Kohl Children's Museum of Greater Chicago, Inc.

Financial Report

June 30, 2015

Contents

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Kohl Children's Museum of
Greater Chicago, Inc.

We have audited the accompanying financial statements of Kohl Children's Museum of Greater Chicago, Inc. (the "Museum"), which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Trustees
Kohl Children's Museum of
Greater Chicago, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kohl Children's Museum of Greater Chicago, Inc. as of June 30, 2015 and 2014 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.

Plante & Moran, PLLC

October 2, 2015

Kohl Children's Museum of Greater Chicago, Inc.

Statement of Financial Position

	June 30, 2015	June 30, 2014
Assets		
Cash and cash equivalents - Unrestricted	$ 1,876,952	$ 1,864,019
Certificates of deposit	541,033	840,000
Restricted cash and cash equivalents	536,924	410,414
Contributions receivable - Net	1,282,454	1,235,503
Government grants receivable	36,074	72,630
Other receivables	3,942	3,649
Investments	291,466	272,474
Prepaid expenses	146,668	98,399
Property and equipment - Net	11,364,063	12,133,439
Bond issue costs - Net	35,719	56,957
Total assets	**$ 16,115,295**	**$ 16,987,484**
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expense	$ 228,146	$ 203,503
Deferred membership revenue	425,029	405,003
Deferred rent	160,065	157,837
Deferred revenue - Other	195,030	158,731
Bonds payable	2,495,000	2,995,000
Total liabilities	3,503,270	3,920,074
Net Assets		
Unrestricted	10,451,934	10,966,070
Temporarily restricted	1,919,648	1,884,217
Permanently restricted	240,443	217,123
Total net assets	12,612,025	13,067,410
Total liabilities and net assets	**$ 16,115,295**	**$ 16,987,484**

Kohl Children's Museum of Greater Chicago, Inc.

Statement of Activities and Changes in Net Assets

	Year Ended							
	June 30, 2015				June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support								
Contributions, gifts, and other support	$ 391,748	$ 1,070,205	$ -	$ 1,461,953	$ 319,399	$ 966,584	$ -	$ 1,285,983
Government grants	11,350	-	-	11,350	11,050	-	-	11,050
Admissions	889,287	-	-	889,287	782,828	-	-	782,828
Special events - Net of expenses of $303,910 and $306,372 in 2015 and 2014, respectively	418,026	-	-	418,026	553,290	-	-	553,290
Membership income	855,285	-	-	855,285	827,651	-	-	827,651
Field trips and educational programs	139,161	-	-	139,161	124,433	-	-	124,433
Facility rental income	245,903	-	-	245,903	231,884	-	-	231,884
Exhibit rental income	55,250	-	-	55,250	17,500	-	-	17,500
Other	54,354	-	-	54,354	55,070	-	-	55,070
Net assets released from restrictions	975,804	(975,804)	-	-	1,442,680	(1,442,680)	-	-
Total revenue, gains, and other support	4,036,168	94,401	-	4,130,569	4,365,785	(476,096)	-	3,889,689
Expenses								
Program services - Education and exhibits	3,631,065	-	-	3,631,065	3,700,307	-	-	3,700,307
Management and general	634,692	-	-	634,692	628,782	-	-	628,782
Fundraising	371,403	-	-	371,403	384,970	-	-	384,970
Total expenses	4,637,160	-	-	4,637,160	4,714,059	-	-	4,714,059
(Decrease) Increase in Net Assets - Before other changes	(600,992)	94,401	-	(506,591)	(348,274)	(476,096)	-	(824,370)
Other Changes in Net Assets								
Capital contributions and other revenue	50,000	-	23,320	73,320	5,258	4,820	47,123	57,201
Provision for uncollectible contributions	-	(19,818)	-	(19,818)	-	(3,041)	-	(3,041)
Interest income	1,964	11,197	-	13,161	1,234	14,910	-	16,144
Net realized and unrealized gains (losses) on investments	68	(15,525)	-	(15,457)	1,443	20,802	-	22,245
Net assets released from capital restrictions	34,824	(34,824)	-	-	140,063	(140,063)	-	-
Total other changes in net assets	86,856	(58,970)	23,320	51,206	147,998	(102,572)	47,123	92,549
(Decrease) Increase in Net Assets	(514,136)	35,431	23,320	(455,385)	(200,276)	(578,668)	47,123	(731,821)
Net Assets - Beginning of year	10,966,070	1,884,217	217,123	13,067,410	11,166,346	2,462,885	170,000	13,799,231
Net Assets - End of year	**$ 10,451,934**	**$ 1,919,648**	**$ 240,443**	**$ 12,612,025**	**$ 10,966,070**	**$ 1,884,217**	**$ 217,123**	**$ 13,067,410**

