Financial Statements and Report of Independent Certified Public Accountants

Navy Pier, Inc.

December 31, 2019 and 2018

Contents

GRANT THORNTON LLP
Grant Thornton Tower
171 North Clark Street, Suite 200
Chicago, IL 60601

D +1 312 856 0200
F +1 312 565 4719

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Navy Pier, Inc.

We have audited the accompanying financial statements of Navy Pier Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Navy Pier, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
May 7, 2020

Navy Pier, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 26,162,862	$ 16,080,333
Short-term investments	960,525	5,927,150
Accounts receivable, net	2,025,107	2,951,728
Pledges receivable, net	303,833	162,333
Prepaid expenses	1,142,258	1,084,872
Current assets	30,594,585	26,206,416
NON-CURRENT ASSETS		
Pledges receivable, net	916,893	1,025,567
Property and equipment, net	178,273,069	181,658,349
Non-current assets	179,189,962	182,683,916
Total assets	$ 209,784,547	$ 208,890,332
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 9,357,494	$ 11,364,608
Advance deposits	1,025,873	747,942
Deferred revenue	880,096	2,157,629
Bonds and loans payable, net	3,467,827	3,081,000
Total current liabilities	14,731,290	17,351,179
NON-CURRENT LIABILITIES		
Deferred revenue	6,453,519	5,550,006
Interest rate swap	972,787	260,037
Bonds and loans payable, net	60,269,026	54,825,525
Total non-current liabilities	67,695,332	60,635,568
Total liabilities	82,426,622	77,986,747
NET ASSETS:		
Without donor restrictions	126,267,698	129,419,684
With donor restrictions	1,090,227	1,483,901
Total net assets	127,357,925	130,903,585
Total liabilities and net assets	$ 209,784,547	$ 208,890,332

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

Navy Pier, Inc.

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2019					2018				
	Without Donor Restrictions			With Donor		Without Donor Restrictions			With Donor	
	Operating	Non-Operating	Total	Restrictions	Total	Operating	Non-Operating	Total	Restrictions	Total
Revenues and Support										
Contributions and Grants	$ 2,221,217	$ -	$ 2,221,217	$ 64,659	$ 2,285,876	$ 1,274,248	$ -	$ 1,274,248	$ 352,123	$ 1,626,371
Sponsorships	4,018,257	-	4,018,257	-	4,018,257	3,578,303	-	3,578,303	-	3,578,303
In-Kind Support	606,538	-	606,538	-	606,538	545,980	329,245	875,225	-	875,225
Pier Park Amusements	13,587,640	-	13,587,640	-	13,587,640	13,274,536	-	13,274,536	-	13,274,536
Programming Events	2,981,315	-	2,981,315	-	2,981,315	3,401,339	-	3,401,339	-	3,401,339
Retail	15,748,133	111,273	15,859,406	-	15,859,406	13,982,739	102,348	14,085,087	-	14,085,087
Parking	11,557,512	-	11,557,512	-	11,557,512	10,318,623	-	10,318,623	-	10,318,623
Facility Rental	5,397,955	-	5,397,955	-	5,397,955	5,728,275	-	5,728,275	-	5,728,275
Food and Beverage	2,491,974	-	2,491,974	-	2,491,974	3,238,004	-	3,238,004	-	3,238,004
Investment Return, net	175,652	116,939	292,591	-	292,591	85,205	355,555	440,760	-	440,760
Change in Value of Swap	-	(712,750)	(712,750)	-	(712,750)	-	(107,901)	(107,901)	-	(107,901)
Loss on Disposal of Fixed Assets	-	(66,776)	(66,776)	-	(66,776)	-	-	-	-	-
Other	324,092	158,754	482,846	-	482,846	243,421	172,192	415,613	-	415,613
Net Assets Released from Donor Restriction	358,333	100,000	458,333	(458,333)	-	-	7,842,586	7,842,586	(7,842,586)	-
Total Revenues and Support	59,468,618	(292,560)	59,176,058	(393,674)	58,782,384	55,670,673	8,694,025	64,364,698	(7,490,463)	56,874,235
Expenses										
Program	42,617,755	12,037,361	54,655,116	-	54,655,116	43,377,311	11,886,544	55,263,855	-	55,263,855
Administration	5,585,705	119,937	5,705,642	-	5,705,642	5,501,125	113,355	5,614,480	-	5,614,480
Fundraising	1,907,318	59,968	1,967,286	-	1,967,286	1,538,499	56,677	1,595,176	-	1,595,176
Total Expenses	50,110,778	12,217,266	62,328,044	-	62,328,044	50,416,935	12,056,576	62,473,511	-	62,473,511
Change in Net Assets before Transfers	9,357,840	(12,509,826)	(3,151,986)	(393,674)	(3,545,660)	5,253,738	(3,362,551)	1,891,187	(7,490,463)	(5,599,276)
Board-Designated Transfers	(12,050,925)	12,050,925	-	-	-	(11,335,482)	11,335,482	-	-	-
Change in Net Assets	$ (2,693,085)	$ (458,901)	(3,151,986)	(393,674)	(3,545,660)	$ (6,081,744)	$ 7,972,931	1,891,187	(7,490,463)	(5,599,276)
Net Assets, Beginning of Year			129,419,684	1,483,901	130,903,585			127,528,497	8,974,364	136,502,861
Net Assets, End of Year			$ 126,267,698	$ 1,090,227	$ 127,357,925			$ 129,419,684	$ 1,483,901	$ 130,903,585

