

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

YEAR ENDED JUNE 30, 2021

CONTENTS

	Page
Independent auditors' report	1-2
Financial statements:	
Statement of financial position	3-4
Statement of activities	5-6
Statement of functional expenses	7
Statement of cash flows	8-9
Notes to financial statements	10-34



Independent Auditors' Report

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

We have audited the accompanying financial statements of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum (CAS/PNNM), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Chicago Academy of Sciences/Peggy Notebaert Nature Museum as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, CAS/PNNM has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Note 4 discloses the effects of the COVID-19 pandemic on the results of CAS/PNNM including the closure of its facility during the year ended June 30, 2021. Our opinion is not modified with respect to these matters.

Ostrow Reisin Berk & Abrams, Ltd.

November 12, 2021

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

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

Cash	\$ 3,235,560
Investments	497,511
Receivable from Chicago Park District	1,470,000
Accounts receivable	89,011
Grants and contributions receivable	884,657
Prepaid expenses and other assets	63,747
Deposits	217,452
Restricted cash - debt service reserve fund	1,037,670
Investments restricted for endowment funds	684,478
Beneficial interest in charitable remainder trust	303,181
Beneficial interest in perpetual trust	1,286,282
Property, equipment and exhibits, net	9,341,025
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Total assets	\$ 19,110,574

See notes to financial statements.

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

STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30, 2021

LIABILITIES AND NET ASSETS

Liabilities:

Bonds payable, net of unamortized bond costs	\$ 4,430,370
Capital lease obligations	70,328
Note payable	638,467
Accounts payable	28,892
Accrued expenses and other liabilities	293,813
Deferred revenue	106,361
Contract liabilities	75,979
Defined benefit pension liability	371,227

Total liabilities	6,015,437
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Net assets:

Without donor restrictions:

Undesignated	9,332,790
Board-designated	706,090

Total net assets without donor restrictions	10,038,880
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With donor restrictions:

Purpose and time restricted	1,251,498
Permanently restricted	1,804,759

Total net assets with donor restrictions	3,056,257
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Total net assets	13,095,137
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Total liabilities and net assets	\$ 19,110,574
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See notes to financial statements.

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

STATEMENT OF ACTIVITIES

Year ended June 30, 2021	Without donor restrictions	With donor restrictions	Total
Operating revenue, gains and other support:			
Chicago Park District property tax remittances	\$ 2,074,620		\$ 2,074,620
Grants and contributions	1,371,559	\$ 377,630	1,749,189
Special events	1,482,107		1,482,107
Contracts and program fees	221,515		221,515
Memberships	73,580		73,580
Other income	31,332		31,332
Net investment income	41,246	454,252	495,498
Net assets released from restrictions	320,333	(320,333)	
Total operating revenue, gains and other support	5,616,292	511,549	6,127,841
Expenses:			
Program services	3,447,519		3,447,519
Management and general	1,056,587		1,056,587
Fundraising	490,593		490,593
Total expenses	4,994,699		4,994,699
Change in net assets from operations	621,593	511,549	1,133,142

See notes to financial statements.

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

STATEMENT OF ACTIVITIES (CONTINUED)

Year ended June 30, 2021	Without donor restrictions	With donor restrictions	Total
Non-operating revenue:			
Forgiveness of debt - PPP loan	\$ 691,000		\$ 691,000
Employee Retention Credit income	581,998		581,998
Capital projects grants	224,513		224,513
Defined benefit pension plan, net	311,803		311,803
Total non-operating revenue	1,809,314		1,809,314
Change in net assets	2,430,907	\$ 511,549	2,942,456
Net assets:			
Beginning of year, as originally reported	7,685,483	2,544,708	10,230,191
Adjustment from adoption of ASU 2014-09	(77,510)		(77,510)
Beginning of year, as restated	7,607,973	2,544,708	10,152,681
End of year	\$ 10,038,880	\$ 3,056,257	\$ 13,095,137

See notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021	Program Services			Supporting Services		Total expenses
	Education, exhibits and biology	Museum operations and guest services	Total	Management and general	Fundraising	
Depreciation and amortization	\$ 485,823	\$ 16,949	\$ 502,772	\$ 17,864	\$ 1,176	\$ 521,812
Exhibits	27,388		27,388			27,388
Interest	50,068	1,747	51,815	1,841	121	53,777
Occupancy	281,990	18,448	300,438	23,181	11,384	335,003
Office and administrative	98,370	22,695	121,065	68,487	18,362	207,914
Outside services	152,283	303,008	455,291	211,332	22,284	688,907
Personnel	1,599,942	307,497	1,907,439	728,850	369,521	3,005,810
Special events					67,272	67,272
Supplies	62,608	18,703	81,311	5,032	473	86,816
Total expenses	\$ 2,758,472	\$ 689,047	\$ 3,447,519	\$ 1,056,587	\$ 490,593	\$ 4,994,699

See notes to financial statements.

