

***FINANCIAL STATEMENTS***

**THE JOLIET AREA HISTORICAL MUSEUM  
JOLIET, ILLINOIS**

**FOR THE YEARS ENDED  
JUNE 30, 2023 AND 2022**

**THE JOLIET AREA HISTORICAL MUSEUM  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Joliet Area Historical Museum

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the accompanying financial statements of The Joliet Area Historical Museum (the "Organization") (an Illinois not-for-profit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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.

##### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 discussed in Note 14, the Organization adopted the provisions of the FASB Accounting Standards Update (ASU), *Revenue from Contracts with Customers (Topic 606)*, and *Leases (Topic 842)*. Our opinions are not modified with respect to these matters.

##### **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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

##### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's ability to continue as a going concern for a reasonable period of time.

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

*Evans, Marshall & Pease, P.C.*

Evans, Marshall & Pease, P.C.  
Certified Public Accountants

Rolling Meadows, Illinois  
March 25, 2024  
(8)

## **FINANCIAL STATEMENTS**

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THE JOLIET AREA HISTORICAL MUSEUM  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 88,433	\$ 210,352
Investments	37,227	42,440
Accounts receivable	186	-
Contributions receivable	496,000	486,274
Inventory	74,772	75,146
Prepaid expenses	1,150	124,065
Deposits	7,150	-
Property and equipment, net	493,641	536,168
Operating lease right of use asset	41,843	-
Beneficial interest in assets held by others	275,927	298,426
	<u>275,927</u>	<u>298,426</u>
<b>Total Assets</b>	<u><u>\$ 1,516,329</u></u>	<u><u>\$ 1,772,871</u></u>
<b>Liabilities and Net Assets</b>		
<i>Liabilities</i>		
Accounts payable	\$ 59,432	\$ 74,179
Accrued liabilities	19,402	34,826
Deferred revenue	16,740	105,189
Rental deposits	7,050	6,135
Operating lease liability	43,245	-
	<u>43,245</u>	<u>-</u>
<b>Total Liabilities</b>	<u>145,869</u>	<u>220,329</u>
<i>Net Assets</i>		
Without donor restrictions		
Undesignated	582,068	701,062
Board-designated	270,643	323,109
	<u>852,711</u>	<u>1,024,171</u>
With donor restrictions	<u>517,749</u>	<u>528,371</u>
<b>Total Net Assets</b>	<u>1,370,460</u>	<u>1,552,542</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,516,329</u></u>	<u><u>\$ 1,772,871</u></u>

The accompanying notes are an integral part of these financial statements.

THE JOLIET AREA HISTORICAL MUSEUM  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Grants	\$ 203,500	\$ 993,000	\$ 1,196,500
Rentals	150,175	-	150,175
Contributions and donations	178,609	-	178,609
Special events	505,694	-	505,694
Admissions	28,542	-	28,542
Gift shop			
Sales	156,900	-	156,900
Less cost of goods sold	(108,952)	-	(108,952)
Net gift shop sales	47,948	-	47,948
Membership dues	25,940	-	25,940
Net investment return	2,368	1,353	3,721
Other revenue	5,088	-	5,088
Net assets released from restrictions	1,004,975	(1,004,975)	-
Total Revenue, Support, and Gains	2,152,839	(10,622)	2,142,217
Expenses			
Program Expenses			
Museum	1,039,672	-	1,039,672
Prison	776,756	-	776,756
Total Program Services	1,816,428	-	1,816,428
Supporting Services			
Management and general	443,401	-	443,401
Fundraising	394,579	-	394,579
Cost of direct donor benefit	24,943	-	24,943
Total Supporting Services	862,923	-	862,923
Total Expenses	2,679,351	-	2,679,351
(Decrease) in Net Assets Before Transfer from Affiliate	(526,512)	(10,622)	(537,134)
Transfer from affiliate	355,052	-	355,052
Increase (Decrease) in Net Assets After Transfer from Affiliate	(171,460)	(10,622)	(182,082)
Net Assets - Beginning of Year	1,024,171	528,371	1,552,542
Net Assets - End of Year	\$ 852,711	\$ 517,749	\$ 1,370,460

The accompanying notes are an integral part of these financial statements.



