were no remaining balances of conditional contributions to be received as of December 31, 2019 and 2018.

Cash and Cash Equivalents

The Foundation maintains interest-bearing checking and money market accounts at various financial institutions, which it classifies as cash and cash equivalents for the purpose of the statement of cash flows. The Foundation considers all highly liquid debt instruments or certificates of deposit with an original maturity of three months or less and money market accounts to be cash equivalents. The cash and cash equivalents may at times exceed the federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The carrying amount reported in the statement of financial position for cash and cash equivalents approximates fair value due to the short-term nature of these investments.

Investments

All investments are carried at fair value. Changes in fair value are reported in the statement of activities and changes in net assets. It is the Foundation’s policy to immediately liquidate donations of stock.

The Foundation’s investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statement of financial position.

Inventory

Gift shop inventory is stated at the lower of cost or net realizable value, with cost determined by the average cost method.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Collection

The value of the Foundation's collection is not included in the financial statements. The cost of objects purchased is reported as other changes in net assets in the statement of activities and changes in net assets. The Foundation's policy is to maintain and continue to acquire material evidence, art, and artifacts of victims and survivors of the Holocaust (principally from 1933 to 1945). From time to time, objects may be sold in accordance with the Foundation's collection management policy. Deaccession, the process used to permanently remove an object from the Foundation's collection, may result only if certain conditions have been met. All proceeds realized from deaccessions are allocated to purchase other objects for the Foundation's collection.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Costs are charged to program services and supporting services on an actual basis when available. In addition, indirect costs, including depreciation, information technology, interest, building operations, and security, have been allocated between the program and support services based on relative square footage. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation. Advertising and public relations expenses that were previously classified as program services have been reclassified to supporting services on the statement of functional expenses.

Upcoming Accounting Pronouncements

In March 2019, the Financial Accounting Standards Board issued Accounting Standards Update 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which 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. If entities define direct care differently, users will be able to understand the differences in how entities apply proceeds from deaccessioned collection items to collections-related expenditures. The new guidance will be effective for the Foundation's year ending December 31, 2020 and will be applied on a prospective basis. The new standard is not expected to have a significant effect on the Foundation's financial statements.

In March 2020, FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which addresses the accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate (LIBOR). The ASU provides optional expedients and exceptions to contracts, hedging relationships, and other transactions impacted by reference rate reform. The provisions of the ASU are effective upon issuance (March 2020) and generally can be applied through December 31, 2022. The Foundation is still assessing the impact that the ASU and reference rate reform will have on its financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 19, 2020, which is the date the financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. COVID-19 may have a material adverse effect upon revenue derived from admissions, special events, gift shop income, contributions, grants, and memberships due to the closure of the Illinois Holocaust Museum and Education Center over an extended period of time and the impact on general economic conditions. No impairments were recorded as of the statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Foundation's results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

On April 20, 2020, the Foundation received a Paycheck Protection Program term note of $509,620. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act’s Paycheck Protection Program. The note structure required the Foundation to qualify for the loan and provides loan forgiveness for up to all of the borrowed amount if the Foundation uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven (if any) will require the Foundation to pay back this amount in full by April 20, 2022, in 18 equal monthly principal installment payments beginning on November 20, 2020, with annualized interest at 1.00 percent. The Foundation has the right to prepay any amount outstanding at any time without penalty.

Subsequent to year end, the Foundation’s investment portfolio has incurred a decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2019	2018
Cash	$ 1,324,207	$ 1,298,973
Money market accounts	3,221,442	1,079,976
Total cash and cash equivalents	$ 4,545,649	$ 2,378,949

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation’s assets and liabilities measured at fair value on a recurring basis at December 31, 2019 and 2018 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 4 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Assets				
Corporate bonds	$ -	$ 12,445,443	$ -	$ 12,445,443
Asset-backed securities	-	82,208	-	82,208
Variable annuities	-	557,519	-	557,519
Government securities	-	1,382,561	-	1,382,561
Preferred securities	-	373,211	-	373,211
Common stock	9,588,687	-	-	9,588,687
Total assets	$ 9,588,687	$ 14,840,942	$ -	$ 24,429,629
Liabilities - Interest rate swap	$ -	$ 417,663	$ -	$ 417,663

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Assets				
Corporate bonds	$ -	$ 12,591,252	$ -	$ 12,591,252
Asset-backed securities	-	81,725	-	81,725
Municipal bonds	-	131,308	-	131,308
Variable annuities	-	748,141	-	748,141
Government securities	-	1,759,913	-	1,759,913
Preferred securities	-	347,283	-	347,283
Common stock	7,428,798	-	-	7,428,798
Total assets	$ 7,428,798	$ 15,659,622	$ -	$ 23,088,420
Liabilities - Interest rate swap	$ -	$ 446,931	$ -	$ 446,931

Level 1 Inputs

Common stock - Fair values were based on quoted market prices.