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

STATEMENT OF CASH FLOWS

Year ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ 2,942,456
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	521,812
Amortization of bond costs	10,001
Net realized and unrealized gains on investments	(103,455)
Change in value of beneficial interest in charitable remainder trust	(43,111)
Change in value of beneficial interest in perpetual trust	(285,270)
Forgiveness of debt - PPP loan	(691,000)
Loss on disposal of property, equipment and exhibits	4,961
(Increase) decrease in operating assets:	
Receivable from Chicago Park District	(510,000)
Accounts receivable	(46,554)
Grants and contributions receivable	(633,519)
Prepaid expenses and other assets	23,733
Deposits	(217,452)
Decrease in operating liabilities:	
Accounts payable	(7,043)
Accrued expenses and other liabilities	(77,215)
Deferred revenue	(35,158)
Contract liabilities	(6,130)
Defined benefit pension liability	(325,853)
Net cash provided by operating activities	521,203
Cash flows from investing activities:	
Purchase of investments	(351,408)
Proceeds from sale of investments	353,444
Acquisitions of property, equipment and exhibits	(60,642)
Net cash used in investing activities	(58,606)

See notes to financial statements.

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

STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2021	
Cash flows from financing activities:	
Proceeds from note payable	\$ 638,467
Principal payments on capital lease obligations	(21,720)
Net cash provided by financing activities	616,747
Net change in cash and restricted cash	1,079,344
Cash and restricted cash:	
Beginning of year	3,193,886
End of year	\$ 4,273,230
Supplemental disclosure of cash flow information:	
Interest paid	\$ 56,023
Reconciliation of cash and restricted cash within the statement of financial position to the statement of cash flows:	
Cash	\$ 3,235,560
Restricted cash - debt service reserve fund	1,037,670
Total cash and restricted cash	\$ 4,273,230

See notes to financial statements.

THE CHICAGO ACADEMY OF SCIENCES/ PEGGY NOTEBAERT NATURE MUSEUM

NOTES TO FINANCIAL STATEMENTS

1. Nature of activities

The Chicago Academy of Sciences/Peggy Notebaert Nature Museum (CAS/PNNM) is Chicago's oldest museum, founded in 1857 by a group of local natural history enthusiasts. CAS/PNNM's mission is to create a positive relationship between people and nature through collaborations, education, research and collections, exhibits and public forums that fosters urban connections to the region's nature and science. Operating support is primarily derived from grants and contributions, support from the Chicago Park District and fee-based programs.

2. Summary of significant accounting policies

The significant accounting policies of CAS/PNNM are summarized below:

Basis of accounting:

CAS/PNNM's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Adoption of new accounting standards:

Effective July 1, 2020, CAS/PNNM adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires that CAS/PNNM recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which CAS/PNNM expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition, eliminates the transaction and industry-specific guidance, and establishes a five-step approach for the recognition of revenue. CAS/PNNM implemented this standard during the year ended June 30, 2021 using the modified retrospective method.

Effective July 1, 2020, CAS/PNNM adopted ASU 2019-03, *Updating the Definition of Collections (Topic 958)*. This guidance requires that CAS/PNNM disclose the use of proceeds from sales of collections and whether the proceeds can be used for the acquisition of new collection items, the direct care of existing collections, or both.

Intermediate measure of operations:

CAS/PNNM classifies all recurring museum revenues, gains and other support and expenses as operating activities except for non-operating items, which include contributions for capital projects, changes in the defined benefit pension plan asset or liability, forgiveness of debt income and Employee Retention Credit income.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Basis of presentation:

CAS/PNNM reports information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets without donor restrictions are available to finance the general operations of CAS/PNNM. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of CAS/PNNM, the environment in which it operates and the purposes specified in its Articles of Incorporation, Constitution and By-Laws. Voluntary resolutions by the Board of Trustees to designate a portion of CAS/PNNM’s net assets without donor restrictions for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board of Trustees at any time, designated net assets are included under the caption “net assets without donor restrictions.” Board-designated net assets include assets over which the Board of Trustees retains control and may, at their discretion, subsequently be used for other purposes. The Board of Trustees has designated net assets without donor restrictions of \$706,090 at June 30, 2021 for operations or capital projects to be approved by the Board of Trustees.