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

Navy Pier, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31,

	2019				2018			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries and Benefits	$ 10,945,071	$ 3,543,971	$ 897,603	$ 15,386,645	$ 11,375,055	$ 3,298,158	$ 745,394	$ 15,418,607
Contracted Services	17,430,690	45,984	181,930	17,658,604	17,495,033	5,078	93,289	17,593,400
Professional Fees	1,478,812	1,144,036	275,615	2,898,463	3,494,938	1,204,790	315,858	5,015,586
Advertising and Promotions	3,735,620	13,474	71,977	3,821,071	2,742,733	38,653	211,255	2,992,641
Utilities	2,748,890	27,908	13,954	2,790,752	2,827,696	30,868	14,354	2,872,918
Maintenance	1,408,401	140,827	495	1,549,723	1,643,260	178,131	4,402	1,825,793
Equipment	481,494	221,023	119,520	822,037	495,414	106,537	400	602,351
Supplies	1,283,784	17,550	13,417	1,314,751	1,223,356	24,747	21,165	1,269,268
Insurance	1,614,521	82,661	7,547	1,704,729	1,518,214	80,069	7,492	1,605,775
Information Technology	267,200	143,146	13,130	423,476	245,062	277,332	3,544	525,938
Postage and Shipping	5,242	3,776	1,271	10,289	1,773	9,324	6,870	17,967
Printing	79,191	4,113	23,818	107,122	49,232	14,125	5,150	68,507
Travel and Entertainment	91,783	83,884	247,235	422,902	99,532	75,834	59,496	234,862
Training	8,740	24,688	17,069	50,497	220	13,221	6,795	20,236
Credit Card and Bank Fees	855,258	32,037	3,949	891,244	615,916	28,997	216	645,129
Dues and Subscriptions	41,780	27,668	6,802	76,250	43,439	46,471	10,073	99,983
Miscellaneous	307,619	28,959	11,986	348,564	227,534	68,789	32,745	329,068
Interest	2,053,018	20,358	10,179	2,083,555	2,039,460	20,705	10,353	2,070,518
Depreciation and Amortization	9,818,002	99,579	49,789	9,967,370	9,125,989	92,650	46,325	9,264,964
	$ 54,655,116	$ 5,705,642	$ 1,967,286	$ 62,328,044	$ 55,263,855	$ 5,614,480	$ 1,595,176	$ 62,473,511

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

Navy Pier, Inc.

STATEMENTS OF CASH FLOW

Years ended December 31,

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (3,545,660)	$ (5,599,276)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,914,034	9,187,277
Amortization of debt issuance costs	53,336	77,687
Realized and unrealized investment gains and losses	(1,484)	(37,906)
Unrealized loss on interest rate swap	712,750	107,901
Loss on disposal of equipment	66,776	-
Contributions and grants restricted for capital projects	-	(4,250,000)
Amortization of discount for pledges receivable	(24,660)	(27,122)
In-kind contributions for capitalized equipment	-	(329,245)
Changes in assets and liabilities:		
Accounts receivable	926,621	1,050,054
Pledges receivable	(8,166)	4,357,000
Prepaid expenses	(57,386)	(273,116)
Accounts payable and accrued expenses	(2,007,114)	(2,963,453)
Advance deposits	277,931	299,622
Deferred revenue	(374,020)	207,651
Net cash provided by operating activities	5,932,958	1,807,074
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	6,021,000	18,852,893
Purchases of investments	(1,052,891)	(10,007,808)
Proceeds from sale of equipment	25,299	-
Purchases of property and equipment	(6,620,829)	(20,908,206)
Net cash used in investing activities	(1,627,421)	(12,063,121)
Cash flows from financing activities:		
Loan proceeds	9,251,749	-
Contributions restricted for capital projects	-	4,250,000
Bond and loan repayment	(3,434,160)	(6,820,000)
Debt issuance costs	(40,597)	-
Net cash provided by (used in) financing activities	5,776,992	(2,570,000)
Net change in cash and cash equivalents	10,082,529	(12,826,047)
Cash and cash equivalents - beginning of year	16,080,333	28,906,380
Cash and cash equivalents - end of year	$ 26,162,862	$ 16,080,333
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 2,112,000	$ 2,087,000
Non-cash acquisitions of property and equipment	$ -	$ 329,245

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

NOTE A - NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Navy Pier, Inc. (NPI) is a not for profit organization established on January 4, 2011 for the purpose of managing, operating, and redeveloping Navy Pier (the Pier). The Pier is a tourist and leisure destination located in Chicago, Illinois, and provides dining, shopping, cultural events, amusement park rides, and various other entertainment options to its visitors. The Pier is owned by the Metropolitan Pier and Exposition Authority (MPEA), a local government entity established by the Illinois General Assembly. NPI was created to lessen the burden of the government by operating and facilitating the redevelopment of the Pier. The long-term strategic plan for the Pier is to improve the mix of retail, dining, cultural, and entertainment options in an effort to further expand the Pier's customer base to drive an increase in year round attendance. A key component of the plan is the redevelopment of the infrastructure to update the look and feel of the Pier and improve the overall facility. While MPEA retains ownership of the Pier, NPI has the authority to make key decisions on operations, maintenance, and implementation of the Pier's revitalization.