2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 551,234	\$ -	\$ 551,234
166,723	-	166,723
89,315	-	89,315
413,011	-	413,011
25,877	-	25,877
87,814	-	87,814
(56,025)	-	(56,025)
31,789	-	31,789
21,230	-	21,230
(40,572)	(4,705)	(45,277)
2,421	-	2,421
953,479	(953,479)	-
2,214,507	(958,184)	1,256,323
1,134,096	-	1,134,096
568,206	-	568,206
1,702,302	-	1,702,302
364,369	-	364,369
284,103	-	284,103
81,538	-	81,538
730,010	-	730,010
2,432,312	-	2,432,312
(217,805)	(958,184)	(1,175,989)
383,845	-	383,845
166,040	(958,184)	(792,144)
858,131	1,486,555	2,344,686
\$ 1,024,171	\$ 528,371	\$ 1,552,542

THE JOLIET AREA HISTORICAL MUSEUM  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023		
	Program Expenses		
Functions	Museum	Prison	Total
Professional fees	\$ -	\$ -	\$ -
Bank fees	11,826	8,870	20,696
Contract labor	26,031	19,524	45,555
Depreciation	25,382	19,036	44,418
Amortization	1,946	1,460	3,406
Dues and membership	10,220	7,664	17,884
Employee benefits	11,824	8,868	20,692
Entertainment	-	-	-
Equipment rental	5,540	4,154	9,694
Exhibit abd collection care	5,421	4,066	9,487
Food and beverages	5,259	-	5,259
Insurance	11,430	8,572	20,002
Internet and telephone	6,612	4,959	11,571
Interest	454	341	795
Licenses and permits	505	378	883
Marketing and promotion	4,461	3,346	7,807
Miscellaneous	-	-	-
Occupancy	18,766	14,074	32,840
Office supplies	6,171	4,629	10,800
Outside services	1,948	1,462	3,410
Payroll taxes	34,290	25,717	60,007
Postage and shipping	1,177	882	2,059
Printing and reproduction	3,043	2,283	5,326
Repairs and maintenance	25,006	18,755	43,761
Rent	463,678	347,760	811,438
Salaries	354,367	265,775	620,142
Staff training	541	407	948
Supplies	3,774	3,774	7,548
Total Functional Expenses	1,039,672	776,756	1,816,428
Cost of goods sold - gift shop	-	-	-
Total Expenses	\$ 1,039,672	\$ 776,756	\$ 1,816,428

The accompanying notes are an integral part of these financial statements.

2023

Supporting Services			
Management and General	Fund Raising	Cost of Direct Donor Benefit	Total
\$ 31,698	\$ -	\$ -	\$ 31,698
4,435	4,435	-	29,566
9,762	9,762	-	65,079
9,518	9,518	-	63,454
730	730	-	4,866
3,832	3,832	-	25,548
4,434	4,434	-	29,560
-	-	-	-
2,077	2,077	-	13,848
2,033	2,033	-	13,553
5,259	5,259	19,281	35,058
4,286	4,286	-	28,574
2,479	2,479	-	16,529
170	170	-	1,135
189	189	-	1,261
1,673	1,673	-	11,153
17,124	-	-	17,124
7,037	7,037	-	46,914
2,315	2,315	-	15,430
731	731	-	4,872
12,858	12,858	-	85,723
441	441	-	2,941
1,142	1,142	-	7,610
9,377	9,377	-	62,515
173,880	173,880	-	1,159,198
132,887	132,887	-	885,916
203	203	-	1,354
2,831	2,831	5,662	18,872
443,401	394,579	24,943	2,679,351
-	-	108,952	108,952
\$ 443,401	\$ 394,579	\$ 133,895	\$ 2,788,303