Net assets with donor restrictions – Net assets with donor restrictions result (a) from contributions and other inflows of assets, the use of which by CAS/PNNM is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of CAS/PNNM pursuant to those stipulations, (b) from contributions and other inflows of assets with donor-imposed stipulations that the contributed resources be maintained permanently but permit CAS/PNNM to utilize or expend part or all of the income or other economic benefits derived from the donated assets and (c) from other asset enhancements and diminishments subject to the same kinds of stipulations.

Investments:

Investments are carried at fair value. Realized and unrealized investment gains and losses and other investment income less external investment expenses are reflected in the statement of activities as net investment income.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Receivable from Chicago Park District:

CAS/PNNM receives support from property taxes that are collected by the Chicago Park District. CAS/PNNM also receives support from the Chicago Park District replacement tax levy assessed on capital stock and business income. These tax revenues are recognized on the accrual basis as earned (when levied by the City of Chicago) and a corresponding receivable is included in the statement of financial position. Management expects this receivable to be collected within the next year.

Grants and contributions receivable:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Total unconditional promises to give at June 30, 2021 are due within one year. Conditional promises to give are not included in revenue until the conditions are substantially met. CAS/PNNM provides an allowance for estimated uncollectible grants and contributions, as needed, based upon management's judgment including such factors as prior collection history, specific donor circumstances and general economic conditions. As of June 30, 2021, management has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Bond costs:

Costs incurred for bond financing are capitalized and amortized over the life of the bonds payable. Unamortized bond costs are reported on the statement of financial position as a direct deduction from the face amount of the bonds payable. CAS/PNNM reflects amortization of bond costs as interest expense.

Financial instruments:

CAS/PNNM carries its financial instruments including investments, beneficial interest in charitable remainder trust, and beneficial interest in perpetual trust at fair value. Changes in the fair value of the beneficial interest in charitable remainder trust are recognized as gains and losses in net assets with donor restrictions. In accordance with the terms of the charitable perpetual trust agreement, the trustee makes annual distributions of trust income which are recognized as income without donor restrictions.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Property, equipment and exhibits:

Property, equipment and exhibits are reported at cost and are depreciated on a straight-line basis over their estimated useful lives, which range between 3 and 40 years. Maintenance and repair costs are charged to expense as incurred and betterments are capitalized. The land on which CAS/PNNM is situated is owned by the Chicago Park District. The sole and permanent right to the use and occupancy of the land, including any future improvements, was vested at no cost to CAS/PNNM as long as CAS/PNNM uses the property for the purpose for which it was founded.

Management reviews the carrying values of property, equipment and exhibits for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

Collections:

CAS/PNNM holds a collection of natural history items for education, research, and public exhibition (the Collection). Additions to the Collection are made primarily through field collection and donations or gifts and bequests. CAS/PNNM's collections are not recognized or capitalized.

CAS/PNNM manages the Collection in accordance with a formal policy adopted by CAS/PNNM. Under this policy, proceeds from sales, if any, can only be used for the preservation and direct care of the permanent collections or for new acquisitions. There were no sales during the year ended June 30, 2021. Direct care is defined as any activity that involves the protection and preservation of the Collection.

Grants and contributions:

Grants and contributions received are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Grants and contributions: (continued)

Support with donor restrictions is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. CAS/PNNM reports grants and contributions with donor restrictions for which restrictions are met in the same reporting period as received as grants and contribution income without donor restrictions.

Private event income:

Facility rental fees for private events are recognized when the private event occurs.

Facility rental fees received in advance of the private event are deferred. Private event income of \$19,170 was recognized during the year ended June 30, 2021 and is included in other income on the statement of activities.

Contributed goods and services:

CAS/PNNM recognizes as revenue the fair value of contributed (donated) goods and services if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Contributed goods and services are recognized at their estimated fair value at the date of the gift.

During the year ended June 30, 2021, \$89,431 was recorded as grants and contribution revenue and expense for contributed professional services. The expense is included in outside services and allocated as management and general on the statement of functional expenses.

Volunteers have donated their time to CAS/PNNM's programs and supporting services, but no amounts have been recorded during the year ended June 30, 2021 because the services do not meet the criteria for recognition under generally accepted accounting principles.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Functional expenses:

The costs of providing various programs and related supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses directly identifiable with a functional area are charged to that area. Personnel expenses are allocated on the basis of estimates of time and effort. Depreciation and amortization and interest are allocated based on square footage utilized for program and supporting services. Insurance and information technology expenses are allocated based on employee headcount. All other expenses are reported using the direct allocation method.

Taxes:

CAS/PNNM, an Illinois nonprofit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and applicable state law, except for taxes pertaining to unrelated business income, if any. In addition, CAS/PNNM qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Code.

