Museum of Contemporary Art

Financial Report

June 30, 2023

Contents

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Independent Auditor's Report

To the Board of Trustees
Museum of Contemporary Art

Opinion

We have audited the financial statements of Museum of Contemporary Art (the "Museum"), which comprise the statement of financial position as of June 30, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of June 30, 2023 and 2022 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As described in Note 5 to the financial statements, the financial statements include investments valued at $104,321,834 (59.6 percent of net assets) and $95,177,630 (52.9 percent of net assets) as of June 30, 2023 and 2022, respectively, whose fair values have been estimated by third-party investment managers in the absence of readily determinable fair values. Because of the inherent uncertainty of the valuation, the third-party investment managers' estimate of values may differ significantly from values that would have been used had a ready market existed for these securities, and the differences could be material. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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To the Board of Trustees
Museum of Contemporary Art

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

October 26, 2023

Statement of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 24,622,334	$ 33,449,200
Receivables:		
Contributions	3,364,587	2,668,221
Employer Retention Credit	2,312,078	2,312,078
Other	430,419	756,178
Inventories	992,850	624,246
Prepaid expenses and other	1,212,134	1,708,742
Total current assets	32,934,402	41,518,665
Investments	136,659,263	132,599,009
Contributions Receivable - Net	504,057	61,865
Property and Equipment - Net	38,415,073	39,334,149
Right-of-use Operating Lease Assets	5,040,198	-
Interest Rate Swap	940,206	-
Total noncurrent assets	181,558,797	171,995,023
Total assets	**$ 214,493,199**	**$ 213,513,688**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,658,909	$ 1,474,896
Deferred revenue	251,459	440,137
Accrued expenses	2,648,766	1,670,268
Current portion of lease liabilities	733,707	-
Total current liabilities	5,292,841	3,585,301
Bond Payable - Net of unamortized bond issuance costs	29,940,064	29,920,085
Interest Rate Swap	-	173,854
Lease Liabilities - Operating	4,337,059	-
Total liabilities	39,569,964	33,679,240
Net Assets		
Without donor restrictions	120,663,984	123,668,177
With donor restrictions	54,259,251	56,166,271
Total net assets	174,923,235	179,834,448
Total liabilities and net assets	**$ 214,493,199**	**$ 213,513,688**

See notes to financial statements.

