The Lincoln Park Zoological Society

Financial Report

March 31, 2014

The Lincoln Park Zoological Society

Contents

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Independent Auditor's Report

To the Board of Trustees
The Lincoln Park Zoological Society

Report on Financial Statements

We have audited the accompanying statement of financial position of The Lincoln Park Zoological Society (an Illinois corporation, organized not-for-profit) (the "Society") as of March 31, 2014 and 2013 and the related statements of activities 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 organization'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 organization'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.

To the Board of Trustees
The Lincoln Park Zoological Society

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lincoln Park Zoological Society as of March 31, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

June 4, 2014

Statement of Financial Position

	March 31, 2014	March 31, 2013
Assets		
Cash	$ 5,919,580	$ 1,715,317
Investments	90,231,272	77,553,394
Investments - Other	6,430,459	9,368,286
Receivables:		
Pledges and grants - Net	38,614,379	27,164,668
Other	130,292	244,348
Inventories	468,473	434,775
Other assets	632,560	733,570
Property and equipment - Net	1,529,083	1,242,641
Total assets	**$ 143,956,098**	**$ 118,456,999**
Liabilities and Net Assets		
Liabilities		
Payables:		
Accounts payable	$ 2,915,818	$ 1,376,500
Annuities payable	225,024	218,631
Accrued expenses - Other	942,797	1,191,900
Deferred revenue	676,996	624,500
Commercial paper	43,301,976	40,000,000
Total liabilities	48,062,611	43,411,531
Net Assets		
Unrestricted	39,672,234	17,397,611
Temporarily restricted	22,822,194	29,923,892
Permanently restricted	33,399,059	27,723,965
Total net assets	95,893,487	75,045,468
Total liabilities and net assets	**$ 143,956,098**	**$ 118,456,999**

See Notes to Financial Statements.

The Lincoln Park Zoological Society

Statement of Activities
Year Ended March 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Contributions, grants, and development	$ 10,789,934	$ 6,861,905	$ 5,680,094	$ 23,331,933
Events revenue	1,997,061	-	-	1,997,061
Facility rental revenue	1,257,804	-	-	1,257,804
Chicago Park District subsidy	5,631,666	-	-	5,631,666
Membership dues and activities	1,351,082	-	-	1,351,082
Visitor services	6,445,136	-	-	6,445,136
Investment income	5,958,834	4,940,982	-	10,899,816
Other income	1,008,316	-	-	1,008,316
Net assets released from restrictions	3,904,585	(3,904,585)	-	-
Total revenues and other support	38,344,418	7,898,302	5,680,094	51,922,814
Expenses				
Programs				
Buildings and grounds	4,277,310	-	-	4,277,310
Events	1,632,843	-	-	1,632,843
Facility rental	277,751	-	-	277,751
Construction	5,307,990	-	-	5,307,990
Animal collection and conservation	8,724,271	-	-	8,724,271
Visitor services	2,353,506	-	-	2,353,506
Public education	3,144,246	-	-	3,144,246
Membership	569,192	-	-	569,192
Administration	2,291,668	-	-	2,291,668
Debt service	385,697	-	-	385,697
Fundraising and development	1,717,321	-	-	1,717,321
Total expenses	30,681,795	-	-	30,681,795
Change in Net Assets Before Write-Off of Pledges Receivable	7,662,623	7,898,302	5,680,094	21,241,019
Write-Off of Pledges Receivable	-	(388,000)	(5,000)	(393,000)
Change in Net Assets	7,662,623	7,510,302	5,675,094	20,848,019
Transfer of Temporarily Restricted to Unrestricted	14,612,000	(14,612,000)	-	-
Net Assets - Beginning of year	17,397,611	29,923,892	27,723,965	75,045,468
Net Assets - End of year	**$ 39,672,234**	**$ 22,822,194**	**$ 33,399,059**	**$ 95,893,487**