Management has determined that CAS/PNNM was not required to record a liability related to uncertain tax positions as of June 30, 2021.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management of CAS/PNNM has reviewed and evaluated subsequent events through November 12, 2021, the date the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Revenue from contracts with customers

CAS/PNNM has adopted the revenue recognition guidance under Topic 606 using the modified retrospective approach, which applies to contracts that have remaining obligations as of July 1, 2020 and new contracts entered into subsequent to July 1, 2020. Under the modified retrospective method, the cumulative effect of the application of Topic 606 is shown as an adjustment to beginning net assets as of the date of application. The adoption of Topic 606 resulted in an adjustment to beginning net assets of \$77,510.

CAS/PNNM recognizes revenue upon delivery of goods or services in an amount that reflects the consideration CAS/PNNM expects to receive in exchange for those goods or services.

CAS/PNNM's revenue streams that fall under this guidance are derived primarily from contracts and program fees, memberships, admissions, and gift shop sales.

Contracts and program fees revenue is primarily for various conservation research services, educational programs and public programs and events provided by CAS/PNNM. Revenue is recognized over time as services are provided and programs are held. CAS/PNNM generally invoices customers for services provided or when programs are held. Summer camp program fees are generally received upon registration in advance of the summer camp program and are initially recorded as deferred revenue.

Memberships revenue is collected at the commencement of the membership period and allows the member unlimited visits to CAS/PNNM over the course of the membership period, as well as discounts on various programs and events. Payments for annual memberships are due upon registration. Memberships revenue is deferred and recognized as revenue in equal monthly amounts during the applicable membership period.

Admissions revenue is recognized at a point in time as visitors obtain access to CAS/PNNM. No admissions revenue was recognized during the year ended June 30, 2021 due to closure of the facility due to the COVID-19 pandemic (Note 4).

Gift shop sales revenue is recognized at the point in time when the sale occurs and the customer takes possession of the merchandise. Sales taxes collected from customers are excluded from revenues and the obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing authorities. Gift shop sales revenue of \$12,583 was recognized during the year ended June 30, 2021 and is included in other income on the statement of activities.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Revenue from contracts with customers (continued)

With the exception of memberships, which can be for a period of one or two years, all of CAS/PNNM's revenue from contracts with customers are from performance obligations with an initial expected duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

Disaggregation of revenue:

Revenue from contracts with customers disaggregated by category for the year ended June 30, 2021 is as follows:

<u>Year ended June 30, 2021</u>	
Revenue recognized over time:	
Contracts and program fees	\$ 221,515
Memberships	73,580
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Total revenue recognized over time	295,095
Revenue recognized at a point of time:	
Gift shop sales (included in other income on the statement of activities)	12,583
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Revenue from contracts with customers	\$ 307,678

Contract balances:

Accounts receivable related to revenue from contracts with customers are \$89,011 and \$42,457 at June 30, 2021 and 2020, respectively. Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. CAS/PNNM provides an allowance for estimated uncollectible accounts receivable, as needed, based upon management's judgment including such factors as prior collection history and general economic conditions. As of June 30, 2021, management has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Contract liabilities consist of contracts and program fees and membership dues for which consideration has been received in advance of when performance obligations are met.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Revenue from contracts with customers (continued)

Contract balances: (continued)

June 30,	2021	2020
Contract liabilities:		
Contracts and program fees	\$ 65,002	\$ 4,599
Memberships	10,977	77,510
Total contract liabilities	\$ 75,979	\$ 82,109

There were no contract assets at June 30, 2021 and 2020.

Significant judgments:

Significant judgments are required to be made by management to determine the appropriate approach to applying the revenue recognition criteria. Significant judgments include allocating memberships between a distinct good or service and between exchange transactions and contributions.

4. COVID-19

CAS/PNNM closed its facility to the public on March 13, 2020 due to government mandate. Museums were allowed to re-open by the City of Chicago on June 26, 2020, but with limitations on attendance and operations. Museums were subsequently ordered to close November 20, 2020 through January 22, 2021. CAS/PNNM elected to not re-open to the public due to various financial and operational issues, and remained closed through July 7, 2021, at which time it re-opened on a limited basis. On September 7, 2021, the facility fully re-opened, with programming ramping up gradually. During its closure, CAS/PNNM continued to serve its audiences through digital and limited in-person programming.

The facility's closure resulted in the loss of admissions, memberships, gift shop, programming, rental and other revenues and a reduction in special events revenues due to the inability to hold fundraising events.