Statement of Activities

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Public support	$ 5,216,869	$ 5,234,741	$ 10,451,610	$ 6,624,696	$ 5,789,013	$ 12,413,709
Tax appropriations	2,146,656	-	2,146,656	2,155,160	-	2,155,160
Government grants	297,323	-	297,323	419,484	-	419,484
Special events - Net	550,422	-	550,422	804,443	-	804,443
Ancillary services	4,168,691	-	4,168,691	3,336,207	-	3,336,207
Exhibitions, collection, education, and performance programs	473,869	-	473,869	472,772	-	472,772
Membership and admissions	2,129,110	-	2,129,110	2,137,717	-	2,137,717
COVID-19-related federal programs	-	-	-	11,092,652	-	11,092,652
Investment spending allocation	7,132,437	-	7,132,437	5,649,000	-	5,649,000
Net assets released from restrictions	7,940,383	(7,940,383)	-	4,853,548	(4,853,548)	-
Total public support and revenue	30,055,760	(2,705,642)	27,350,118	37,545,679	935,465	38,481,144
Expenses						
Program services:						
Museum programs	16,432,841	-	16,432,841	11,072,246	-	11,072,246
Guest services	2,290,396	-	2,290,396	1,959,794	-	1,959,794
Ancillary services	5,220,913	-	5,220,913	4,696,761	-	4,696,761
Support services:						
Development and membership	3,112,474	-	3,112,474	2,415,086	-	2,415,086
Management and general	7,070,390	-	7,070,390	7,642,107	-	7,642,107
Total expenses	34,127,014	-	34,127,014	27,785,994	-	27,785,994
Change in Operating Net Assets	(4,071,254)	(2,705,642)	(6,776,896)	9,759,685	935,465	10,695,150
Nonoperating Income (Loss)						
Investment gain (loss) - Net of fees	7,762,839	2,175,607	9,938,446	(17,285,352)	(3,600,886)	(20,886,238)
Investment spending allocation	(7,132,437)	-	(7,132,437)	(5,649,000)	-	(5,649,000)
Change in fair value of interest rate swap - Net of periodic settlement payments	1,114,059	-	1,114,059	2,216,814	-	2,216,814
Collection funds - Released from restrictions	1,376,985	(1,376,985)	-	533,700	(533,700)	-
Collection acquisitions	(2,054,385)	-	(2,054,385)	(633,700)	-	(633,700)
Total nonoperating income (loss)	1,067,061	798,622	1,865,683	(20,817,538)	(4,134,586)	(24,952,124)
Decrease in Net Assets	(3,004,193)	(1,907,020)	(4,911,213)	(11,057,853)	(3,199,121)	(14,256,974)
Net Assets - Beginning of year	123,668,177	56,166,271	179,834,448	134,726,030	59,365,392	194,091,422
Net Assets - End of year	**$ 120,663,984**	**$ 54,259,251**	**$ 174,923,235**	**$ 123,668,177**	**$ 56,166,271**	**$ 179,834,448**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Support Services			
	Museum Programs	Guest Services	Ancillary Services	Total	Development and Membership	Fundraising Events	Management and General	Total
Salaries and benefits	$ 6,443,317	$ 1,418,940	$ 1,819,403	$ 9,681,660	$ 1,453,072	$ 247,578	$ 2,769,366	$ 14,151,676
Professional and contracted services	5,059,751	420,464	759,107	6,239,322	633,602	357,863	1,657,790	8,888,577
Facilities management	433,991	59,073	135,019	628,083	81,676	267,623	582,239	1,559,621
Cost of sales	-	-	1,439,135	1,439,135	-	-	-	1,439,135
Marketing and communications	72,475	6,703	45,542	124,720	117,275	48,624	518,329	808,948
Operations and supplies	3,022,614	153,416	439,150	3,615,180	492,940	495,334	844,014	5,447,468
Miscellaneous	5,587	37,351	140,315	183,253	69,668	(1,122)	20,989	272,788
Bond interest and fees	533,363	74,340	169,456	777,159	101,022	-	259,076	1,137,257
Depreciation and amortization	861,743	120,109	273,786	1,255,638	163,219	-	418,587	1,837,444
Total functional expenses	**$ 16,432,841**	**$ 2,290,396**	**$ 5,220,913**	**$ 23,944,150**	**$ 3,112,474**	**$ 1,415,900**	**$ 7,070,390**	**$ 35,542,914**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				Support Services			
	Museum Programs	Guest Services	Ancillary Services	Total	Development and Membership	Fundraising Events	Management and General	Total
Salaries and benefits	$ 4,928,612	$ 1,232,983	$ 1,435,008	$ 7,596,603	$ 1,168,812	$ 188,276	$ 2,673,650	$ 11,627,341
Professional and contracted services	2,792,777	314,097	740,952	3,847,826	305,887	845,130	2,015,596	7,014,439
Facilities management	304,169	51,456	120,373	475,998	64,960	232,503	563,074	1,336,535
Cost of sales	-	-	1,293,662	1,293,662	-	-	-	1,293,662
Marketing and communications	128,804	5,850	55,872	190,526	114,318	66,624	458,461	829,929
Operations and supplies	1,206,305	85,145	302,739	1,594,189	309,882	771,582	677,790	3,353,443
Miscellaneous	384,381	35,348	185,167	604,896	161,737	6,939	136,258	909,830
Bond interest and fees	347,621	61,529	147,458	556,608	75,823	-	292,637	925,068
Depreciation and amortization	979,577	173,386	415,530	1,568,493	213,667	-	824,641	2,606,801
Total functional expenses	**$ 11,072,246**	**$ 1,959,794**	**$ 4,696,761**	**$ 17,728,801**	**$ 2,415,086**	**$ 2,111,054**	**$ 7,642,107**	**$ 29,897,048**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Decrease in net assets	$ (4,911,213)	$ (14,256,974)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization expenses	1,837,444	2,606,801
Change in discount on pledges receivable	114,405	44,311
Acquisitions of art	2,054,385	633,700
Net realized and unrealized (gain) loss on investments	(10,454,542)	21,607,936
Change in value of interest rate swap	(1,114,059)	(2,216,814)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Contribution receivables	(1,252,963)	(190,705)
Inventories, prepaid expenses, and other assets	453,763	(3,480,777)
Accounts payable and accrued expenses	1,162,511	348,416
Lease asset and liability	30,567	-
Deferred revenue	(188,678)	(764,971)
Deferred grant revenue	-	(1,309,606)
Net cash and cash equivalents (used in) provided by operating activities	(12,268,380)	3,021,317
Cash Flows from Investing Activities		
Purchases of investments	(16,046,678)	(9,677,893)
Proceed from disposition of investments	22,440,966	12,621,184
Addition of property, buildings, and equipment	(898,389)	(1,725,354)
Acquisition of art	(2,054,385)	(633,700)
Net cash and cash equivalents provided by investing activities	3,441,514	584,237
Net (Decrease) Increase in Cash and Cash Equivalents	(8,826,866)	3,605,554
Cash and Cash Equivalents - Beginning of year	33,449,200	29,843,646
Cash and Cash Equivalents - End of year	**$ 24,622,334**	**$ 33,449,200**
Supplemental Cash Flow Information - Cash paid for interest	$ 1,072,352	$ 921,619

See notes to financial statements.