Basis of Presentation

The financial statements of NPI have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

These financial statements have been prepared to focus on NPI as a whole and to present balances and transactions classified according to the existence or absence of donor-imposed restrictions. This has been accomplished by classifying transactions into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions. Furthermore, NPI distinguishes activities within net assets without donor restrictions as either operating or non-operating. Descriptions of the two net asset categories are as follows:

- Net Assets without Donor Restrictions –

  Operating – include all operating revenues and expenses, which are an integral part of NPI's programs and supporting activities, as well as net assets released from donor restrictions to support operating activities. NPI considers operating the Pier as its only program.

  Non-Operating – include all Board-designated funds and related investment returns (not subject to donor restriction), the value of the interest rate swap, contributions for capital projects, capitalized property and equipment and its related depreciation, debt service, and certain expenses related to the physical re-development of the Pier.

  Board-designated transfers between operating and non-operating net assets without donor restrictions are to fund NPI's depreciation and debt service requirements.

- Net Assets with Donor Restrictions – include assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

Cash consists of cash on hand and demand deposits. Cash equivalents consist of highly liquid short-term investments with original maturities of 90 days or less. NPI maintains cash in bank deposit accounts, which may exceed federally insured limits. NPI has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

Accounts Receivable

Accounts receivable consist of rents due from the Pier tenants, trade accounts receivable due for NPI's convention and meeting business, and amounts due from NPI's parking and foodservice contractors. A bad debt reserve of approximately $42,000 and $39,000 was recorded as of December 31, 2019 and 2018, respectively, related to tenant and event accounts receivable.

Prepaid Expenses

Prepaid expenses consist primarily of prepayments for insurance coverage, maintenance agreements and expenses for events that will occur in 2020.

Investments

Investments are measured at fair value in the accompanying statements of financial position. Investments in debt securities have maturities within one year. Interest, realized gains and losses on sales of investments, and unrealized gains and losses are reported as investment return, net.

Property and Equipment

Property and equipment consist of leasehold improvements to the real property of the Pier and equipment and other personal property. The leasehold improvements and equipment and other assets are stated at cost and depreciated over their estimated useful lives using the straight-line method. Interest on borrowings used to fund capital projects is capitalized and amortized over the life of the asset. Contributed property and equipment is stated at fair value as of the date of the gift. Useful lives are estimated as follows:

Leasehold improvements (the shorter of the lease term or estimated useful life)	7 - 40 years
Furniture	7 years
Equipment	2 - 20 years

Betterments, improvements, and repairs that extend the useful life of an asset and which have a cost of more than $25,000 are capitalized. Furniture and equipment that have a useful life of more than one year and a unit cost of more than $10,000 are capitalized. Group asset purchases are capitalized when the cost exceeds $50,000. Routine repairs and maintenance are expensed as incurred.

NPI reviews its assets for impairment on an annual basis to determine whether events or changes in circumstances indicate whether the carrying amount of an asset may not be recoverable. NPI did not recognize any impairment charges during the years ended December 31, 2019 and 2018.

Total property and equipment, net, is as follows at December 31:

	2019	2018
Construction in progress	$ 1,581,904	$ 1,489,184
Leasehold improvements	178,875,017	174,576,239
Equipment and other	34,163,220	32,170,146
Total property and equipment	214,620,141	208,235,569
Less accumulated depreciation	(36,347,072)	(26,577,220)
Total property and equipment, net	$ 178,273,069	$ 181,658,349

Revenue

Revenue from contracts with customers is recognized when NPI's related performance obligations are satisfied and includes tenant rentals (retail revenue), parking fees, amusement park and programming event revenue, rental of exhibition facilities (facility rental revenue), food and beverage services primarily related to facility rental revenue, and certain sponsorships. Advance collections and deposits related to event revenue are recorded as advance deposits. Advance collections for sponsorship and rental agreements are recorded as deferred revenue. Advance deposits and deferred revenue are reflected as liabilities in the accompanying statements of financial position.

Sponsorships are exchange transactions whereby NPI provides visibility, recognition and certain other benefits to third parties. Revenue is recognized over time based on when NPI provides benefits.

Pier Park Amusements are the sales of admissions to the Pier's amusement rides, such as the Centennial Wheel, Pepsi Waveswinger, the carousel and others. Revenue is recognized when access to the amusement is provided.