The Lincoln Park Zoological Society

Statement of Activities
Year Ended March 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Contributions, grants, and development	$ 13,979,848	$ 18,223,219	$ 505,080	$ 32,708,147
Events revenue	1,873,551	-	-	1,873,551
Facility rental revenue	1,024,821	-	-	1,024,821
Chicago Park District subsidy	5,690,000	-	-	5,690,000
Membership dues and activities	1,269,718	-	-	1,269,718
Visitor services	6,322,234	-	-	6,322,234
Investment income	4,256,247	3,629,360	-	7,885,607
Other income	839,629	-	-	839,629
Net assets released from restrictions	3,406,065	(3,406,065)	-	-
Total revenues and other support	38,662,113	18,446,514	505,080	57,613,707
Expenses				
Programs				
Buildings and grounds	4,061,090	-	-	4,061,090
Events	1,538,596	-	-	1,538,596
Facility rental	259,619	-	-	259,619
Construction	2,754,131	-	-	2,754,131
Animal collection and conservation	8,586,876	-	-	8,586,876
Visitor services	2,173,480	-	-	2,173,480
Public education	2,791,222	-	-	2,791,222
Membership	485,670	-	-	485,670
Administration	2,163,975	-	-	2,163,975
Debt service	322,332	-	-	322,332
Fundraising and development	1,723,400	-	-	1,723,400
Total expenses	26,860,391	-	-	26,860,391
Change in Net Assets	11,801,722	18,446,514	505,080	30,753,316
Net Assets - Beginning of year	5,595,889	11,477,378	27,218,885	44,292,152
Net Assets - End of year	**$ 17,397,611**	**$ 29,923,892**	**$ 27,723,965**	**$ 75,045,468**

Statement of Cash Flows

	Year Ended March 31, 2014	Year Ended March 31, 2013
Cash Flows from Operating Activities		
Change in net assets	$ 20,848,019	$ 30,753,316
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(9,764,225)	(6,510,964)
Contribution of common stock	(1,041,676)	(196,430)
Bad debt expense	393,000	-
Depreciation and amortization	231,078	197,133
Permanently restricted contributions	(5,680,094)	(505,080)
(Increase) decrease in:		
Receivables	(5,900,610)	(21,701,953)
Inventories	(33,698)	6,149
Other assets	101,010	63,408
Increase (decrease) in:		
Accounts payable and accrued expenses	1,273,540	(227,859)
Annuity payable	6,393	23,506
Deferred revenue	52,496	624,500
Net cash provided by operating activities	485,233	2,525,726
Cash Flows from Investing Activities		
Purchases of investments	(1,051,444)	(8,447,630)
Sale of investments and donated securities	6,261,516	4,086,711
Net (purchases) sales of money market funds	(4,489,664)	1,537,538
Capital expenditures	(517,520)	(313,202)
Net cash provided by (used in) investing activities	202,888	(3,136,583)
Net Cash Provided by Financing Activities		
Permanently restricted contributions	214,166	505,080
Issuance of commercial paper	3,301,976	-
Net cash provided by financing activities	3,516,142	505,080
Increase (Decrease) in Cash	4,204,263	(105,777)
Cash - Beginning of year	1,715,317	1,821,094
Cash - End of year	**$ 5,919,580**	**$ 1,715,317**

Cash payments for interest and related fees were $302,752 and $287,023 for 2014 and 2013, respectively.

Note 1 - Nature of Operations

The Lincoln Park Zoological Society (the "Society") was formed to aid in the improvement, maintenance and operation of Lincoln Park Zoological Gardens (the "Zoo"), located in Chicago, Illinois. The zoo site and buildings are owned by the Chicago Park District (the "Park District") and are occupied by the Society without charge. The Society provides funding and operational support for building, grounds and exhibition improvements and the development and operation of educational, conservation, research and other operating programs. In addition, the Society operates the visitor services at the zoo.