CAS/PNNM continues to seek new funding related to pandemic relief and received a second loan pursuant to the Paycheck Protection Program during the year ended June 30, 2021. See Note 11.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. COVID-19 (continued)

In response to the COVID-19 pandemic, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) that, among other economic stimulus measures, established the Employee Retention Credit (ERC) to provide a refundable tax credit against certain employment taxes if eligibility requirements are met. The credit is equal to 50% of qualified wages paid from March 12, 2020 to December 31, 2020 with a maximum credit of \$5,000 per employee for 2020. During calendar year 2021, the credit is equal to 70% of qualified wages per quarter, with a maximum quarterly credit of \$7,000 per employee. CAS/PNNM has applied for the ERC for the quarters ended September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021. CAS/PNNM has accounted for the ERC as a conditional contribution and has recognized revenue of \$581,998 during the year ended June 30, 2021.

The extent to which the COVID-19 pandemic continues to impact CAS/PNNM's future operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. Therefore, CAS/PNNM cannot reasonably estimate the impact for the year ending June 30, 2022.

5. Cash

CAS/PNNM maintains a portion of its cash in bank accounts which exceed Federal Deposit Insurance Corporation (FDIC) insured limits. At June 30, 2021, cash in excess of these limits totaled approximately \$4,000,000. CAS/PNNM maintained cash at June 30, 2021 totaling approximately \$103,000 in money market funds which are not insured nor guaranteed by the FDIC. Management believes that CAS/PNNM is not exposed to any significant credit risk on cash.

6. Conditional promises to receive

CAS/PNNM has conditional promises to receive of approximately \$2,083,000 from various state governmental agencies for capital improvement projects. Payment is contingent upon incurring capital project expenses. Funds received in advance of conditions being met totaled \$58,115 and are recorded as deferred revenue on the statement of financial position.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Liquidity and availability

The sources of liquidity available to CAS/PNNM are cash, investments, and receivables. CAS/PNNM manages available cash to meet general expenditures. To facilitate this, CAS/PNNM prepares monthly budgetary projections for the upcoming year. Known expenditures are accounted for in preparing the budget. Management and the Board of Trustees monitor liquidity measures on an ongoing basis such as by reviewing financial statements and budget-to-actual reports.

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

<u>June 30, 2021</u>	
Financial assets at year-end:	
Cash	\$ 3,235,560
Investments	497,511
Receivables:	
Chicago Park District	1,470,000
Accounts receivable	89,011
Grants and contributions	884,657
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Total financial assets at year-end	6,176,739
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Less amounts not available to be used within one year:	
Purpose restricted net assets held in investments not expected to be spent in one year	(419,316)
Board-designated funds not expected to be spent in one year	(706,090)
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Total amounts not available to be used within one year	(1,125,406)
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Plus endowment appropriation for operations in the next twelve months	24,000
<hr/>	
Financial assets available to meet general expenditures within one year	\$ 5,075,333

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Liquidity and availability (continued)

Board-designated net assets of \$706,090 held in cash as of June 30, 2021 can be used with approval by the Board of Trustees. As of June 30, 2021, the Board of Trustees has not designated any amount of these net assets for use during the year ending June 30, 2022.

8. Fair value measurements

There are three levels of inputs used to measure fair value. The definition of each input is described below:

Level 1 Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CAS/PNNM has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs that are unobservable inputs for the asset or liability.

CAS/PNNM assesses the levels of financial instruments at each measurement date and transfers between levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with CAS/PNNM's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. There were no such transfers for the year ended June 30, 2021.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. CAS/PNNM's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value measurements (continued)

For the year ended June 30, 2021, the application of valuation techniques applied to similar assets has been consistent with techniques used in previous years. The valuation methodologies used for instruments at fair value are described below:

Mutual and exchange-traded funds: Valued at fair value based on quoted market prices.

Beneficial interest in charitable remainder trust: CAS/PNNM is named as beneficiary of an irrevocable trust. Upon death of the donor, CAS/PNNM will receive 40% of the value of the trust. The charitable remainder trust is recorded at estimated fair value based on the fair value of the assets held in the trust reported by the trustee. The amounts ultimately received could differ from the amount reflected in the financial statements.

Beneficial interest in perpetual trust: CAS/PNNM is a beneficiary of a charitable perpetual trust held by The Chicago Community Trust. The beneficial interest in perpetual trust is recorded at estimated fair value based on the fair value of the assets held in the trust reported by the trustee. CAS/PNNM considers the measurement of its beneficial interest in perpetual trust to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, CAS/PNNM will never receive those assets or have the ability to direct the trustee to redeem them.