See Notes to Financial Statements.

Statement of Cash Flows

	Year Ended June 30, 2015	Year Ended June 30, 2014
Cash Flows from Operating Activities		
Decrease in net assets	$ (455,385)	$ (731,821)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	778,670	856,031
Amortization and write-off of bond cost	21,238	21,238
Amortization of discount on pledges	938	(5,213)
Change in provision for and write-off of uncollectible pledges	4,791	(58,810)
Net realized and unrealized investment loss (gain)	20,764	(21,108)
Loss on disposal of fixed asset	9,206	-
Contributions restricted for endowment	(23,320)	(47,123)
Changes in operating assets and liabilities which (used) provided cash:		
Contributions and other receivables	(16,417)	481,644
Prepaid expenses and deposits	(48,269)	(39,580)
Accounts payable and accrued expenses	24,643	9,815
Deferred revenue	56,325	74,432
Deferred rent	2,228	8,052
Net cash provided by operating activities	375,412	547,557
Cash Flows from Investing Activities		
Purchase of property and equipment	(18,500)	(116,770)
Purchase of investments	(39,756)	(108,876)
Proceeds from investments	-	47,149
Redemption (purchase) of certificates of deposit	298,967	(840,000)
Net cash provided by (used in) investing activities	240,711	(1,018,497)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(500,000)	(500,000)
Collection of contributions restricted for acquisition of long-term assets	23,320	47,123
Net cash used in financing activities	(476,680)	(452,877)
Net Increase (Decrease) in Cash and Cash Equivalents	139,443	(923,817)
Cash and Cash Equivalents - Beginning of year	2,274,433	3,198,250
Cash and Cash Equivalents - End of year	**$ 2,413,876**	**$ 2,274,433**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 1,389**	**$ 2,266**

Kohl Children's Museum of Greater Chicago, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services	Support Services			
	Education and Exhibits	Management and General	Fundraising	Total	Total
Compensation	$ 1,897,751	$ 462,181	$ 331,058	$ 793,239	$ 2,690,990
Supplies and equipment	114,464	11,291	6,452	17,743	132,207
Travel and meetings	74,023	10,274	18,072	28,346	102,369
Advertising, printing, and publications	67,991	3,247	5,194	8,441	76,432
Repair, maintenance, and construction	193,317	10,038	-	10,038	203,355
Rent and occupancy	130,597	9,993	158	10,151	140,748
Utilities	123,763	11,047	391	11,438	135,201
Bank/Credit card fees and interest	69,956	6,084	811	6,895	76,851
Depreciation and amortization	735,914	63,993	-	63,993	799,907
Consulting and professional fees	220,113	35,489	8,350	43,839	263,952
Other administrative	3,176	11,055	917	11,972	15,148
Total functional expenses	**$ 3,631,065**	**$ 634,692**	**$ 371,403**	**$ 1,006,095**	**$ 4,637,160**

Kohl Children's Museum of Greater Chicago, Inc.

Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services	Support Services			
	Education and Exhibits	Management and General	Fundraising	Total	Total
Compensation	$ 1,843,467	$ 423,837	$ 355,898	$ 779,735	$ 2,623,202
Supplies and equipment	112,861	12,726	5,261	17,987	130,848
Travel and meetings	77,751	11,305	8,854	20,159	97,910
Advertising, printing, and publications	99,492	1,416	8,276	9,692	109,184
Repair, maintenance, and construction	163,822	8,074	-	8,074	171,896
Rent and occupancy	192,522	9,299	-	9,299	201,821
Utilities	132,451	11,799	139	11,938	144,389
Bank/Credit card fees and interest	76,726	6,715	670	7,385	84,111
Depreciation and amortization	807,087	70,182	-	70,182	877,269
Consulting and professional fees	165,717	61,919	4,340	66,259	231,976
Other administrative	28,411	11,510	1,532	13,042	41,453
Total functional expenses	**$ 3,700,307**	**$ 628,782**	**$ 384,970**	**$ 1,013,752**	**$ 4,714,059**

Note 1 - Nature of Activities and Significant Accounting Policies

Kohl Children's Museum of Greater Chicago, Inc. (the "Museum") was incorporated as a not-for-profit organization in May 1990 under the laws of the State of Illinois. The Museum is supported primarily by admissions, memberships, special events, and publicly provided contributions, gifts, and grants obtained through the operation of its museum facilities in Glenview, Illinois. The Museum is a leader in demonstrating the role of interactive play in learning, creating exemplary, developmentally appropriate, hands-on education experiences for young children in a fun, intimate environment. In addition, children learn best through play and that interactive play between children and caring adults fosters learning and relationship development. In achieving this mission, the Museum strives to engage a multi-cultural and economically diverse audience to interact in the learning process, serve as a catalyst for constructive new forms of participatory learning for schools and families, implement innovative programs at the Museum and in the community, and impact schools through ongoing, innovative programs.

Basis of Accounting - The accompanying financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. This method records revenue and related assets when earned and records expenses and related liabilities when the obligations are incurred. These financial statements report amounts separately by class of net assets.

Classification of Net Assets - Net assets of the Museum are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Museum's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity.

Accounting principles generally accepted in the United States of America address the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA was enacted in Illinois effective June 30, 2009. A key component of UPMIFA is a requirement to classify the portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less. Throughout the year, the Museum may have amounts on deposit with a financial institution in excess of those insured by the FDIC. Management does not believe this presents a significant risk to the Museum.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Restricted Cash and Cash Equivalents - Temporarily restricted cash and cash equivalents consist of funds that, in addition to being restricted for the specific purposes, are physically separated as part of grant agreements. Funds are generally transferred to the operating account in the month following the release from restriction.

Contributions Receivable - Contributions are recognized as revenue when the donor's commitment is received. Contributions expected to be received over more than one year are initially recorded at fair value by the Museum as contributions receivable. They are subsequently valued at the present value of future cash flows. The valuation of contributions receivable is based upon management's estimate of the collectibility of such receivables. Management records a general reserve equal to the three-year rolling average of historical write-offs. Management monitors the collection of these receivables on a monthly basis. Receivables are deemed delinquent if not collected from the donor in the period expected to be received. Delinquent receivables are monitored and amounts are written off when deemed uncollectible.

Discount rates ranged from 0.12 percent to 4.94 percent in 2015 and 2014.

Property and Equipment - Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Costs of repairs and maintenance are charged to expense as incurred.

Bond Issue Costs - Bond issue costs are amortized using the straight-line method over the term of the related debt agreement. Unamortized bond cost is re-evaluated and adjusted based on principal payments made during the year.

Deferred Revenue - Deferred membership revenue consists of income from membership dues, which is deferred and recognized over the periods to which the dues relate. Deferred revenue - other consists of funds received in advance for future special events and exhibits.