Note 4 - Fair Value Measurements (Continued)

Level 2 inputs

Corporate bonds, asset-backed securities, municipal bonds, government securities, and preferred securities - Estimated fair values were based on similar investments that are traded on the secondary market.

Variable Annuities

The fair value of the variable annuities is based on the present value of the guaranteed monthly payments over the term of the annuity.

Interest Rate Swap

The Foundation's interest rate swap is not traded on an exchange. The Foundation obtained the fair value of the swap from the counterparty. It then tested that fair value against a fair value determined by a methodology that included using the income approach to value the interest rate swap, using observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present amount (discounted), assuming that participants are motivated but not compelled to transact. Level 2 inputs for the swap valuation were limited to quoted prices for similar assets or liabilities in active markets (specifically future contracts) and inputs other than quoted prices that were observable for the asset or liability (specifically LIBOR cash and swap rates, implied volatility for options, caps and floors, basis swap adjustments, and credit risk at commonly quoted intervals). Midmarket pricing was used as a practical expedient for fair value measurement.

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018	Depreciable Life - Years
Buildings and improvements	$ 52,976,727	$ 52,015,053	5-40
Furniture and equipment	2,966,466	2,146,405	5-7
Subtotal	55,943,193	54,161,458	
Accumulated depreciation	18,170,519	16,270,273	
Total	$ 37,772,674	$ 37,891,185	

Depreciation expense for 2019 and 2018 was $1,900,245 and $1,993,125, respectively.

Note 6 - Bonds Payable

On December 20, 2006, the Foundation borrowed $28,500,000 through the Cultural Facility Variable Rate Demand Revenue Bonds Series 2006 tax-exempt bonds issued by the Village of Morton Grove, Illinois. The bonds were issued at a discount of $85,500. The bonds mature on December 1, 2041. The bonds have adjustable methods of interest rate determination, demand features, and interest payment dates. The interest rate on the bonds is reset weekly. As of December 31, 2019 and 2018, the bonds bore interest at 1.75 and 1.71 percent, respectively.

The Foundation has agreed to maintain a letter of credit for the Series 2006 bonds in an amount equal to the bond principal and interest outstanding, payable to the bond trustee. The letter of credit amount as of December 31, 2019 and 2018 was $11,842,479 and $15,517,384, respectively.

Note 6 - Bonds Payable (Continued)

The letter of credit fees are payable based on a tiered pricing structure dependent upon a liquidity ratio test. The ratio is measured on the last day of each fiscal quarter and is the sum of unrestricted cash and investments plus the net debt-free fund balance divided by the outstanding indebtedness. As of December 31, 2019 and 2018, the rate charged was 0.80 and 1.00 percent, respectively.

The letter of credit requires the Foundation to comply with certain financial covenants. The bond is collateralized by any and all property of the Foundation, except for certain excluded assets, consisting of the certain cash and investments with and without donor restrictions. Those excluded assets, however, can be added to the collateral if, in the event of a potential or actual default, as defined, the bank so requires. On April 16, 2019, the agreement was amended to extend the expiration date from July 29, 2019 to July 31, 2023 at a rate of 0.80 percent.

Based on the weekly remarketing of the interest rate, the carrying value of the debt outstanding approximates fair value as of December 31, 2019 and 2018. The debt would have been classified as a Level 2 input if it had been included in the fair value tables (see Note 4).

Expenses incurred in connection with the bond offerings were deferred and are being amortized on a straight-line basis over the period the bonds are to be outstanding.

The bond payable balance, net of discount and unamortized bond issuance costs, was $11,675,847 and $15,313,386 as of December 31, 2019 and 2018, respectively. Bond issuance costs, net of amortization, were $130,675 and $136,615 as of December 31, 2019 and 2018, respectively.

Interest expense in 2019 and 2018 was $562,225 and $679,660, respectively.

In December 2011, the Foundation entered into a deposit and redemption agreement with the Amalgamated Bank of Chicago, the trustee. The agreement stipulates that the Foundation directs the trustee to call the bonds, as required by the letter of credit bank, for partial optional redemption in the amount of $460,000 on March 15 and September 15 of each year through March 15, 2019. On April 16, 2019, these redemptions were amended to $355,000 on March 15 and September 15 of each year beginning on September 15, 2019 through March 15, 2023.

Such redemptions shall be made by draws against the letter of credit. Total amounts of $3,640,000 and $6,060,000 were paid on the outstanding bond in 2019 and 2018, respectively.