Effective January 1, 1995, the Park District and the Society entered into a privatization agreement, which gives the Society complete responsibility for the financial and operational management of the Zoo. The agreement, which expires on December 31, 2024, provides for the Park District to pay for one half of designated construction, an annual base subsidy of $5,590,000 and an extra subsidy. The extra subsidy shall provide for the operation of Indian Boundary Zoo and is subject to limitations as described in the agreement. The extra subsidy portion of the agreement terminated in August 2013.

The agreement also transferred the rights to parking concession income to the Society. Revenues from such concessions are designated for the operation and maintenance of the zoo facilities and related capital expenditures.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

Classification of Net Assets - The Society's net assets have been grouped into the following three classes:

Note 2 - Summary of Significant Accounting Policies (Continued)

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted - Net assets whose use by the Society is subject to donor-imposed stipulations that can be fulfilled by actions of the Society pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the interest and dividends earned on these assets. Such assets primarily include the Society's permanent endowment funds.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. When a donor-imposed restriction expires (i.e., when a stipulated time restriction ends or the purpose of the restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Revenue and Support - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Note 2 - Summary of Significant Accounting Policies (Continued)

Facility rental and visitor services revenue, which includes daily food and retail operations, as well as parking are recognized for these activities when the service is delivered.

Tax Status - The Society is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Society and recognize a tax liability if the Society has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Society, and has concluded that as of March 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Society is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2011.

Contributed Services - The Society records various types of in-kind support including professional services and supplies. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

A substantial number of volunteers have made significant contributions of their time that do not meet the two criteria described above. Accordingly, the value of this donated time is not reflected in the financial statements.

Cash - The Society maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Society has not experienced any losses in such accounts. The Society believes it is not exposed to any significant credit risk on cash.

Investments - The Society's investments are reported at fair value. Investment income, including net realized and unrealized gains, is reflected in the statement of activities as an increase in net assets. Interest and dividend income is recorded on the accrual basis.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments – Other - The balance includes amounts in interest-bearing cash accounts at March 31, 2014 and amounts in interest-bearing cash accounts and investments that were in transit or redeemed at March 31, 2013.

Endowment - GAAP addresses the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of UPMIFA is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure.

Inventories - Merchandise and food inventories are valued at the lower of first-in, first-out (FIFO) cost or market value.

Animal Collection - In connection with the privatization agreement, ownership of the Zoo's animal collection was transferred to the Society. The Society has established a policy of not capitalizing the animal collection. No gains or losses regarding collection transactions are recognized in the financial statements. All expenses regarding collection transactions are reflected in the accompanying statement of activities.

Property and Equipment - Property and equipment consists of building improvements, equipment and facilities, and furniture and office equipment, which are stated at cost. Donated property is recorded at fair value when received. Depreciation and amortization are computed over the estimated useful lives of the assets as indicated in the following table using the straight-line method. The Society's policy is to capitalize all purchases of property and equipment over $10,000 with an estimated useful life of three years.

	Years
Building improvements	3-32
Equipment and facilities	3-10
Furniture and office equipment	3-7

Note 2 - Summary of Significant Accounting Policies (Continued)

Financial Instruments - The Society's financial instruments consist of cash, pledges and accounts receivables, investments, accounts payable, accrued expenses and bonds payable.

Investments are carried at fair value as disclosed in Note 3.

Based on the weekly remarketing of the interest rates, the carrying amount of the bonds approximates their fair value as of March 31, 2014 and 2013. For the remaining financial instruments other than pledges receivable, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. The fair values of the Society's pledges receivable are estimated based on the current interest rates and the period of collectability. These financial instruments would have been classified as a Level 2 input if they had been included in the fair value measurements table in Note 3.

Management Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results might differ from those estimates.

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

Subsequent Events - The Society has evaluated subsequent events through June 4, 2014, the date the financial statements were issued.