Programming events includes sales of admissions to events produced by NPI, primarily Winter Wonderfest. Revenue is recognized when access to the event is provided.

Retail revenue includes rental income and other revenues from multiple tenants in exchange for NPI providing space for retail, dining, and boat docking business operations. Revenue is recognized as NPI provides access to the tenant in accordance with respective lease terms.

Parking revenues are the fees charged to park in NPI's parking garage. Revenue is recognized as the parking is provided.

Facility rental includes fees received for the use of NPI's convention and meeting facilities, Festival Hall, and the Aon Grand Ballroom. Revenue is recognized as the related events take place.

Food and beverage revenue includes primarily license fees earned on sales of food and beverage related to the facility rental events provided by a third-party caterer. Revenue is recognized as the related events take place.

Contributions and programmatic grants, including donations of cash, property, in kind contributions and unconditional pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value at the date of donation. Contributions to be received subsequent to year end are discounted at an appropriate rate commensurate with the risks involved. The amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, as the pledge is satisfied. If a donor restriction is fulfilled in the same period in which the contribution is received, NPI reports the support as without donor restriction.

In-Kind Contributions

NPI received goods and services as in-kind contributions in 2019 and 2018 which are recorded at estimated fair value. In-kind contributions for capitalized equipment were $0 in 2019 and $329,245 in 2018.

Expenses by Function

Expenses are reductions in net assets without donor restrictions and are recorded as incurred. Expenses related to the operation of the Pier are classified as program expenses on the accompanying statements of functional expenses; this may include, but not be limited to, Arts, Culture and Engagement, maintenance and repairs, facility costs and security services. Administrative expenses consist of, but are not limited to, general management, accounting, legal, human resources, and information technology. Fundraising expenses are costs incurred to generate philanthropic contributions to NPI.

Costs which are shared by all three functions include depreciation, interest, and most insurance, and are shared based on approximate square footage associated with staff involved.

Interest Rate Swap

NPI has entered into interest rate swap agreements as part of its interest rate risk management strategy, not for speculation. NPI records the interest rate swap at fair value.

Pledges Receivable

Pledges receivable represent unconditional promises to give and are reported at fair value by discounting the expected future payments beyond one year at rates ranging from 2.21% to 2.73%. The discount rate used to determine the present value of pledges receivable represents a risk adjusted rate of return at the date of donation. Management evaluates payment history and market conditions and has determined that no allowance for doubtful pledges is needed.

Pledges receivable are estimated to be collected as follows at December 31:

	2019	2018
Within one year	$ 303,833	$ 162,333
In one to three years	1,033,333	1,166,667
	1,337,167	1,329,000
Less discount to net present value	(116,441)	(141,100)
	$ 1,220,726	$ 1,187,900

Income Taxes

NPI is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC). NPI has adopted the requirements for accounting for uncertain tax positions in accordance with Accounting Standards Codification (ASC) Subtopic 740 10, *Income Taxes – Overall.* NPI is subject to income taxes only on income determined to be unrelated business income.

Management believes there are no material uncertain tax positions that require recognition in the accompanying financial statements. NPI has a policy to record interest and penalties (if any) related to income tax matters in income tax expense.

NPI recognized no interest or penalties for the years ended December 31, 2019 and 2018.

Management's Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. NPI adopted this guidance effective for the year ended December 31, 2019. Some of NPI's revenue arrangements are recognized over time and consist of performance obligations that are satisfied ratably over a period of no more than one year and others are recognized at a point in time when the performance obligation has been satisfied. Based on NPI's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this standard. The adoption of this standard had no impact on the statements of financial position and the statements of activities, but resulted in additional disclosures. See the Revenue section of this footnote for enhanced disclosures.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for NPI for 2021. Early adoption is permitted.

Reclassifications

Certain 2018 financial statement line items have been reclassified to conform to the 2019 presentation.

Subsequent Events

NPI has performed an evaluation of subsequent events through May 7, 2020, which is the date the financial statements were issued.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. While the disruption is currently expected to be temporary, there is uncertainty around the extent and duration. NPI closed the Pier to the general public as of March 16, 2020 and remains closed as of the issuance date of these financial statements. NPI received a Paycheck Protection Program loan through the United States Small Business Administration in the amount of $2,489,500 on April 20, 2020. Therefore, while we expect this matter to negatively impact our results, the related financial impact cannot be reasonably estimated at this time. Due to the current economic volatility, and the amount of time and judgment involved in our valuation processes, it is impractical to quantify the estimated impact on the fair value of our investments. However, we believe the recent volatility in the market has not resulted in a material decrease in the fair value of our investments since December 31, 2019.

NOTE B - LEASE AGREEMENT

Effective July 1, 2011, NPI entered into a long-term lease agreement (the Lease Agreement) with MPEA to manage, operate, and develop the Pier. MPEA retains ownership of the Pier and NPI has the authority to make key decisions related to operations, maintenance, and the implementation of the Pier's revitalization. These activities are defined as "Approved Operations" in the Lease Agreement, and are summarized as follows:

a) Implementation of the Framework Plan, a comprehensive long-term plan to maintain and guide redevelopment of the Pier;

b) Maintaining, repairing, operating, designing, financing, subleasing, licensing, developing, redeveloping, and/or demolishing the grounds, buildings and facilities consistent with the Framework Plan; and

c) Supporting and benefiting MPEA through developing and operating the Pier for the achievement of MPEA's governmental purposes.