The following table sets forth by level, within the fair value hierarchy, CAS/PNNM's assets at fair value. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

June 30, 2021	Level 1	Level 3
Recurring fair value measurements:		
Assets:		
Mutual and exchange-traded funds	\$ 1,181,989	
Beneficial interest in charitable remainder trust		\$ 303,181
Beneficial interest in perpetual trust		1,286,282
Total recurring fair value measurements	\$ 1,181,989	\$ 1,589,463

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fair value measurements (continued)

For the beneficial interest in charitable remainder trust, unrealized gains of \$43,111 during the year ended June 30, 2021 are included in net investment income on the statement of activities. For the beneficial interest in perpetual trust, unrealized gains of \$326,113 during the year ended June 30, 2021 are included in net investment income on the statement of activities.

Risks and uncertainties:

CAS/PNNM invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

9. Property, equipment and exhibits

Property, equipment and exhibits consist of the following:

June 30, 2021	
Land	\$ 900,000
Building	17,136,970
Exhibits	10,282,709
Equipment and furniture	2,046,186
Building improvements	2,228,325
	32,594,190
Less accumulated depreciation	(23,253,165)
	Property, equipment and exhibits, net
	\$ 9,341,025

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Bonds payable

Bonds payable consists of:

June 30, 2021	
Illinois Finance Authority Revenue Bonds (The Chicago Academy of Sciences Project), Series 2013	\$ 4,519,750
Unamortized bond costs	(89,380)
Bonds payable, net of unamortized bond costs	\$ 4,430,370

In January 2013, CAS/PNNM entered into a Bond and Loan Agreement with the Illinois Finance Authority (the Authority) and PNC Bank, National Association (the Bank), under which the Authority issued \$5,519,750 of Revenue Bonds (The Chicago Academy of Sciences Project), Series 2013, tax-exempt variable rate bonds (the 2013 Bonds). Proceeds from the 2013 Bonds were loaned to CAS/PNNM and were used to refund the outstanding Illinois Development Finance Authority Adjustable Demand Revenue Bonds, Series 1998 (The Chicago Academy of Sciences Project) (the 1998 Bonds) and to pay the costs of issuing the 2013 Bonds. As part of this transaction, the Bank purchased the 2013 Bonds from the Authority. In addition, the Authority has assigned a security interest and all rights, title and interest in the 2013 Bonds, with certain exclusions as defined in the Bond and Loan Agreement.

The 2013 Bonds mature on January 1, 2033. The 2013 Bonds are subject to optional redemptions, in whole or in part, at each quarterly interest payment date at the discretion of CAS/PNNM. Mandatory principal redemptions of \$600,000 are required annually, beginning on June 1, 2023 through maturity. Optional redemptions are applied against mandatory redemption requirements.

In September 2018, CAS/PNNM amended its Bond and Loan Agreement with the Authority and the Bank. Under this amendment, the Bank's original optional tender date of December 31, 2019 was extended to December 31, 2021. In addition, the variable interest rate was changed to 80% of one month LIBOR plus 85 basis points through December 31, 2021. The variable interest rate is pre-determined monthly and interest is payable quarterly. Subsequent to December 31, 2021, the 2013 Bonds shall bear interest at a rate to be determined as provided in the Bond and Loan Agreement. CAS/PNNM is negotiating terms with the Bank to amend the Bond and Loan Agreement and Continuing Covenants Agreement and extend the optional tender date.

The effective interest rate was 0.92% at June 30, 2021.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Bonds payable (continued)

Under a Continuing Covenants Agreement with the Bank, CAS/PNNM is required to meet certain financial and operational covenants which include, among other things, funding a debt service reserve fund, providing a negative pledge for property and restricting various future financial transactions. CAS/PNNM was required to fund a debt service reserve fund which may only be used to redeem, on an interest payment date or on the maturity date, a portion of the 2013 Bonds. The Bank consented for CAS/PNNM to incur additional debt pursuant to the Paycheck Protection Program (see Note 11) and waived any event of default under the Continuing Covenants Agreement caused by CAS/PNNM borrowing additional debt. CAS/PNNM was in compliance with all other financial and operational covenants as of June 30, 2021.

11. Notes payable

One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used for other allowable costs. During the year ended June 30, 2020, CAS/PNNM applied for and received its first PPP loan in the amount of \$691,000 (PPP 1 loan). The PPP 1 loan was a two-year loan with a maturity date of April 17, 2022 and an annual interest rate of 1%. CAS/PNNM accounted for the PPP 1 loan under the debt model. In January 2021, CAS/PNNM applied for and received forgiveness of the entire PPP 1 loan balance. The loan forgiveness of \$691,000 is recorded as forgiveness of debt revenue on the statement of activities.

In January 2021, CAS/PNNM applied for and received a second PPP loan in the amount of \$638,467 (PPP 2 loan). The PPP 2 loan has a maturity date of February 18, 2026 and bears interest at a rate of 1% per year.