THE JOLIET AREA HISTORICAL MUSEUM  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2022		
	Program Expenses		
Functions	Museum	Prison	Total
Professional fees	\$ -	\$ -	\$ -
Bank fees	12,424	6,212	18,636
Contract labor	22,448	11,224	33,672
Depreciation	28,899	14,449	43,348
Dues and membership	4,747	2,374	7,121
Employee benefits	6,605	3,302	9,907
Entertainment	-	-	-
Equipment rental	34,513	17,257	51,770
Exhibit and collection care	18,426	9,213	27,639
Food and beverages	-	-	-
Insurance	13,101	6,551	19,652
Internet and telephone	4,992	2,496	7,488
Licenses and permits	970	485	1,455
Marketing and promotion	14,821	7,410	22,231
Miscellaneous	-	-	-
Occupancy	19,366	9,683	29,049
Office supplies	3,321	1,660	4,981
Outside services	2,489	1,245	3,734
Payroll taxes	28,924	14,462	43,386
Postage and shipping	1,024	512	1,536
Printing and reproduction	2,700	1,350	4,050
Repairs and maintenance	23,248	11,624	34,872
Rent	579,235	289,617	868,852
Salaries	308,418	154,209	462,627
Staff training	496	248	744
Supplies	2,314	2,314	4,628
Travel	615	309	924
Total Functional Expenses	1,134,096	568,206	1,702,302
Cost of goods sold - gift shop	-	-	-
Total Expenses	\$ 1,134,096	\$ 568,206	\$ 1,702,302

The accompanying notes are an integral part of these financial statements.

2022

Supporting Services			
Management and General	Fund Raising	Cost of Direct Donor Benefit	Total
\$ 69,030	\$ -	\$ -	\$ 69,030
3,106	3,106	-	24,848
5,612	5,612	-	44,896
7,225	7,225	-	57,798
1,187	1,187	-	9,495
1,651	1,651	-	13,209
-	-	39,796	39,796
8,628	8,628	-	69,026
4,606	4,606	-	36,851
-	-	37,114	37,114
3,275	3,275	-	26,202
1,248	1,248	-	9,984
242	242	-	1,939
3,705	3,705	-	29,641
11,236	-	-	11,236
4,841	4,841	-	38,731
830	830	-	6,641
622	622	-	4,978
7,231	7,231	-	57,848
256	256	-	2,048
675	675	-	5,400
5,812	5,812	-	46,496
144,809	144,809	-	1,158,470
77,105	77,105	-	616,837
124	124	-	992
1,157	1,157	4,629	11,571
156	156	-	1,236
364,369	284,103	81,539	2,432,313
-	-	56,024	56,024
<u>\$ 364,369</u>	<u>\$ 284,103</u>	<u>\$ 137,563</u>	<u>\$ 2,488,337</u>

THE JOLIET AREA HISTORICAL MUSEUM  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (182,082)	\$ (792,144)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization expense	68,320	57,797
Realized gain (loss) on investments	1,332	(510)
Unrealized gain (loss) on investments	(8,719)	48,383
Change in operating assets and liabilities		
Contributions receivable	(9,912)	953,479
Inventory	374	(22,622)
Prepaid expenses	122,915	(124,065)
Deposits	(235)	2,735
Accounts payable	(14,748)	69,689
Accrued liabilities	(15,424)	25,721
Deferred revenue	(88,449)	84,045
NET CASH FROM OPERATING ACTIVITIES	<u>(126,628)</u>	<u>302,508</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment	45,176	3,529
Purchase of investment	(10,076)	(5,951)
Deposit on real estate purchase	(6,000)	-
Purchase of fixed assets	<u>(67,636)</u>	<u>(132,376)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>(38,536)</u>	<u>(134,798)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lease	46,709	-
Payments on lease	(3,464)	-
Forgiveness of note	<u>-</u>	<u>(97,695)</u>
NET CASH FROM FINANCING ACTIVITIES	<u>43,245</u>	<u>(97,695)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(121,919)	70,015
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>210,352</u>	<u>140,337</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 88,433</u></u>	<u><u>\$ 210,352</u></u>

The accompanying notes are an integral part of these financial statements.