The Framework Plan was developed in 2011 and can be amended by the parties throughout the lease term in accordance with the provisions of the Lease Agreement.

Significant terms of the Lease Agreement as amended are as follows:

- The Lease Agreement term is from July 1, 2011 through June 30, 2036, with four renewal options of 20 years each, for a total possible term of 105 years. The Lease Agreement requires NPI to pay MPEA rent of $1 per year and to operate the Pier in accordance with the Framework Plan. NPI has prepaid rent of $1 per year for the initial lease term of 25 years ending June 30, 2036;

- MPEA provided $115,000,000 between 2011 and 2016 which was used for implementation of the Framework Plan;

- NPI can terminate the Lease Agreement at any time. MPEA can terminate the agreement only upon default by NPI. Events of default include; (a) failure by NPI to comply in any material respect with the Framework Plan, or with the terms of the Lease Agreement (if failure is not remedied within 90 days after written notice); (b) NPI abandons the premises; or (c) NPI is bankrupt or insolvent; and

- At termination, all assets, including the premises and revenue from all sources, must be returned to MPEA. If donations cannot be legally transferred due to the intention of the donor, NPI and MPEA must mutually agree to the disposition.

NPI has accounted for the Lease Agreement as an operating lease. The contributed fair value of the lease is not presented on the financial statements due to the absence of verifiable measurement criteria.

In 2014, required environmental remediation was identified on certain land that NPI manages. As part of the Lease Agreement with MPEA, NPI is indemnified from bearing this cost. As of December 31, 2018, NPI has recorded the costs incurred but not yet reimbursed of $931,744 as accounts receivable. The reimbursement for these costs was received in March 2019.

NOTE C - INVESTMENTS

The following table summarizes the types of investments as of December 31:

	2019	2018
Type of investments:		
Domestic municipal bonds	$ -	$ 1,775,000
Mutual funds	12,073	-
Domestic equity securities	1,452	-
Corporate bonds:		
Domestic fixed-income securities	947,000	4,152,150
Total investments - at fair value	$ 960,525	$ 5,927,150

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS

NPI evaluates its financial instruments in accordance with the fair value disclosure requirements of U.S. GAAP, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: quoted market prices in active markets for identical assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for an asset or liability (Level 3).

NPI's financial instruments, including cash equivalents, accounts receivable, accounts payable and accrued expenses and advance deposits are carried at historical cost, which approximates their fair values because of the short-term nature of these instruments. There has been no change in valuation methodologies between 2018 and 2019.

The following methods and assumptions are used to estimate the fair value of NPI's financial instruments:

Cash equivalents are money market funds carried at cost as an approximation of fair value.

Fixed maturity investments, including municipal bonds and corporate bonds, are carried at fair value, based upon quoted market prices on nationally recognized securities exchanges (Level 1 inputs) or on quoted market prices of similar securities by relying on these securities relationship to other benchmark quoted prices (Level 2 inputs). These techniques make use of assumptions that market participants would use in pricing the respective asset and may require some degree of judgment.

Interest rate swap is computed using the present value of cash flows based on the notional amount, term, and fixed and variable interest rates contained in the contract. The model prices the instrument at an exit value were the agreement terminated at the date of valuation. Significant fair value inputs can be verified and do not involve management judgments (Level 2 inputs). NPI's cash equivalents and investments are accounted for at fair value on a recurring basis, using the fair value hierarchy as follows:

	December 31, 2019	
	Level 1	Level 2
Cash equivalents	$ 6,603,483	$ 16,118,237
Investments:		
Mutual funds	$ 12,073	$ -
Domestic equity securities	1,452	-
Corporate bonds:		
Domestic fixed-income securities	947,000	-
Total investments – at fair value	$ 960,525	$ -
Liabilities:		
Interest rate swap	$ -	$ 972,787

	December 31, 2018	
	Level 1	Level 2
Cash equivalents	$ 1,144,573	$ 6,884,537
Investments:		
Domestic municipal bonds	$ 1,775,000	$ -
Corporate bonds:		
Domestic fixed-income securities	4,152,150	-
Total investments – at fair value	$ 5,927,150	$ -
Liabilities:		
Interest rate swap	$ -	$ 260,037

Transfers between levels of the fair value hierarchy are recognized on the actual date of the event of the change in circumstance, which caused the transfer. There were no transfers between the levels of the fair value hierarchy in 2019 or 2018.