Note 1 - Nature of Business

Museum of Contemporary Art (the "Museum") was founded in 1967. The mission of the Museum is to be an innovative and compelling center of contemporary art where the public can directly experience the work and ideas of living artists and understand the historical, social, and cultural context of the art of our time. The Museum boldly interweaves exhibitions, performances, collections, and educational programs to excite, challenge, and illuminate its visitors and to provide insight into the creative process. The Museum aspires to engage a broad and diverse audience; create a sense of community; and be a place for contemplation, stimulation, and discussion about contemporary art and culture.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Museum have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and cash in banks and short-term highly liquid investments, which are readily convertible into cash within 90 days of purchase. Short-term investments consist primarily of deposit and money market accounts, which are convertible to a known amount of cash and carry an insignificant risk of change in value. The Museum maintains its cash in bank deposit accounts that at times may exceed federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The Museum evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits. The Museum has not experienced any losses in such accounts.

Inventories

Inventory is measured at the lower of cost and net realizable value (NRV), with NRV based on selling prices in the ordinary course of business, less costs of completion, disposal, and transportation.

Investments

Investments are reported at fair value. For alternative investments, fair value is estimated as net asset value per share provided by the investee as a practical expedient (as disclosed in Note 5). Investment income or loss, including realized gains and losses on investments, changes in unrealized holding gains and losses, and interest and dividends, is included in total investment income in the statement of activities.

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

Property and Equipment

Property, buildings, and equipment are stated at cost and depreciated or amortized using the straight-line method over the estimated useful lives indicated in the table in Note 6. All assets are put into service using the half-year convention approach, which will depreciate or amortize at half of the annual rate in both the first and last year of the asset's useful life.

Note 2 - Significant Accounting Policies (Continued)

Leases

The Museum has operating leases for storage space. The Museum recognizes expense for operating leases on a straight-line basis over the lease term. The Museum made a policy election not to separate lease and nonlease components for the storage leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Museum elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for the storage leases.

Bond Issuance Costs

Bond issuance costs are being amortized using the straight-line method over the term of the bond and loan agreement, which is 10 years.

Interest Rate Swap

The Museum's interest rate swap is recognized as an asset or liability on the statement of financial position based on the measured fair value. Any change in fair value is recognized immediately in the statement of activities.

Classification of Net Assets

Net assets of the Museum are classified as with or without donor restrictions depending on the presence and characteristics of the donor-imposed restrictions limiting the Museum's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

The separate classes of net assets are defined as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations or whose donor-imposed stipulations have expired.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that can be satisfied by actions of the Museum or by the passage of time or net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by the Museum. Generally, the donors of these assets permit the Museum to use all or part of the interest and dividends earned on these assets.

Public Support

Public support and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Public support with donor-imposed restrictions that are satisfied in the year of the contribution are recorded as public support without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions, including unconditional promises to give, are recorded when a commitment is received from the donor. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give that have a measurable performance or other barrier and a right of return or release are not recognized until the conditions on which they depend are substantially met. As of June 30, 2023 and 2022, there were no conditional contributions awarded but not yet recognized. Unconditional promises to give due in subsequent years are reported at the present value of future cash flows, using rates applicable to the years in which the promises are to be received. Amortization of the discount to present value is included in contribution revenue. Promises to give noncash assets are recorded at fair value.

Note 2 - Significant Accounting Policies (Continued)

Endowment contributions are donor restricted in perpetuity. Investment earnings with donor restrictions are recorded in net assets with donor restrictions based on the nature of the restrictions.

Government Grants

Grant revenue consists of cost-reimbursable federal, state, and local contracts and grants. These contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized when the Museum has incurred expenditures in compliance with specific contract or grant provisions.

Revenue Recognition

The following explains the performance obligations related to each revenue stream and how those are recognized for the years ended June 30, 2023 and 2022:

Special Events

The Museum records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place.

Ancillary Services

The Museum generates revenue from transaction-based fees, such as retail sales, rentals, and services for certain events. The retail revenue is recognized when the sale is completed. For purchases in the museum store, the transaction is recognized at the point of sale when the customer takes possession of the merchandise. For online purchases, revenue recognition occurs when the merchandise is shipped. Service revenue related to catered and special events is recognized at the time the services are provided to its customers.

Admissions, Programs, and Exhibitions

The Museum generates revenue from loaning its exhibitions to other museums. The Museum recognizes revenue at the point in time the exhibit is shipped to the other museum. Purchases of admission and program tickets for same-day usage are recognized immediately. Purchases for tickets for future events are deferred and are recognized when the event has occurred.