Note 7 - Pledges Receivable

The following are maturities on the pledges receivable as of December 31:

	2019	2018
Years ended December 31:		
Within one year	$ 3,995,467	$ 4,759,062
One to five years	4,431,667	5,484,400
More than five years	25,000	637,500
Total pledges receivable	8,452,134	10,880,962
Less:		
Discounts at rates from 1.92 to 2.50 percent	(301,021)	(617,506)
Allowance for doubtful accounts	(14,100)	(20,100)
Total	(315,121)	(637,606)
Net minimum pledges receivable	$ 8,137,013	$ 10,243,356

Note 8 - Lease Obligations

In July 2003, the Foundation entered into an agreement with the Village of Skokie, Illinois that included a lease to secure land for the new museum. The lease requires monthly rental payments of $3,158 from July 2003 to June 2053 and includes an option to extend the lease for 50 years at $15 per month. According to the provisions in the lease, the Foundation made an additional one-time special rent payment of $302,300 in 2003. The Foundation recognized $22,063 in rent expense from the lease for the years ended December 31, 2019 and 2018.

Future minimum annual commitments under the operating lease are as follows:

Years Ending	Amount
2020	$ 37,896
2021	37,896
2022	37,896
2023	37,896
2024	37,896
Thereafter	1,089,036
	1,278,516
Less present value discount	(731,584)
Total	$ 546,932

The Foundation's right-of-use asset relates entirely to the lease described above, which is classified as an operating lease. The right-of-use asset and related lease liability have been calculated using a borrowing rate of 6.00 percent. The statement of financial position as of December 31, 2018 has been restated to incorporate this lease commitment.

Note 9 - Endowment

The Foundation's endowment includes donor-restricted endowment funds established for educational purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. There are no board-designated endowment funds.

Interpretation of Relevant Law

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of these net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment fund, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund

Note 9 - Endowment (Continued)

- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

	Endowment Net Asset Composition by Type of Fund as of December 31, 2019	
	Without Donor Restrictions	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ -	$ 186,961
Accumulated investment gains	-	23,799
Total	$ -	$ 210,760

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - Beginning of year	$ -	$ 178,513
Contributions	-	10,000
Investment return - Investment income	-	22,247
Endowment net assets - End of year	$ -	$ 210,760

	Endowment Net Asset Composition by Type of Fund as of December 31, 2018	
	Without Donor Restrictions	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ -	$ 176,961
Accumulated investment gains	-	1,552
Total	$ -	$ 178,513

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - Beginning of year	$ -	$ 180,809
Contributions	-	10,590
Investment return - Investment loss	-	(12,886)
Endowment net assets - End of year	$ -	$ 178,513

Note 9 - Endowment (Continued)

Return Objectives and Risk Parameters

The Foundation 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the respective benchmarks for the different asset classes provided for in the Foundation's investment policy. These asset classes include high-grade corporate and government bonds and cash equivalents but specifically exclude any investment in hedge funds, commodities, and private equities. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually, net of management fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a balanced portfolio of primarily investment-grade rate fixed-income securities with staged maturities investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Based on the long-term objectives stated above, the Foundation will only spend the income generated by the endowment fund to support educational purposes stated in the agreements, while preserving the related principal.

Note 10 - In-kind Contributions

The Foundation received in-kind contributions valued at $113,774 and $278,341 for the years ended December 31, 2019 and 2018, respectively. In 2019 and 2018, the in-kind contributions included pro bono legal services, accounting services, public relations consulting, exhibit materials, prize donations, advertising space, photography services, and development consulting.

Note 11 - Net Assets

Donor-restricted net assets as of December 31 are available for the following purposes:

	2019	2018
Purpose restrictions:		
Daley Fund*	$ 1,013,571	$ 918,500
Opportunity grants	48,264	100,382
Temporary exhibits	489,532	187,954
Total purpose restrictions	1,551,367	1,206,836
Time restrictions	7,148,627	9,565,968
Time and purpose restrictions:		
Education/event sponsorships	256,678	396,616
Special events	215,625	176,875
Holographic theater	-	20,000
Net Debt Free Fund/debt retirement	450,715	450,715
Educational endowment	210,760	178,513
Total time and purpose restrictions	1,133,778	1,222,719
Total	$ 9,833,772	$ 11,995,523

*While the balance in the Daley Fund is with donor restrictions for purpose, these amounts can be released to satisfy debt covenants, if needed. If the amounts from this fund are used to meet the debt covenant, but are not needed in a future year, the restriction will be restored.

Note 12 - Commitments

Pursuant to the agreement with the Village of Skokie, Illinois in relation to securing land for the new museum, the Foundation entered into a letter of credit agreement with Bank of America, N.A. for the amount of $100,000. The letter of credit is subject to renewal annually and must remain in effect as long as the lease agreement exists. The current letter of credit expires on July 31, 2020, and management expects that a new agreement will be reached once this extension expires.