NOTE E - LIQUIDITY AND AVAILABLE RESOURCES

NPI's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31:

	2019	2018
Cash and cash equivalents	$ 26,162,862	$ 16,080,333
Short-term investments	960,525	5,927,150
Accounts receivable, net	2,025,107	2,951,728
Pledges receivable, net	303,833	162,333
Total financial resources available within one year	29,452,327	25,121,544
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(73,332)	(358,333)
Debt issuance proceeds for capital improvements	(6,600,000)	(4,072,573)
Board-designation	(3,408,663)	(2,744,297)
Total amounts unavailable within one year for general expenditures	(10,081,995)	(7,175,203)
Total financial assets available for general expenditures within one year	$ 19,370,332	$ 17,946,341

As part of NPI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, NPI has a committed line of credit of $1,500,000, which it could draw on. Additionally, NPI has Board-designated net assets without donor restrictions that, while NPI does not intend to spend, could be made available for current operations, if necessary.

NOTE F – LONG-TERM DEBT

Long-term debt outstanding at December 31 consisted of the following:

	Interest rate	Fiscal year maturity	December 31, 2019	December 31, 2018
Illinois Finance Authority (IFA):				
Series 2014A Bonds [a]	2.90%	2024	$ 23,899,000	$ 25,205,000
Series 2014B-R Bonds [b]	Variable	2023	17,250,000	18,250,000
Bank Construction loan 2017[c]	Variable	2024	13,950,000	14,725,000
Bank Construction loan 2019[d]			6,600,000	-
Parking Improvements loan[e]			2,159,799	-
Housekeeping Equipment loan[f]			138,790	-
Total debt			63,997,589	58,180,000
Unamortized debt issuance costs			(260,736)	(273,475)
Bonds and loans payable, net			$ 63,736,853	$ 57,906,525

a) In December 2014, NPI issued $26.5 million in IFA general obligation bonds, Series 2014A, which were purchased by Fifth Third Bank (the Lender). The proceeds of the bonds were designated to pay the costs of manufacturing and installing a new Observation Wheel and completing necessary structural improvements to Pier Park. The Series 2014A bonds were interest only through 2017, with principal payments commencing on January 1, 2018, and with a lump-sum payment due on January 1, 2024. Interest on the Series 2014A bonds is payable quarterly in arrears through January 1, 2024 at a fixed rate of 2.90%.

b) In December 2014, NPI issued $20.0 million in IFA general obligation drawdown bonds, Series 2014B. The proceeds of the bonds were designated for capital projects subject to Lender approval, including $15.0 million for construction of a live performance theater.

In October 2017, the IFA, Fifth Third Bank and NPI entered into the First Amendment to the Bond and Loan Agreement (the First Amendment). The First Amendment issued 2014B-R bonds to replace the prior Series 2014B bonds and the parties agreed to a revised payment schedule and interest rate. Payments on the Series 2014B-R bonds commenced on January 1, 2018 and are payable in a lump sum on January 1, 2023.

Interest on the Series 2014B-R bonds is payable quarterly in arrears at a floating rate of 1.982% plus 65.01% of one month London Interbank Offered Rate (LIBOR). The stated interest rate on the Series 2014B-R bonds was 3.2206% and 3.7605% as of December 31, 2019 and 2018, respectively. In July 2018, NPI and Fifth Third Bank entered into an interest rate swap agreement to fix the interest rate on the Series 2014B-R at 4.175%.

c) In September 2017, NPI and Fifth Third Bank entered into a Construction Loan Agreement in the amount of $15,500,000 to complete a renovation construction project (Bank Construction loan 2017). The Bank Construction loan 2017 is being repaid in installments of $775,000 annually through September 2024 with a lump-sum payment due at maturity on September 22, 2024.

Interest on the Bank Construction loan 2017 is payable quarterly in arrears at a floating rate of the one month LIBOR rate plus 1.85%. At December 31, 2019 and 2018, the stated interest rate on the Construction loan was 3.5585% and 4.20%, respectively.

In September 2017, NPI and Fifth Third Bank entered into an interest rate swap agreement to fix the interest rate on the Construction loan at 4.15%. Interest on borrowings during the construction period were capitalized will be amortized over the lives of the related assets. The amount of interest capitalized for the year ended December 31, 2018 was $163,956.

d) In December 2019, NPI and Fifth Third Bank entered into a Construction Loan Agreement in the amount of $6,600,000 to complete a renovation construction project (Bank Construction loan 2019). The Bank Construction loan 2019 is payable in annual installments of $330,000 commencing on January 1, 2022. Interest on the Construction loan 2019 is payable monthly in arrears at a floating rate of the one month LIBOR rate plus 1.85%. At December 31, 2019, the stated interest rate on the Bank Construction loan 2019 was 3.725%.

e) On November 23, 2018, NPI and ABM Industry Groups, LLC, d/b/a ABM Parking Service (ABM), who provides parking management services to the Pier, entered into an Installment Purchase Agreement (the Parking Improvements loan) to fund the purchase of certain parking equipment and improvement projects. The total amount of the loan was $2,495,850 which is payable in monthly installments, including principal and interest, totaling $381,727 annually, commencing January 2019 and ending December 2025. Interest on the Parking Improvements loan is payable monthly at a fixed rate of 1.95%. In the event the Parking Management agreement with ABM is terminated prior to the end of the loan agreement term, a lump sum payment of the outstanding balance is due, including interest through the date of payment. The loan is secured by a security interest in the parking equipment. Upon receipt by ABM of all sums due under the Parking Improvements loan, ABM shall provide NPI with a complete release of its security interest in the equipment.