THE JOLIET AREA HISTORICAL MUSEUM  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**NOTE 1 – NATURE OF ACTIVITIES/DESCRIPTION OF ORGANIZATION**

The Joliet Area Historical Museum (the “Organization”) is an Illinois not-for-profit corporation that was established in 1999. The Organization was established to maintain, promote, and support a museum dedicated to presenting the history of primarily the Joliet area to the public. The Organization was opened to the public in October 2002. The Organization is supported primarily through an agreement with the City of Joliet (The “City”), grants, contributions, and membership dues.

The Organization is a legally separate, tax-exempt organization that was determined by the City to be a component unit of the City and, as such, will discretely be presented in the City’s financial statements. The accompanying financial statements include only the transactions and balances associated with the operations of the Organization.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation** – The Organization prepares its financial statements on the accrual basis of accounting. Under this method, revenue and the related assets are recognized when earned. Expenses and costs are recorded when the related obligation is incurred in accordance with accounting principles generally accepted in the United States of America.

**Cash and cash equivalents** – The Organization’s cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

**Investments** – Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statements of financial position. Net investment return/(loss) is reported as investment income in the statement of activities. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Investment return (including unrealized and realized gains and losses, interest, and dividends) is reported as revenue without donor restrictions unless the income is restricted by the donor. Investment return that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which the investment return is earned. Money market funds included in the investment portfolio are treated as cash equivalents on the statement of financial position. Investment return is reported net of external and direct internal investment expenses, if any.

**Contributions receivable** – Contributions receivable consist of annual grant funds and donated space from the City of Joliet to be received over future periods. Contributions to be collected in more than one year are initially reported at fair value determined using the discounted present value of estimated future cash flows. Based on management’s assessment and credit history with donors having outstanding balances, management has concluded that an allowance for losses on balances outstanding at year-end is not necessary.

**Gift shop inventory** – Inventory comprises program-related merchandise held for sale in the gift shop and is stated at the lower of cost or net realizable value. Charges to cost of sales or the related program expenses are made upon sale or gratuitous distribution of those items.

**Property and equipment** – Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to twenty years. The Organization’s policy is to capitalize renewals and betterments acquired for greater than \$500 and expense normal repairs and maintenance as incurred. The Organization’s management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. It has been determined that there were no impaired assets during the year ended June 30, 2023.

THE JOLIET AREA HISTORICAL MUSEUM  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Beneficial interest in assets held by others** – We established an endowment fund that is perpetual in nature. The fund is held and invested for our benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

**Net assets** – Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and maybe expended for any purpose in performing, the primary objectives of the organization. These net assets may be used at the discretion of The Organization's management and the board of directors.

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

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

**Revenue and revenue recognition** – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of 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 statements of activities as net assets released from restrictions.

Gift shop sales are recognized at the time of purchase. Membership dues and admissions, which are nonrefundable, are considered an exchange and recognized immediately (admissions) over the membership period. Payments are required at the time of sale or start of the membership period; amounts received in advance are deferred to the applicable period.

Special events revenue and rentals are comprised strictly of exchange transactions. Special events revenue and rentals are recognized equal to the fair value of direct benefit to donors when the special event or rental takes place. Consequently, at June 30, 2023, \$16,740 has not been recognized in the accompanying statement of activities because the conditions on which they depend has not been met.

A portion of the Organization's revenue is derived from federal and state contracts and grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the expenditures are incurred in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under federal and state grants.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated space is recognized as a contribution at estimated fair value when donated or promised to the Organization. The Organization received donated space valued at \$1,137,326, for the years ended June 30, 2023 and 2022. The value of the donated space is included in rent on the statement of functional expenses.