Membership

Revenue from memberships is recorded as a deferred liability when received and is recognized on a pro rata basis, which is calculated using the term of the membership. Membership revenue is earned when the Museum satisfies, on a monthly basis, the performance obligation, which is the term of the membership.

As of July 1, 2021, the opening balances of contract assets and deferred revenue were $488,472 and $1,205,108, respectively.

Tax Appropriations

The Museum receives support from the Chicago Park District (CPD) based on CPD's annual tax levy ordinance, which includes a levy for museums situated on CPD land (see Note 7). This support is recorded by the Museum when known, which is approximately 18 months after the assessment period.

COVID-19-related Federal Programs

The Museum received various relief program funds from the federal government in response to the COVID-19 pandemic, including the Paycheck Protection Program (PPP), the Shuttered Venue Operators Grant (SVOG), and the Employee Retention Credit (ERC) Program, which are further disclosed in Note 14.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. Indirect costs, which include facilities management, marketing and communication, operations and supplies, bond interest and fees, and depreciation and amortization, have been allocated between the various program and support services based on the proportion of direct expenses. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Reclassification

In 2023, the Museum underwent a program realignment initiative during the year, which also included reporting the expenses by function in the statement of functional expenses as opposed to a note disclosure. As part of this realignment, the Museum implemented a change in accounting principle to allocate all indirect costs based on the proportion of direct expenses per functional category, as opposed to the previous methodology, which included allocations of indirect costs based on square footage for some categories and no allocation to program services from support services for other categories. Additionally, the Museum reassessed treatment of cost of goods sold for the store from support to program. To conform to the 2023 presentation, the 2022 functional expense categories and amounts have been reclassified as follows: program services increased by $6,019,945, which includes $4,696,761 of ancillary services shifting from support to program; development and membership services (previously fundraising) increased by $1,091,423; fundraising events services (previously special events) decreased by $110,877; and support services in management and general services decreased by $7,000,491.

Income and Property Taxes

The Museum is a charitable and educational organization and is exempt from federal and state taxes under the provisions of Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code. The Illinois Department of Revenue has also declared both the Museum and its warehouse exempt from real estate property taxes.

Collection

In conformity with the practice commonly followed by most American art museums, the value of the Museum's collection is not included in the financial statements. Contributions for the purchase of art objects, the proceeds from deaccessions of art, and the cost of art objects purchased are reported as other changes in net assets in the statement of activities. The Museum's policy is to maintain and continue to acquire significant works of contemporary art (principally 1945 to present). From time to time, objects may be sold in accordance with the Museum's collection management policy. Deaccessions may result if one of the following conditions has been met: (a) physical condition has deteriorated to a point beyond display or study or (b) an object is believed to be no longer pertinent to the scope of the Museum's collection. All proceeds realized from deaccessions are allocated to purchase other works of art. There were no amounts realized for deaccession of art for the years ended June 30, 2023 and 2022.

Adoption of New Accounting Pronouncement

As of July 1, 2022, the Museum adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. The Museum elected to adopt the ASU using the modified retrospective method as of July 1, 2022 and applied the following practical expedients:

- The Museum did not reassess if expired or existing contracts are or contain a lease.
- The Museum did not reassess the lease classification for expired leases.

Note 2 - Significant Accounting Policies (Continued)

As a result of the adoption of the ASU, the Museum recorded a right-of-use asset and a lease liability for operating leases entered into during the year ended June 30, 2023.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 26, 2023, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability

The following reflects the Museum's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2023	2022
Cash and cash equivalents	$ 24,622,334	$ 33,449,200
Contributions receivable	6,180,722	2,730,086
Other receivables	430,419	756,178
Investments	136,659,263	132,599,009
Total financial assets	167,892,738	169,534,473
Less those unavailable for general expenditures within one year:		
Net assets with noncurrent donor restrictions	48,047,718	48,375,938
Private equity investment	44,102,321	3,913,326
Real estate investment limited partnership	1,408,000	1,408,000
Financial assets available to meet general expenditures within one year over the next 12 months	$ 74,334,699	$ 115,837,209

As part of its liquidity plan, excess cash is invested in short-term investments, such as money markets, which can be drawn down when additional cash is required to meet operational needs. The Museum also has available borrowings on a line of credit that are available to meet short-term needs (see Note 11).

Note 4 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give generated from a capital campaign. They are included as follows as of June 30, 2023 and 2022:

	2023	2022
Receivable in one year	$ 3,364,587	$ 2,789,931
Receivable in two to five years	511,362	61,865
Less allowance for net present value discount	(7,305)	(121,710)
Net contributions receivable	$ 3,868,644	$ 2,730,086

The discount rate used in determining the fair value of contributions receivable ranged from 4.89 to 0.22 percent for the years ended June 30, 2023 and 2022.