f) Effective January 1, 2019, NPI and Aramark/Globetrotters, LLC (Aramark) entered into a Housekeeping and Snow Removal Agreement. As part of that agreement, Aramark agreed to make a capital investment of up to $407,000. The capital investment is to be amortized on a straight-line basis over up to five years, commencing on the date the equipment is placed in service. During 2019, three pieces of equipment were received by the Pier under this agreement and placed in service. The amount of the 2019 loan and equipment purchase was $155,899. The term of the three underlying leases include interest rates ranging from 2.925% to 3.825% and with payment terms from 24 months to 60 months. Upon termination of the agreement between Aramark and NPI for any reason, NPI is obliged to reimburse Aramark for the unamortized balance of the capital investment. Title to the equipment shall pass to NPI upon full payment of amounts due under the agreement.

During 2019, additional deferred debt issuance costs of $40,597 were incurred related to the 2019 bank construction loan.

Interest expense for the years ended December 31, 2019 and 2018 was $2,083,555 and $2,070,518, respectively.

All bank debt and rate management obligations are secured by the general revenue of NPI. The terms of the agreements require NPI to meet specified covenants, including limitations on incurring additional indebtedness and maintaining certain liquidity measures as defined within the agreements. As of December 31, 2019 and 2018, NPI was in compliance with all requirements of its covenants.

Required principal payments for bonds and loans as of December 31, 2019 are as follows:

Year(s) ending December 31:	
2020	$ 3,467,826
2021	3,480,627
2022	3,824,567
2023	17,090,504
2024	30,146,339
Thereafter	5,987,726
	$ 63,997,589

NOTE G - DERIVATIVE FINANCIAL INSTRUMENTS

NPI has entered into two interest rate swap agreements with Fifth Third Bank in order to hedge overall exposure to variable rate debt.

Effective October 1, 2017, and expiring September 22, 2024, NPI has agreed to pay Fifth Third Bank interest at a fixed rate of 2.3% with the counterparty paying NPI a floating rate based on one-month LIBOR. The notional amount of the interest rate swap decreases annually as principal payments are made. The notional amounts were $13,950,000 and $14,725,000 as of December 31, 2019 and 2018, respectively.

Effective July 1, 2018, and expiring January 1, 2023, NPI has agreed to pay Fifth Third Bank interest at a fixed rate of 2.193% with the counterparty paying NPI a floating rate based on 65.01% of three-month LIBOR. The notional amount of the interest rate swap decreases annually as principal payments are made. The notional amounts were $17,250,000 and $18,250,000 as of December 31, 2019 and 2018, respectively.

The unrealized loss related to the two swap agreements was $712,750 and $107,901 for the years ended December 31, 2019 and 2018, respectively. Interest expense related to the swap agreements was $109,830 and $110,979 for the years ended December 31, 2019 and 2018, respectively.

NOTE H - LINE OF CREDIT

On August 8, 2017, NPI entered into a line of credit arrangement and revolving note with Fifth Third Bank for one year that expired on August 8, 2018. On August 15, 2018, NPI entered into a loan modification agreement that extended the due date of the line of credit arrangement to August 6, 2019. The note carried a maximum balance of $1,500,000 and a variable interest rate of one month LIBOR plus 1.9%. Effective December 20, 2019, NPI entered into an agreement for a revolving note that extended the due date of the line of credit arrangement to December 20, 2020. The note carries a maximum balance of $1,500,000 and a variable interest rate of one month LIBOR plus 1.90%.

During the years ended December 31, 2019 and 2018, NPI made no draws on the lines of credit. A fee of 0.25% of the amount available but unused on the line is payable to the lender each quarter. NPI paid $3,396 and $3,542 for these fees during the years ended December 31, 2019 and 2018, respectively. All other financial covenants are incorporated by reference from the Additional Covenant Agreement under the bond and loan agreements with Fifth Third Bank.

NOTE I - EMPLOYEE BENEFITS AND RETIREMENT PLANS

401(k) Plan

NPI offers its employees who have reached the age of 21 and have completed 1,000 hours of continuous service in their anniversary year a Section 401(k) deferred compensation retirement plan (the Plan). The Plan commenced effective August 1, 2013. NPI contributes to the Plan for eligible non-represented employees, and the Plan also permits eligible employees to defer a portion of their salaries. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan only allows for voluntary contributions from union employees.

The provisions of the Plan allow employees to contribute a portion of current earnings up to limits established by the Internal Revenue Service. NPI will make a matching contribution equal to 100% of the first 3% of annual salary contributed by the eligible employee. NPI also contributes 3% of earnings for eligible employees for a total maximum employer contribution of 6%.

All assets of the Plan are held in a trust in the name of the Plan and are used exclusively to pay benefits to the participants and their beneficiaries. As such, NPI does not report the assets and liabilities of the retirement plans in the accompanying financial statements.