It is CAS/PNNM's intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the SBA. CAS/PNNM is eligible for loan forgiveness in an amount equal to payments made during a 24-week period, beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Notes payable (continued)

CAS/PNNM has accounted for the PPP loan under the debt model in which the loan will remain a liability of CAS/PNNM until such time that CAS/PNNM's application for forgiveness is approved by the SBA. At the time the application for forgiveness is approved, CAS/PNNM will recognize revenue to the extent of the amount forgiven. CAS/PNNM has up to 10 months after the end of the 24-week period following the loan disbursement date to apply for loan forgiveness. To the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the 24-week period following disbursement date, then payments are to begin at that time.

If CAS/PNNM were to not submit an application for forgiveness by 10 months after the end of the 24-week covered period, principal payments due on the PPP 2 loan would be as follows:

Year ending June 30:	Amount
2022	\$ -
2023	170,258
2024	170,258
2025	170,258
2026	127,693
Total	\$ 638,467

12. Benefit plans

CAS/PNNM has a defined benefit plan (the Plan). CAS/PNNM amended the Plan to freeze pension benefits as of December 31, 2003. After that date, no individual shall become a participant in the Plan and no further benefits shall accrue under the Plan. Provisions have been made for normal cost and amortization of unfunded prior service cost over 30 years. CAS/PNNM's annual contribution to the Plan is approximately equal to the provision for expense.

CAS/PNNM uses a June 30 measurement date for its Plan.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Benefit plans (continued)

The following table sets forth the Plan's funded status at June 30 and amounts recognized in CAS/PNNM's statement of financial position:

June 30, 2021	
Change in benefit obligation:	
Benefit obligation, July 1	\$ 2,019,643
Interest cost	55,253
Actuarial gain	(38,578)
Benefits paid	(92,658)
Benefit obligation, June 30, 2021	\$ 1,943,660
Change in plan assets:	
Fair value of plan assets, July 1	\$ 1,322,563
Actual return on plan assets	328,478
Employer contributions	14,050
Benefits paid	(92,658)
Fair value of plan assets, June 30, 2021	\$ 1,572,433
Funded status	\$ (371,227)

Amounts recognized in the statement of financial position consist of:

June 30, 2021	
Liabilities:	
Defined benefit pension liability	\$ (371,227)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Benefit plans (continued)

Amounts recognized in the statement of activities consist of:

<u>Year ended June 30, 2021</u>	
Net actuarial gain	\$ 472,297
Net periodic pension benefit cost	(160,494)
Total	\$ 311,803

Amounts that have not yet been recognized as a component of net periodic pension benefit cost consist of the following:

<u>June 30, 2021</u>	
Net actuarial loss	\$ 640,853

The components of net periodic pension benefit cost are as follows:

<u>Year ended June 30, 2021</u>	
Interest cost	\$ (55,253)
Expected return on plan assets	76,996
Amortization of net actuarial loss	(182,237)
Net periodic pension benefit cost	\$ (160,494)

The key actuarial assumptions used in developing the data were as follows:

<u>June 30, 2021</u>	
Weighted average assumptions used in computing ending obligations and net cost:	
Discount rate	2.80%
Expected return on plan assets	6.00%

CAS/PNNM's investment strategy is to meet its obligation to retired employees. To achieve this objective, CAS/PNNM invests in mutual funds. The asset allocation is regularly reviewed in order to provide the most favorable total return.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Benefit plans (continued)

The following table presents CAS/PNNM's Plan assets using the fair value hierarchy. Substantially all of CAS/PNNM's Plan assets are invested in mutual funds, which are traded in active exchange markets. The fair values of CAS/PNNM's Plan assets by asset category, which are considered all Level 1 assets, are as follows:

June 30, 2021	
Mutual funds	\$ 1,572,433

Future benefits under the Plan are expected to be paid as follows:

Year ending June 30:	Amount
2022	\$ 97,397
2023	95,299
2024	96,369
2025	100,742
2026	100,751
2027 through 2031	521,668
Total	\$ 1,012,226

CAS/PNNM expects to make no contributions to the Plan during the year ending June 30, 2022.