THE JOLIET AREA HISTORICAL MUSEUM  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

The Organization receives significant donated services from unpaid volunteers. Donated services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets, or they require specialized skills which would need to be purchased if they were not donated. Contributed services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements.

**Advertising costs** – Advertising costs are charged to operations when incurred. Advertising expense was \$11,153 and \$29,641 for the years ended June 30, 2023 and 2022, respectively.

**Functional expense allocation** – The costs of providing program service and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

**Income taxes** – The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the code as other than a private foundation. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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

**Concentrations of credit risk** – Financial instruments that potentially subject The Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

**NOTE 3 – AVAILABILITY AND LIQUIDITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

THE JOLIET AREA HISTORICAL MUSEUM  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**NOTE 3 – AVAILABILITY AND LIQUIDITY (CONT'D)**

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 88,433	\$ 210,352
Contributions receivable	100,000	100,000
Accounts receivable	186	-
Investments	37,227	42,440
Beneficial interest in assets held by others	275,927	298,426
Total financial assets	501,773	651,218
Less amounts not available to be used within one year:		
Net assets with donor restrictions	37,227	142,440
Board-designated funds	270,643	344,641
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 193,903</u>	<u>\$ 164,137</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, except for the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures.

**NOTE 4 – CASH AND CASH EQUIVALENTS**

As of June 30, 2023, the total carrying amount of cash is comprised of demand deposits, funds held in money market accounts and cash on hand \$3,385 with a carrying amount of \$85,048 and a bank balance of \$97,167.

Custodial Credit Risk

Custodial credit risk is the risk, in the event of failure of the bank or the counterparty, The Organization will not be able to recover the value of deposits that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance or collateral held in the name of the Organization. During the year the accounts did not exceed federally insured limits.

**NOTE 5 – FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair values. This framework requires the Organization to maximize the use of observable inputs when measuring fair value.

The hierarchy describes three levels of input, which are as follows:

Level:

1. Quoted prices in active markets for identical assets or liabilities
2. Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
3. Significant unobservable inputs.

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**NOTE 5 – FAIR VALUE MEASUREMENTS (CONT'D)**

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded on the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2, or 3, but are separately reported.

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended June 30, 2023 and 2022.

Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.

Beneficial interest in perpetual trusts: Valued using the fair value of the assets held in the trust reported by the trustee as of the last day of the fiscal year. The Organization considers the measurement of its beneficial interest in the perpetual trusts to be a Level 3 measurement within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

Fair value measurements for investments are as follows as of June 30, 2023:

Assets	Level			Total
	1	2	3	
Mutual funds	\$ 37,227	\$ -	\$ -	\$ 37,227

Fair value measurements for investments are as follows as of June 30, 2022:

Assets	Level			Total
	1	2	3	
Mutual funds	\$ 42,440	\$ -	\$ -	\$ 42,440

Valuation Techniques

The Organization has transferred assets to a Community Foundation which holds funds for its benefit. When a not-for-profit transfers asset to a charitable trust or Community Foundation in which the resource provider names itself as the beneficiary, the economic benefit of the transferred asset remains with the resource provider. The asset received in exchange is a beneficial interest in assets held by others, measured at the fair value of the asset contributed. Changes in the value of the beneficial interest in assets held by others are recognized in the statement of activities. The assets the Organization contributed to the Community Foundation did not contain donor restrictions, therefore, the corresponding amount of net assets are shown without donor restrictions.