NPI contributed $380,162 to the Plan for 98 eligible employees during the year ended December 31, 2019 and $360,000 to the Plan for 81 eligible employees during the year ended December 31, 2018.

457(b) Plan

NPI offers certain senior employees a defined contribution retirement plan (the 457(b) Plan) under Section 457(b) of the IRC. The 457(b) Plan commenced September 1, 2019 and permits eligible employees to contribute up to 100% of their gross earnings on a pretax basis, subject to IRC limitations. Though the 457(b) Plan allows for NPI to make contributions, it did not do so in 2019. Employee contributions are remitted to a third-party custodian and are used to purchase investments at the participant's direction. Until paid or made available to the participant or beneficiary, all deferred amounts and investment earnings related to deferral amounts are solely the property of NPI and are subject to claims of NPI's general creditors. Participants' rights under the 457(b) Plan are equal to those of a general creditor of NPI. Assets of the 457(b) Plan are recorded on the accompanying statements of financial position in cash and cash equivalents, and investments. Liabilities under the 457(b) Plan are recorded on the accompanying statements of financial position in accounts payable and accrued expenses. Assets and corresponding liabilities for the 457(b) Plan were $19,347 at December 31, 2019.

Multiemployer Retirement Plans

NPI contributes to a number of defined benefit multi-employer pension plans under the terms of collective-bargaining agreements which cover its union-represented employees. The risks of participating in these multi-employer plans are different from single-employer plans in the following respects:

a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers;

b) If a participating employer stops contributing to the plan, the unfunded obligations of the Plan may be borne by the remaining participating employers; and

c) If NPI chooses to stop participating in any of its multi-employer plans, NPI may be required to pay those plans an amount based on NPI's proportionate share of unfunded vested plan benefits, referred to as a withdrawal liability.

NPI participates in eight multi-employer defined benefit plans, four of which are material to NPI's financial position. NPI's participation in the plans which cover Carpenter, Engineer, Painter, and Stagehand employees is outlined in the following table. "EIN/Pension Plan Number" provides the Employee Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available is for the plan's year-end. The zone status is based on information that NPI received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. "FIP/RP Status" indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

	Carpenters	Engineers	Painters	Stagehands
Pension Fund	Chicago Regional Council of Carpenters Pension Fund	Central Pension Fund of The IUOE and Participating Employers	Chicago Painters and Decorators Pension Fund	Stagehands Local Two Retirement Plan
EIN/pension plan number	36-6130207/001	36-6052390/001	51-6030238/001	36-6099766/001
Expiration date of collective bargaining agreement	5/31/2024	1/14/2020	5/31/2021	12/31/2024
NPI Contributions				
2019	$126,391	$211,847	$112,132	$141,787
2018	$134,725	$214,054	$125,495	$156,908
Plan year-end of most recent Form 5500 filing	6/30/2019	1/31/2019	3/31/2019	12/31/2018
PPA Zone Status				
Most recent year	Green	Green	Green	Green
Two years prior	Green	Green	Green	Green
FIP/RP status	Not applicable	Not applicable	Not applicable	Not applicable
Surcharge Imposed	No	No	No	No
NPI contributed more than 5% of total contributions	No	No	No	No

NPI contributed a total of $117,050 and $121,891 to four other defined benefit multi-employer plans in 2019 and 2018, respectively. NPI also contributed $190,090 and $198,037 to various defined contribution multi-employer plans in 2019 and 2018, respectively.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

All net assets with donor restrictions at December 31, 2019 and 2018 are restricted by donors for building projects to support the programmatic transformation of the Pier, or time restriction. Such amounts will be released to net assets without donor restrictions when the long-lived assets are placed in service or at collection of the pledge.

Net assets with donor restrictions as of December 31 are as follows:

	2019	2018
Purpose restricted	$ 656,195	$ 741,894
Time restricted	434,032	742,007
	$ 1,090,227	$ 1,483,901

In addition, net assets without donor restrictions included board-designated amounts of $3,408,663 and $2,744,297 at December 31, 2019 and 2018, respectively. Amounts are designated for general reserves and capital projects to be identified.

NOTE K - RELATED PARTY TRANSACTIONS

MPEA provided certain services to NPI, primarily for utilities in 2019 and 2018. In 2019, the agreements related to utility services ended. Costs for services purchased from the MPEA totaled approximately $1.1 million and $2.5 million for the years ended December 31, 2019 and 2018, respectively.

NOTE L - RISK MANAGEMENT

NPI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to customers, employees, contractors, or vendors; and natural disasters. NPI utilizes a comprehensive insurance program for its property and casualty coverage provided by commercial insurance carriers.

NPI is subject to legal proceedings arising in the course of its normal business activities. In the opinion of management, any such matters will be resolved without material adverse effect on NPI's financial position or change in net assets.

NOTE M - COMMITMENTS

NPI's current construction projects are managed by a general contractor with a signed remaining commitment of approximately $5.4 million as of December 31, 2019. The construction projects are expected to be completed by October 2020.