CAS/PNNM sponsors a 401(k) retirement savings plan covering all eligible employees, which provides for optional matching contributions of up to 3% of employees' salaries. There were no employer contributions to the 401(k) plan during the year ended June 30, 2021.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Special events

CAS/PNNM holds one significant fundraising event, the Butterfly Ball, on an annual basis. As a result of the COVID-19 pandemic, the Butterfly Ball was a virtual online event during the year ended June 30, 2021. The following table reflects the revenue and expenses incurred related to that event:

Year ended June 30, 2021	
Special event revenue, net of of direct benefits to donors of \$-0-	\$ 1,482,107
Special event expenses, less direct benefits to donors of \$-0-	(67,272)
Total special event revenue, net of expenses	\$ 1,414,835

14. Lease commitments

CAS/PNNM leases equipment under a capital lease. The total capitalized cost of the leased property at June 30, 2021 was \$103,280, which is included in property, equipment and exhibits in the statement of financial position. Accumulated amortization on capitalized assets was \$40,727 as of June 30, 2021. Amortization expense on capital leases is included in depreciation and amortization expense and was \$18,797 for the year ended June 30, 2021.

The following is a schedule of future minimum payments due under the lease:

Year ending June 30:	Amount
2022	\$ 24,180
2023	24,180
2024	24,180
2025	11,109
	83,649
Imputed interest	(13,321)
Total	\$ 70,328

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Lease commitments (continued)

CAS/PNNM leases office and storage space under an operating lease which expires in May 2024. Rent expense was \$80,810 for the year ended June 30, 2021. Future minimum lease payments are as follows:

Year ending June 30:	Amount
2022	\$ 82,241
2023	84,067
2024	78,463
Total	\$ 244,771

15. Net assets with donor restrictions

Net assets with donor restrictions are as follows:

June 30, 2021	
Purpose and time restrictions:	
Biology	\$ 8,780
Capital improvements	419,316
Education	228,606
Guest engagement and experience	25,614
Marketing	30,000
Time	373,181
Endowment funds	166,001
Total purpose and time restrictions	1,251,498
Permanent restrictions:	
Beneficial interest in perpetual trust	1,286,282
Endowment funds	518,477
Total permanent restrictions	1,804,759
Total net assets with donor restrictions	\$ 3,056,257

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. Net assets with donor restrictions (continued)

Net assets with donor restrictions were released from donor restrictions by the passage of time and by incurring expenses satisfying the following restrictions specified by donors:

<u>Year ended June 30, 2021</u>	
Biology	\$ 10,176
Education	199,978
Guest engagement and experience	6,000
Marketing	10,000
Time	69,888
Endowment	24,291
<u>Total net assets released from restrictions</u>	<u>\$ 320,333</u>

16. Endowment funds

CAS/PNNM's endowment funds consist of seven individual donor-restricted funds. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

CAS/PNNM's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Illinois as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CAS/PNNM classifies as net assets with donor restrictions - permanently restricted (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. Endowment funds (continued)

Interpretation of relevant law: (continued)

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions - permanently restricted is classified as net assets with donor restrictions - purpose and time restricted until those amounts are appropriated for expenditure by CAS/PNNM in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CAS/PNNM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of CAS/PNNM and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of CAS/PNNM
7. The investment policies of CAS/PNNM

All of CAS/PNNM's endowment funds were donor-restricted for the year ended June 30, 2021. CAS/PNNM has no Board-designated endowment funds.

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

	With donor restrictions		
	Purpose restricted	Permanently restricted	Total
Endowment net assets as of June 30, 2020	\$ 64,421	\$ 518,477	\$ 582,898
Investment income	125,871		125,871
Appropriation of endowment assets for expenditure	(24,291)		(24,291)
Endowment net assets as of June 30, 2021	\$ 166,001	\$ 518,477	\$ 684,478

THE CHICAGO ACADEMY OF SCIENCES/ PEGGY NOTEBAERT NATURE MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. Endowment funds (continued)

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by the donor or UPMIFA. There were no deficiencies of this nature for the year ended June 30, 2021.

Return objectives and risk parameters:

CAS/PNNM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that CAS/PNNM must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to conserve corpus while assuming a minimal level of investment risk.

Strategies employed for achieving objectives:

CAS/PNNM invested all endowment assets in a portfolio of publicly-traded mutual and exchange-traded funds in accordance with an endowment investment policy statement. These strategies will be amended as the investment corpus grows.

Spending policy and how the investment objectives relate to spending policy:

CAS/PNNM's spending policy is limited to earnings on the endowment funds. The spending policy allows CAS/PNNM to spend up to 4% of the market value of the fund's assets based on the previous 12 quarters.

17. Commitments and contingencies

CAS/PNNM has received funds from state agencies in the current year which are subject to audits by the granting agencies. Management believes that any adjustments that might arise from these audits would be insignificant to CAS/PNNM's operations.

As of June 30, 2021, CAS/PNNM has entered into contracts totaling approximately \$674,000, of which CAS/PNNM has paid approximately \$217,000 in deposits towards the costs to renovate and repair its facility.