Note 5 - 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 or liabilities 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 and liabilities 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 or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where 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 or liability.

The following tables present information about the Museum's assets and liabilities measured at fair value on a recurring basis at June 30, 2023 and 2022 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, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2023
Assets					
Fixed income/Mutual funds	$ 11,008,722	$ -	$ -	$ -	$ 11,008,722
Large-cap equities - Mutual funds	16,767,091	-	-	-	16,767,091
Commingled trusts:					
Small-cap equities	-	-	-	1,255,736	1,255,736
Large-cap equities	-	-	-	5,014,477	5,014,477
International equities	-	-	-	16,540,501	16,540,501
Hedge funds	-	-	-	12,754,269	12,754,269
Absolute return funds	-	-	-	24,654,530	24,654,530
Private equity	-	-	-	44,102,321	44,102,321
Total Investments	27,775,813	-	-	104,321,834	132,097,647
Interest rate swap	-	940,206	-	-	940,206
Total assets	$ 27,775,813	$ 940,206	$ -	$ 104,321,834	$ 133,037,853

Note 5 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2022
Assets					
Fixed income/Mutual funds	$ 8,538,385	$ -	$ -	$ -	$ 8,538,385
Large-cap equities - Mutual funds	27,474,994	-	-	-	27,474,994
Commingled trusts:					
Small-cap equities	-	-	-	10,831,646	10,831,646
Large-cap equities	-	-	-	4,466,123	4,466,123
International equities	-	-	-	28,045,891	28,045,891
Hedge funds	-	-	-	19,710,099	19,710,099
Absolute return funds	-	-	-	28,210,545	28,210,545
Private equity				3,913,326	3,913,326
Total assets	$ 36,013,379	$ -	$ -	$ 95,177,630	$ 131,191,009
Liabilities - Interest rate swap	$ -	$ 173,854	$ -	$ -	$ 173,854

Not included in the above tables is cash and cash equivalents of $3,153,616 as of June 30, 2023 and an investment in a real estate investment limited partnership of $1,408,000 for the years ended June 30, 2023 and 2022, which is recorded at cost.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Level 1 Inputs

Estimated fair values for the Museum's fixed income and equity securities are based on quoted market prices.

Level 2 Inputs

The Museum's derivative instruments consist solely of an interest rate swap that is not traded on an exchange and is recorded at fair value based on a variety of observable inputs, including contractual terms, interest rate curves, yield curves, measure of volatility, and correlations of such inputs.

Investments in Entities that Calculate Net Asset Value per Share

The Museum holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

Note 5 - Fair Value Measurements (Continued)

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at June 30, 2023			
	Net Asset Value as of June 30, 2023	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Commingled trusts:				
Small-cap equities	$ 1,255,736	$ -	Annually	45-90 days
Large-cap equities	5,014,477	-	Semimonthly	0-90 days
International equities	16,540,501	-	Semimonthly	0-90 days
Hedge funds - Equities	2,136,759	-	Daily	10 days
Hedge funds - Equities	1,189,648	-	Quarterly	45-90 days
Hedge funds - Equities	9,427,862	-	Annually	45-90 days
Absolute return funds	3,780,743	-	Monthly	45 days
Absolute return funds	14,935,959	-	Quarterly	30-90 days
Absolute return funds	5,937,828	-	Annually	45-90 days
Private equity	44,102,321	9,101,000	Not eligible	N/A
Total	$ 104,321,834	$ 9,101,000		

	Investments Held at June 30, 2022			
	Net Asset Value as of June 30, 2022	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Commingled trusts:				
Small-cap equities	$ 6,308,475	$ -	Monthly	0-30 days
Small-cap equities	4,523,170	-	Annually	45-90 days
Large cap equities	4,466,125	-	Semimonthly	0-90 days
International equities	28,045,891	-	Semimonthly	0-90 days
Hedge funds - Equities	4,129,182	-	Daily	10 days
Hedge funds - Equities	8,673,188	-	Quarterly	45-90 days
Hedge funds - Equities	6,907,728	-	Annually	45-90 days
Absolute return funds	4,036,879	-	Monthly	45 days
Absolute return funds	18,465,265	-	Quarterly	30-90 days
Absolute return funds	5,708,399	-	Annually	45-90 days
Private equity	3,913,328	2,200,000	Not eligible	N/A
Total	$ 95,177,630	$ 2,200,000		

Commingled Trusts - Includes investments in funds that focus on long-only domestic and international equities. The valuations were based on net asset values of the funds, whose investments were traded on an active market.

Hedge Funds - Equities (Long/Short) - This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments between value and growth strategies, between small and large capitalization stakes, and between a net long position and a net short position. The investments are predominately exposed to the U.S. market but will also take advantage of investment opportunities in Europe, Asia, and emerging markets. The fair values of the investments in this category have been estimated using net asset value per share of the hedge funds.