Deferred Rent - The Museum's ground lease includes escalated rent payments through March 2044. U.S. generally accepted accounting principles require that rent expense be recognized ratably over the lease term. The cumulative amount by which rent expense recognized exceeds rent paid is included as deferred rent in the statement of financial position.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Contributions - Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Gifts, investment income, and government grants that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction. Unconditional gifts expected to be collected within one year are reported at the contribution amount. Unconditional gifts expected to be collected in future years are reported at estimated fair value, net of allowances. Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Admissions and Special Events Revenues - Income collected for daily admissions and special events is recognized when earned.

Donated Services and Assets - The Museum receives a substantial amount of donated services from unpaid volunteers who have made significant contributions of their time to help execute the Museum's programs, principally in fundraising, campaign solicitations, and various board assignments. The estimated value of donated services reflected in the financial statements for the years ended June 30, 2014 was approximately $55,000. There were no donated services for the year ended June 30, 2015.

Fair Value of Financial Instruments - The Museum applies fair value accounting for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Museum defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Museum considers the principal or most advantageous market in which the Museum would transact and the market-based risk measurements or assumptions that market participants would use in pricing the assets or liabilities, such as inherent risk, transfer restrictions, and credit risk.

The fair values of short-term financial instruments, including cash, contributions and grants receivable, other receivables, accounts payable, and accrued expenses, approximate the carrying amounts in the accompanying financial statements due to the short maturity of such instruments.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Income Taxes - The Museum is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Museum is subject to federal income tax on any unrelated business taxable income. The Museum is not considered to be a private foundation.

Management has analyzed the tax positions taken by the Museum and has concluded that as of June 30, 2015 and 2014, there were no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Museum is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Museum believes it is no longer subject to income tax examinations for years prior to 2012.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Functional Allocation of Expenses - The 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. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 2, 2015, which is the date the financial statements were issued.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2015	2014
Unrestricted cash	$ 1,559,287	$ 1,478,573
Unrestricted money market accounts	317,665	185,524
Unrestricted certificates of deposit	-	199,922
Restricted cash	536,924	410,414
Total cash and cash equivalents	$ 2,413,876	$ 2,274,433

Note 3 - Contributions Receivable

Contributions receivable are expected to be collected during the following periods:

	2015	2014
Due within one year	$ 619,849	$ 790,621
Due in one to five years	684,771	461,319
Total contributions receivable	1,304,620	1,251,940
Less allowance for uncollectible contributions	19,881	15,090
Less allowance for net present value discount	2,285	1,347
Net contributions receivable	$ 1,282,454	$ 1,235,503

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.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Museum 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 in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

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. 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.

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 Museum's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Level 1 investments consist of money market funds, common stock funds, government bond funds, fixed-income exchange-traded funds, real estate funds, commodity linked funds, and commodity exchange-traded funds. Estimated fair values for the Museum's Level 1 investments were based on quoted market prices.

The Museum currently uses no Level 2 or Level 3 inputs.

Note 4 - Fair Value Measurements (Continued)

Based on the weekly remarketing of the interest rates, the carrying amounts of the bonds payable are their estimated fair values as of June 30, 2015 and 2014 (see Note 7).

The following tables present information about the Museum's assets measured at fair value on recurring basis at June 30, 2015 and 2014 and the valuation techniques used by the Museum to determine those fair values.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Balance at June 30, 2015
Investments:		
Money market funds	$ 4,626	$ 4,626
Common stock funds:		
Emerging markets region	17,542	17,542
Equity funds	16,011	16,011
International region	54,731	54,731
U.S. small-cap funds	11,716	11,716
U.S. mid-cap funds	17,402	17,402
U.S. large-cap funds	51,867	51,867
MFB Northern FDS Stock Index Fund*	34,708	34,708
Corporate bond funds	50,685	50,685
Real estate funds	11,416	11,416
Government agencies	14,818	14,818
Fixed-income traded fund	5,944	5,944
Total investments	$ 291,466	$ 291,466