Note 13 - Deferred Compensation

On May 5, 2004, the Foundation entered into an employment agreement with its former executive director. Per the terms of the agreement, the Foundation is obligated to pay additional compensation based upon a vested rate beginning on April 1, 2015 and continuing for 10 years. Thereafter, payments will continue for the greater of the remainder of the lives of the former executive director and his spouse or 10 years. In accordance with the former executive director's employment agreement, he was 95 percent vested with respect to additional compensation as of the last day of employment. The liability is recorded as deferred compensation on the statement of financial position.

To provide partial funding against the liability, the Foundation maintains an annuity contract for the benefit of the former executive director and his spouse, which is recorded as an investment on the statement of financial position. The fair value of the annuity as of December 31, 2019 and 2018 was $465,585.

The Foundation also has a 457(b) deferred compensation plan for the executive director. On an annual basis, the Foundation will make a contribution equal to 5 percent of the executive director's previous year's salary and bonus to the plan.

Note 14 - 403(b) Plan

The Foundation sponsors a 403(b) plan for substantially all employees. The plan provides for the Foundation to make a discretionary matching contribution. Contributions to the plan totaled $23,455 and $11,353 for the years ended December 31, 2019 and 2018, respectively.

Note 15 - Interest Rate Swap

As part of the financing described in Note 6, on September 13, 2007, the Foundation entered into a derivative financial instrument to reduce its exposure to market risks from changes in interest rates. The instrument used to mitigate these risks is an interest rate swap. Any change in the fair value of the interest rate swap agreement is recognized in the statement of activities and changes in net assets.

By using a derivative financial instrument to hedge exposure to changes in interest rates, the Foundation exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of the derivative contract is positive, the counterparty owes the Foundation, which creates credit risk for the Foundation. When the fair value of a derivative contract is negative, the Foundation owes the counterparty if the Foundation terminated the contract. The Foundation minimizes the credit risk in its derivative instrument by entering into transactions with a high-quality counterparty.

The Foundation entered into an interest rate swap with Fifth Third Bank to hedge the interest rate risk associated with the $28,500,000 issuance of the variable-rate debt of tax-exempt bonds. The purpose of this swap is to fix interest rates on variable-rate debt and to reduce certain exposures to interest rate fluctuation. The notional amount is $8,550,000 through January 31, 2022. The notional amount does not represent a measurable exposure to the Foundation.

Market risk is the adverse effect on the value of financial instruments that results from a change in interest rates. The market risk associated with the interest rate swap is managed by establishing parameters that limit the types and degree of market risk that may be undertaken. The interest rate swap matures on January 31, 2022 and has a fixed rate of 3.41 percent. The Foundation will pay the counterparty interest at a fixed rate, as noted, and the counterparty will pay the Foundation interest at a variable rate equal to 67 percent of LIBOR, which was 1.6971 and 1.5724 percent at December 31, 2019 and 2018, respectively.

The counterparty interest rate approximates the revenue bond interest rate. The interest rate swap exposes the Foundation to basis risk should the relationship between the counterparty rate and revenue bond rate change significantly.

The following tables present the amounts and the locations of the amounts relating to the Foundation's interest rate swap in the Foundation's financial statements as of and for the years ended December 31, 2019 and 2018:

	2019	2018
Statement of financial position - Information location on statement of fair value of liability - Interest rate swap marked to market	$ 417,663	$ 446,931
Statement of activities and changes in net assets information:		
Unrealized gain on interest rate swap	$ 29,268	$ 224,196
Interest rate expense included in operations	(163,449)	(177,553)
Total (loss) gain on interest rate swap	$ (134,181)	$ 46,643

Note 16 - Liquidity

The following reflects the Foundation's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2019	2018
Cash and cash equivalents	$ 4,545,649	$ 2,378,949
Investments	24,429,629	23,088,420
Receivables	8,811,906	10,382,055
Total financial assets at year end	37,787,184	35,849,424
Less those unavailable for general expenditures within one year due to - Contractual or donor-imposed restrictions:		
Restricted by donors with time or purpose restrictions	9,623,012	11,817,010
Unappropriated donor-restricted endowment earnings	23,799	1,552
Net assets to be maintained in perpetuity	186,961	176,961
Contractually restricted by debt covenant	815,000	920,000
Long-term portion of note receivable	539,198	544,383
Financial assets available to meet cash needs for general expenditures within one year	$ 26,599,214	$ 22,389,518

The Foundation is partially supported by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to donors. Thus, financial assets may not be available for general expenditure within one year.

The Foundation has a goal to maintain financial assets, which consist of cash, investments and receivables, on hand to meet one year of normal operating expenses, which are, on average, approximately $8,250,000. As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.