Note 5 - Fair Value Measurements (Continued)

Absolute Return Funds - This category includes multistrategy absolute return funds focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mispriced assets/securities across conventional and alternative financial strategies. Fund management initiates long and short positions targeting solid absolute risk-adjusted returns. The fair values of the absolute return funds in this category have been estimated using net asset value per share of the investments.

Private Equity - This strategy invests in long-dated investment partnership vehicles, which may include private equity, venture capital, secondary interests in funds, and distressed strategies.

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2023	2022	Depreciable Life - Years
Land	$ 3,523,258	$ 3,523,258	-
Building improvements	72,954,641	71,698,799	15-40
Furniture and fixtures	8,625,127	8,615,479	5
Computer equipment and software	1,922,572	1,882,950	3-5
Construction in progress	-	406,723	-
Total cost	87,025,598	86,127,209	
Accumulated depreciation	48,610,525	46,793,060	
Net property and equipment	$ 38,415,073	$ 39,334,149	

Depreciation and amortization expense for 2023 and 2022 was $1,817,465 and $2,586,824, respectively.

Note 7 - Sale of Real Estate and Use Agreement

Museums in the Park is a program of the Chicago Park District, which provides monetary and other benefits to members whose cultural facilities are located on land owned by CPD. In addition, members are eligible to receive certain state funds and benefits, subject to availability. The Museum and CPD agreed to enter into an agreement of sale and purchase so that the Museum may avail itself of the benefits of the Museums in the Park program and so that CPD may benefit from the addition of the Museum to this program while also extending the current boundaries of Lake Shore Park, which is located just east of the Museum. Under the agreement of purchase and sale, dated February 11, 2005, the Museum conveyed title to its land at 220 East Chicago Avenue, excluding the building, its contents, and other improvements on the property, to CPD for $1. As a condition of closing, the Museum and CPD entered into a use agreement, which grants the Museum the exclusive right to occupy and use the land for a period of 99 years, with the opportunity to extend the term for an additional 99 years. Under conditions defined in the use agreement and Special Warranty Deed, the Museum has the option to terminate the use agreement at any time through the earlier of the receipt of a certain level of CPD funding or January 1, 2030. Should the Museum exercise this option, title to the property shall revert to the Museum. Accordingly, as of June 30, 2023 and 2022, the Museum's land rights are valued at $3,448,054, which is the same amount as reported for this land in prior fiscal years.

Note 8 - Leases

The Museum is obligated under two operating leases for storage space, expiring in January 2026 and January 2030. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 3.75 to 3.79 percent. The leases require the Museum to pay taxes, insurance, utilities, and maintenance costs. The remaining lease terms do not reflect any renewal options, as the Museum has not determined it to be reasonably certain. Total rent expense under these leases for the year ended June 30, 2023 was $406,549.

Future minimum annual commitments under these operating leases are as follows:

Years Ending June 30	Amount
2024	$ 913,200
2025	940,314
2026	888,277
2027	801,757
2028	825,053
Thereafter	1,353,734
Total	5,722,335
Less amount representing interest	651,569
Less current obligations	733,707
Long-term obligations under leases	$ 4,337,059

Other information related to these leases for the year ended June 30, 2023 consists of the following:

Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	$ 375,980
Right-of-use assets obtained in exchange for new operating lease liabilities	5,363,969
Weighted-average remaining lease term (years) - Operating leases	6.2
Weighted-average discount rate - Operating leases	3.8 %

Note 9 - Bonds Payable

On October 1, 2016, the Museum entered into a bond and loan agreement in the amount of $30,000,000 with a principal maturity date of February 1, 2029 with Bank of America Public Capital Corp. The funds were used to refund and redeem the outstanding Illinois Development Finance Authority Variable/Fixed Rate Demand Revenue Bonds, Series 1994, which were paid in full on December 1, 2016. The total remaining principal balance of the bonds was $30,000,000 for both years ended June 30, 2023 and 2022. The bonds bear interest at a variable rate based on monthly rates defined in the agreement. During the years ended June 30, 2023 and 2022, the weighted-average interest rate was 4.77 and 1.08 percent, respectively. The Museum utilizes an interest rate swap with periodic settlements, as defined in Note 10.

Total interest expense, including the interest payments made under the swap agreement, for the years ended June 30, 2023 and 2022 was $1,137,257 and $925,068, respectively.

As of June 30, 2023 and 2022, the bond is reported net of unamortized discount and debt issuance costs of $59,936 and $79,915 for an ending balance of $29,940,064 and $29,920,085, respectively.