Note 4 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Balance at June 30, 2014
Investments:		
Money market funds	$ 3,672	$ 3,672
Common stock funds:		
Emerging markets region	28,757	28,757
Other	6,728	6,728
U.S. small-cap funds	4,621	4,621
U.S. mid-cap funds	8,659	8,659
U.S. large-cap funds	31,088	31,088
MFB Northern FDS Multi-Manager*	40,148	40,148
MFB Northern International Equity Index Fund*	34,876	34,876
MFB Nothern Multi-Manager Interational Equity Fund*	28,253	28,253
Corporate bond funds:		
MFB Northern FDS Bond Index Fund*	40,338	40,338
Other	22,340	22,340
Real estate funds	9,833	9,833
Commodity linked funds	6,697	6,697
Fixed-income traded fund	6,464	6,464
Total investments	$ 272,474	$ 272,474

* Investments exceed 10 percent of the fair value of investments

The Museum's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during 2015 and 2014.

Note 5 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2015	2014	Depreciable Life - Years
Building and improvements	$ 13,872,605	$ 13,872,605	40
Exhibits	5,041,167	5,040,724	10
Vehicles	19,621	19,621	3-5
Office equipment	844,523	844,520	3-10
Total cost	19,777,916	19,777,470	
Less accumulated depreciation	(8,413,853)	(7,644,031)	
Net carrying amount	$ 11,364,063	$ 12,133,439	

Note 5 - Property and Equipment (Continued)

Depreciation expense was $778,670 and $856,031 for 2015 and for 2014, respectively.

Note 6 - Line of Credit

As of June 30, 2015 and 2014, the Museum has a $500,000 line of credit available with Northern Trust that bears interest at the prime rate and is secured by the assets of the Museum. There were no borrowings outstanding on this line of credit as of June 30, 2015 and 2014. Repayment of any borrowings under the line of credit is due upon demand from the bank.

Note 7 - Bonds Payable

In July 2004, the Museum received financing for the construction of the museum building from the Illinois Finance Authority through the issuance of Series 2004, Adjustable Rate Demand Revenue Bonds in the original amount of $13,395,000 with monthly interest payments and principal due at maturity on July 1, 2034.

Although there are no principal payments required under this agreement until maturity, the Museum has been making advance payments. The carrying amount of the bonds payable in the amounts of $2,495,000 and $2,995,000 as of June 30, 2015 and 2014, respectively, approximates fair value based on the weekly remarketing of the bonds.

The bonds are subject to a remarketing agreement and are secured by a $2,518,925 irrevocable, transferable direct-pay letter of credit. The letter of credit agreement is effective until August 11, 2017. In the event that the remarketing of the bonds fails, the letter of credit will be drawn on to redeem all or a portion of the outstanding obligations from the holder(s). If such draw occurs, payment for the amount drawn on the letter of credit is due immediately with interest payments, if required, at prime plus 2 percent.

The letter of credit requires the Museum to maintain certain covenants related to debt service, funded indebtedness, and restrictions on additional debt.

The Series 2004 bonds' interest rate is adjustable weekly based on a national index of tax-exempt variable rate bonds and is payable monthly. The weekly rates for 2015 and 2014 averaged 0.05 percent and 0.07 percent, respectively.

Note 8 - Operating Leases

The Museum has a ground lease agreement with the Village of Glenview. The term of the lease is 39 years, expiring March 2044, with an option for an additional 40 years. The Museum recognizes rent expense on a straight-line basis over the life of the lease. The deferred rent and unamortized lease incentives are included in deferred rent liability on the statement of financial position. Rent expense for each of the years ended June 30, 2015 and 2014 was $27,173.