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**NOTE 5 – FAIR VALUE MEASUREMENTS (CONT'D)**

Beneficial interest in assets held by others is summarized as follows as of June 30, 2023:

Assets	Level			Total
	1	2	3	
Assets held by the Community Foundation of Will County	\$ -	\$ -	\$ 275,927	\$ 275,927

Beneficial interest in assets held by others is summarized as follows as of June 30, 2022:

Assets	Level			Total
	1	2	3	
Assets held by the Community Foundation of Will County	\$ -	\$ -	\$ 298,426	\$ 298,426

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for years ended June 30, 2023 and 2022:

Balance at June 30, 2021	\$ 339,172
Distributions to the Organization	-
Total change in value of perpetual trusts	(40,746)
Balance at June 30, 2022	298,426
Distributions to the Organization	(35,562)
Total change in value of perpetual trusts	13,063
Balance at June 30, 2023	\$ 275,927

**NOTE 6 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of a promise to provide a free use of space and cash. The contributions receivable is due as follows at June 30, 2023 and 2022:

	2023	2022
Within one year	\$ 496,000	\$ 496,000
Total	496,000	496,000
Less discount to present value at 2%	-	9,726
Net contributions receivable	\$ 496,000	\$ 486,274

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**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment, net consisted of the following at June 30, 2023 and 2022:

	2023	2022
Exhibits	\$ 864,071	\$ 858,768
Equipment	276,902	261,278
Subtotal	1,140,973	1,120,046
Less: accumulated depreciation and amortization	(647,332)	(583,878)
Total	\$ 493,641	\$ 536,168

For the years ended June 30, 2023 and 2022, depreciation and amortization expense totaled \$63,454 and \$57,797.

**NOTE 8 – LEASES**

The Organization leases real estate under a short-term non-cancelable operating lease agreement for one year. The lease expires in 2024 and provides for a renewal option. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using our applicable borrowing rates and the contractual lease term. The lease payments used to determine the lease liability and right-of-use assets include residual value guarantees that are probable of paying at the termination of the lease term. The Organization elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total right-of-use assets and lease liabilities at June 30, 2023 and 2022 is as follows:

	2023	2022
<u>Lease Assets - Classification in</u> <u>Statement of Financial Position</u>		
Operating right-of-use assets	\$ 41,843	\$ -
<u>Lease Liabilities - Classification in</u> <u>Statement of Financial Position</u>		
Operating lease liabilities	\$ 43,245	\$ -

Total lease costs for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Operating lease cost	\$ 4,866	\$ -

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**NOTE 8 – LEASES (CONT'D)**

The following table summarizes the supplemental cash flow information for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
<u>Cash paid for amounts included in the measurement of lease liabilities</u>		
Operating cash flows from operating leases	\$ 3,465	\$ -

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term in years:		
Operating leases	2.58	-
Weighted-average discount rate:		
Operating leases	7.50%	0.00%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2023:

<u>June 30,</u>	<u>Operating</u>
2024	\$ 13,800
2025	13,800
2026	13,800
2027	8,050
	<hr/>
Total lease payments	49,450
Less interest	6,205
	<hr/>
Present value of lease liabilities	\$ 43,245

**NOTE 9 – ENDOWMENTS**

The Organization's endowment consists of a donor-restricted endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor restrict to the contrary. As a result of this interpretation, the organization classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations 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 remaining portion of the donor-restricted endowment fund that is not classified in net assets to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in manner consistent with the standard of prudence prescribed by UPMIFA.

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**NOTE 9 – ENDOWMENTS (CONT'D)**

The Organization 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. The endowment assets are invested in accordance with predetermined asset allocation and performance benchmarks. To satisfy its long-term rate-of-return objectives, the Organization 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 Organization's spending policy provides that only the income from endowments may be used according to donor-imposed restrictions.

From time-to-time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no amounts underwater as of June 30, 2023 and 2022.