Note 10 - Interest Rate Swap

On October 27, 2016, the Museum entered into an interest rate swap transaction and has an interest rate swap with Bank of America, N.A. to hedge the interest rate risk associated with $25,000,000 of the Museum's $30,000,000 debt with Bank of America Public Capital Corp. The purpose of the swap is to fix interest rates on variable debt and to reduce certain exposures to interest rate fluctuation. For the year ended June 30, 2022, the interest rate swap has an interest rate of 2.538 percent and matures on November 1, 2026. The Museum will pay Bank of America, N.A. at the fixed rate as noted, and Bank of America, N.A. will pay the Museum interest at a variable rate equal to 85.162 percent of LIBOR. On May 15, 2023, the agreement was amended to state Bank of America, N.A. will pay the Museum interest at a variable rate equal to 85.162 percent of SOFR.

The following table presents the amounts and the locations of the amounts relating to the Museum's interest rate swap in the Museum's financial statements as of and for the years ended June 30, 2023 and 2022:

	2023	2022
Statement of financial position - Interest rate swaps asset (liability)	$ 940,206	$ (173,854)
Statement of activities information:		
Change in fair value of interest rate swap - Net of periodic settlement payments	1,114,059	2,216,814
Periodic settlement recoveries (payments) included in debt service	149,037	(575,084)
Total gain on interest rate swap	$ 1,263,096	$ 1,641,730

The Museum is exposed to credit-related losses in the event of nonperformance to this financial instrument. However, the counterparty to this agreement is Bank of America, N.A., and the risk of loss due to nonperformance is considered by management to be minimal. The Museum does not hold or issue interest rate swaps for trading purposes.

Note 11 - Line of Credit

During the year ended June 30, 2023, the Museum had an unsecured revolving line of credit with available borrowings of $7,000,000 that matured on July 12, 2023. Interest is payable monthly either at a rate of 1 percent above the SOFR or the greater of prime rate and 0.5 percent above the federal rate. No borrowings have been made on the line of credit, and no interest expense incurred during fiscal year 2023. The agreement was subsequently renewed through July 11, 2024.

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions include contributions for which donor-imposed restrictions stipulate that they be maintained in perpetuity by the Museum. Net assets with donor restrictions in perpetuity as of June 30, 2023 and 2022 are available for the following purposes:

	2023	2022
Subject to expenditures for a specified purpose:		
Education programs	$ 4,454,559	$ 4,454,559
Exhibitions	10,450,000	10,450,000
Art acquisitions	100,000	100,000
Operations	2,547,990	2,547,990
Total	$ 17,552,549	$ 17,552,549

Note 12 - Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions include contributions for which donor-imposed restrictions have not been met and for which the proceeds are not restricted in perpetuity, as well as collection deaccessions for which the proceeds have not yet been used for collection accessions. Net assets with donor restrictions as of June 30, 2023 and 2022 are available for the following purposes:

	2023	2022
Future exhibitions and performances	$ 3,737,572	$ 4,833,434
Education programs	170,385	91,846
Special events	441,284	536,700
Permanent collection - Accessions:		
Funded by deaccessions	11,931,791	13,010,190
Funded by gifts	2,645,054	2,205,508
Endowment earnings	4,647,434	3,503,458
MCA vision campaign	10,195,972	13,391,296
MCA annual fund	2,491,167	372,500
Time or purpose restricted - Other	446,043	668,790
Total	$ 36,706,702	$ 38,613,722

Investment income earned on net assets with donor restrictions in perpetuity, noted above as endowment earnings, is restricted for educational programs, exhibition funds, and art acquisition. This investment income is released from restrictions as related education or exhibition expenses are incurred and/or art is acquired.

Net assets with donor restrictions include contributions for which donor-imposed restrictions have not been met and for which the proceeds are not restricted in perpetuity, as well as collection deaccessions for which the proceeds have not yet been used for collection accessions. Net assets were released from restrictions by incurring expenses to satisfy the purpose specified by donor and grant agreements for the years ended June 30, 2023 and 2022 as follows:

	2023	2022
Future exhibitions and performances	$ 2,528,434	$ 1,131,276
Education programs	81,846	290,000
Special events	316,700	130,000
Permanent collection	1,376,985	533,700
Earnings appropriated for expenditures on endowments	839,499	1,005,074
MCA vision campaign	3,195,324	883,333
MCA annual fund	372,500	529,332
Time or purpose restricted - Other	606,080	884,533
Total	$ 9,317,368	$ 5,387,248

Note 13 - Donor-restricted Endowments

The Museum's endowment consists of 18 individual donor-restricted endowment funds established for a variety of reasons. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. There are no board-designated endowment funds.