Note 8 - Operating Leases (Continued)

The following is a schedule of future minimum rental payments required under the ground lease that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2015:

Years Ending June 30	Amount
2016	$ 24,945
2017	24,945
2018	24,945
2019	24,799
2020	24,360
Thereafter	817,300
Total	$ 941,294

The Museum also leases certain equipment with monthly rent ranging from $54 to $189. The lease terms expire between November 2015 and April 2017. Rent expense for the years ended June 30, 2015 and 2014 was $3,102 and $2,966, respectively.

The following is a schedule by year of future minimum rental payments required under the other operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2015:

Years Ending June 30	Amount
2016	$ 1,590
2017	484
Total	$ 2,074

Note 9 - Retirement Plan

The Museum offers a 401(k) plan covering all eligible employees. The Museum makes employer contributions amounting to 100 percent of the employee contribution, not exceeding 3 percent of compensation, plus 50 percent of contributions in excess of 3 percent, but not greater than 5 percent of compensation. During the years ended June 30, 2015 and 2014, the Museum contributed $50,831 and $48,838, respectively, to the plan.

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2015	2014
New facility	$ -	$ 54,643
Annual fund and other programs	390,219	257,514
Early childhood and other programs	1,478,406	1,516,709
Endowment earnings restricted for capital improvements	51,023	55,351
Total	$ 1,919,648	$ 1,884,217

The annual fund and other programs include $374,264 and $306,109 of time and purpose restricted contributions as of June 30, 2015 and 2014, respectively.

Early childhood and other programs include $908,190 and $929,394 of time and purpose restricted contributions as of June 30, 2015 and 2014, respectively.

Note 11 - Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2015	2014
New facility	$ 34,824	$ 140,063
Early childhood and other programs	975,804	1,442,680
Total	$ 1,010,628	$ 1,582,743

Note 12 - Endowment

The Museum's endowment consists of one donor-restricted fund established for the support of the Museum's capital improvements. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on existences or absences of donor-imposed restrictions. As of June 30, 2015 and 2014, there are no board-designated endowment funds.

Note 12 - Endowment (Continued)

Interpretation of Relevant Law

The board of trustees of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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

Endowment Net Asset Composition by Type of Fund as of June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 51,023	$ 240,443	$ 291,466

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ 55,351	$ 217,123	$ 272,474
Investment return:				
Interest income	-	11,197	-	11,197
Net realized and unrealized losses on investments	-	(15,525)	-	(15,525)
Total investment return	-	(4,328)	-	(4,328)
Contributions	-	-	23,320	23,320
Endowment net assets - End of year	$ -	$ 51,023	$ 240,443	$ 291,466

Note 12 - Endowment (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 55,351	$ 217,123	$ 272,474

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ 19,639	$ 170,000	$ 189,639
Investment return:				
Investment income	-	14,604	-	14,604
Net realized and unrealized gains on investments	-	21,108	-	21,108
Total investment return	-	35,712	-	35,712
Contributions	-	-	47,123	47,123
Endowment net assets - End of year	$ -	$ 55,351	$ 217,123	$ 272,474

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to preserve, protect, and grow the assets, as well as maintain sufficient liquid reserves to meet obligations arising from planned activities. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity.

Strategies Employed for Achieving Objectives

The endowment will achieve a long-term rate of return on investments that ensures the growth of the assets will be sufficient to offset or exceed inflation, required spending, investment management fees, expenses, and taxes over a full market cycle. The portfolio will also be diversified among various asset classes with the goal of reducing volatility of return and, among various issues of securities, to reduce nonsystematic, single issuer, principal risk. The endowment will maintain liquidity in the portfolio sufficient to meet the obligations as they arise over time. Administrative, investment, and management expenses will also be controlled.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowment will spend an amount each year determined annually by the finance committee after considering all factors enumerated in Section 4 of the Illinois Uniform Prudent Management of Institutional Funds Act.

Note 13 - New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principles that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Museum's year ending June 30, 2020. The ASU permits the new revenue recognition guidance to be applied using one of two retrospective application methods. The Museum has not yet determined which application method it will use or the potential effects of new standard on the financial statements, if any.