2023

Endowment net assets composition by type of fund:

	Restricted for Time or Purpose	Donor Restricted Corpus	Total
Donor-restricted	\$ 8,919	\$ 28,308	\$ 37,227

The Organization had the following endowment-related activities:

Endowment Net Assets	With Donor Restrictions		Total
	Restricted for Time or Purpose	Donor Restricted Corpus	
Beginning of year	\$ 14,132	\$ 28,308	\$ 42,440
Decreases of endowment	(7,700)	-	(7,700)
Increases of endowment	1,000	-	1,000
Net investment return	1,487	-	1,487
End of year	\$ 8,919	\$ 28,308	\$ 37,227

2022

Endowment net assets composition by type of fund:

	Restricted for Time or Purpose	Donor Restricted Corpus	Total
Donor-restricted	\$ 14,132	\$ 28,308	\$ 42,440

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**NOTE 9 – ENDOWMENTS (CONT'D)**

The Organization had the following endowment-related activities:

Endowment Net Assets	With Donor Restrictions		Total
	Restricted for Time or Purpose	Donor Restricted Corpus	
Beginning of year	\$ 18,837	\$ 28,308	\$ 47,145
Net investment return	(4,705)	-	(4,705)
End of year	<u>\$ 14,132</u>	<u>\$ 28,308</u>	<u>\$ 42,440</u>

**NOTE 10 – NET ASSETS**

Net assets with donor restrictions were as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Endowment		
Investment in perpetuity, the income of which is expendable to support general operating expenses	\$ 36,749	\$ 42,097
Subject to passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	496,000	486,274
Total	<u>\$ 532,749</u>	<u>\$ 528,371</u>

Net assets without donor restrictions were as follows for the years ended June 30, 2023 and 2022:

	2023	2022
General	\$ 568,470	\$ 701,062
Designated by the board	270,643	323,109
Total	<u>\$ 839,113</u>	<u>\$ 1,024,171</u>

Net assets released from net assets with donor restrictions are as follows:

	2023	2022
Satisfaction of purpose restrictions	\$ 1,004,975	\$ 953,479
Total	<u>\$ 1,004,975</u>	<u>\$ 953,479</u>

**NOTE 11 – EMPLOYEE BENEFITS**

The Organization maintains a 403(b)-retirement plan for its employees. The plan is funded by elective deferral contributions by employees and contributions by the Organization. The annual contribution made by the Organization is 3% of the employee's eligible pay. For the years ended June 30, 2023 and 2022, the Organization contributed \$15,194 and \$5,884 respectively.



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**NOTE 12 – RELATED PARTY TRANSACTIONS**

The City of Joliet has pledged to provide free use of space through December 31, 2023. Management has estimated the value of the free space to be \$792,000 per year and is included as rent expense on the statement of functional expenses. In addition to the free use of space the City of Joliet has pledged to provide contributions of \$200,000 annually through December 31, 2023.

These promises are included in pledge receivables on the statement of financial position and the net present value discount is amortized through the transfer from affiliate on the statement of activities of \$9,726 and 38,521 for the years ended June 30, 2023 and 2022, respectively.

The City of Joliet provides free use of space for the prison on an annual basis. Management has estimated the value of the free space to be \$345,326 for the years ended June 30, 2023 and 2022. The free space is included in rent expense on the statement of functional expenses and the transfer from affiliate on the statement of activities.

**NOTE 13 – CONCENTRATIONS**

The Organization receives a major portion of its revenues from the City of Joliet. The level of services available in the future would be impacted if the Organization were to lose the support of this entity.

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

In fiscal year ended June 30, 2023, the Company adopted new accounting guidance FASB Accounting Standards Update (ASU), *Revenue from Contracts with Customers (Topic 606)*, and *Leases (Topic 842)*. The objective of the Revenue ASU is to provide a universal framework for recognizing revenue. The objective the Lease ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements.

**NOTE 15 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through March 25, 2024, which is the date the financial statements were available to be issued. On October 10, 2023 the Organization was awarded a grant from the Illinois Department of Commerce & Economic Opportunity for \$1,000,000. The grant is to be used for the acquisition and operating expenses of property along the Route 66 corridor in Wilmington, Illinois.

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