Note 13 - Donor-restricted Endowments (Continued)

Interpretation of Relevant Law

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

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

Additionally, in accordance with SPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Museum and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Museum
- The investment policies of the Museum

	Donor-restricted Endowment Net Asset Composition by Type of Fund	
	2023	2022
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ 17,552,549	$ 17,552,549
Accumulated investment gains	4,647,434	3,503,457
Total	$ 22,199,983	$ 21,056,006

	Changes in Donor-restricted Endowment Net Assets for the Fiscal Year Ended	
	2023	2022
Endowment net assets - Beginning of year	$ 21,056,006	$ 25,814,509
Investment return - Net	1,983,476	(3,753,429)
Appropriation of endowment assets for expenditure	(839,499)	(1,005,074)
Change in endowment net assets	1,143,977	(4,758,503)
Endowment net assets - End of year	$ 22,199,983	$ 21,056,006

Note 13 - Donor-restricted Endowments (Continued)

Underwater Endowment Funds

As of June 30, 2023 and 2022, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period. Under the policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various benchmark indices, including the S&P 500, Russell MidCap, Russell 2000 Growth, MSCI EAFE, InvestorForce Total PE net median, and the Merrill Lynch 1-3 Year Treasury index, while assuming a moderate level of investment risk. The Museum expects its endowment funds, over time, to provide an average rate of return, net of all fees, of approximately 5.5 percent plus the secular rate of inflation annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The board of trustees has adopted a spending policy of 5 percent of the fair value of investments, excluding those restricted to art acquisition, based on a rolling 12-quarter average for support of current operations. The remainder is retained to support operations of future years and to offset potential market declines.

Note 14 - COVID-19-related Federal Programs

Paycheck Protection Program (PPP)

In 2021, the Museum received a PPP term note of $1,309,606 from a bank. The note was issued pursuant to the CARES Act's PPP. The note's structure required organization officials to certify certain statements that permitted the Museum to qualify for the loan and provides loan forgiveness for a portion or all of the borrowed amount if the Museum uses the loan proceeds for the permitted loan purpose described in the note agreement.

The Museum applied for, and was granted, forgiveness of the loan in 2022. The loan proceeds were recognized as grant revenue during 2022.

Note 14 - COVID-19-related Federal Programs (Continued)

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced the Employee Retention Credit as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credit based on having operations suspended to comply with a government order related to COVID-19 and incurring eligible payroll expenses. For the year ended June 30, 2022, the Museum determined these conditions have been met and recognized $2,312,078 of ERC revenue within government grants on the statement of activities and recognized a corresponding receivable of $2,312,078 within receivables on the statement of financial position. As of June 30, 2023, the full balance of $2,312,078 was outstanding. Subsequent to June 30, 2023, the balance was received in full.

The Museum's ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the Museum would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

Shuttered Venue Operator Grant

During 2022, the Museum was awarded a Shuttered Venue Operators Grant. The federal relief program was a part of the American Rescue Plan Act of 2021. Eligible entities included live venue operators, theatrical producers, live performing arts organization operators, and others. The funds are recognized as government grants on the statement of activities. The grant funded salaries, health benefits, and utilities costs due to the pandemic. For the year ended June 30, 2022, the Museum determined the measurable barriers have been met and recognized $7,470,968 of revenue within government grants on the statement of activities.

Note 15 - Related Party Transactions

The Museum maintains a conflict of interest policy, which applies to all trustees and members of standing committees, as well as senior management and other designated members of staff. The policy requires that each person to whom the policy applies complete an annual disclosure statement to identify any business, financial or personal interest in matters relating to the Museum.

The policy forbids such individuals from voting on or using their personal influence in connection with such matters. In the event the Museum does conduct business with a related party, the financial terms of those relationships are reported annually to the audit committee, whose members must be independent per the terms of its charter.

Total contribution revenue received from board members in 2023 and 2022 was $3,151,917 and $5,116,387, respectively, of which $1,030,156 and $1,723,288 was still collectible as of June 30, 2023 and 2022, respectively.

Note 16 - Concentrations

Individual contributions in excess of 10 percent of total public support and grant revenue totaled $3,552,618 from two donors for the year ended June 30, 2023 and totaled $5,890,000 from two donors for the year ended June 30, 2022. A receivable related to one of the donations amounted to $208,117 as of June 30, 2023. No receivable balance was recorded as of June 30, 2022.

Note 17 - Retirement Plans

The Museum sponsors a defined contribution plan for all eligible employees and a money purchase defined contribution plan for all eligible employees. Employer contributions to the money purchase defined contribution retirement plan are discretionary. Contributions to the plan totaled $339,478 and $335,318 for the years ended June 30, 2023 and 2022, respectively.

Note 18 - Employment Agreement

Effective July 1, 2022, the Museum extended the employment agreement with its current director for an additional five years. Employment under this employment agreement is through June 30, 2027. If the Museum terminates this agreement without cause, the Museum will continue to pay the director's current base salary for 12 months from the date of termination.