Note 3 - Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. GAAP describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. GAAP does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based on the nature of the inputs to the valuation technique used:

Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following tables set forth by level within the fair value hierarchy the Society's assets that were accounted for at fair value on a recurring basis as of March 31, 2014 and 2013. As required by GAAP, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Society's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect its placement within the fair value hierarchy levels.

Note 3 - Fair Value Measurements (Continued)

Description	Fair Values March 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	$ 200,059	$ 200,059	$ -	$ -
Western Asset Intermediate Bond Fund	3,066,489	3,066,489	-	-
Templeton Foreign Small Company Fund	2,620,338	2,620,338	-	-
PIMCO Low Duration - Bond fund	1,990,375	1,990,375	-	-
PIMCO Emerging Markets - Bond Fund	1,803,048	1,803,048	-	-
Dimensional Fund	2,067,296	2,067,296	-	-
Equity mutual funds:				
Small cap	3,555,338	3,555,338	-	-
International stock fund	5,159,285	5,159,285	-	-
Collective trusts - Equity	3,932,090	-	3,932,090	-
Hedge funds	34,047,867	-	29,951,293	4,096,574
Bank common trust funds	31,789,087	-	31,789,087	-
	$ 90,231,272	$ 20,462,228	$ 65,672,470	$ 4,096,574

Description	Fair Values March 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	$ 183,384	$ 183,384	$ -	$ -
Western Asset Intermediate Bond Fund	3,127,875	3,127,875	-	-
Templeton Foreign Small Company Fund	2,301,014	2,301,014	-	-
PIMCO Low Duration - Bond fund	2,021,174	2,021,174	-	-
PIMCO Emerging Markets - Bond fund	2,081,474	2,081,474	-	-
Dimensional fund	2,143,232	2,143,232	-	-
Equity mutual funds:				
Small cap	2,904,487	2,904,487	-	-
International stock fund	4,187,617	4,187,617	-	-
Collective trusts - Equity	3,656,071	-	3,656,071	-
Hedge funds	27,521,409	-	27,521,409	-
Bank common trust funds	27,425,657	-	27,425,657	-
	$ 77,553,394	$ 18,950,257	$ 58,603,137	$ -

Note 3 - Fair Value Measurements (Continued)

The Society's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the beginning of the reporting period in which the circumstances that caused the transfer occurred. During the year ended March 31, 2014 and 2013, there were no such transfers.

Level 1 Inputs

Estimated fair values for the Society's money market funds, Western Asset Intermediate Bond Fund, Templeton Foreign Small Company Fund, PIMCO Low Duration Bond Fund, PIMCO Emerging Markets Bond Fund, Dimensional Fund, Small cap equity mutual funds and international stock fund were based on quoted market prices.

Level 2 Inputs

Investments in bank common trust funds and collective trusts are highly liquid since the common and collective trust funds invest mostly in marketable securities. As a result, the estimated fair value of the bank common trust funds and collective trusts is based primarily on observable market inputs and does not require significant judgment by the Society's management in the assessment of fair value. The fair value of investments in bank common trust funds and collective trusts is based on their net asset values, as these funds do not have a readily determinable fair value (as defined by GAAP).

The estimated fair values for the hedge funds were based on net asset value per share of the funds.

In addition, the funds are classified as Level 2 because there are no redemption restrictions.

Level 3 Inputs

Estimated fair values of hedge funds were based on net asset value per share of the fund.

Note 3 - Fair Value Measurements (Continued)

The following table presents a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy as of March 31, 2014 as there were no Level 3 instruments as of March 31, 2013.

	Hedge Funds
Beginning balance, March 31, 2013	$ -
Total unrealized gains included in change in net assets	396,574
Purchases	3,700,000
Ending balance, March 31, 2014	$ 4,096,574
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to Level 3 assets still held as of March 31, 2014	$ 396,574

The following tables summarize fair value measurements of investments in other investment funds that calculate net asset value per share (or its equivalent) as of March 31, 2014 and 2013.

Note 3 - Fair Value Measurements (Continued)

	Fair Value as of March 31, 2014	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Diversified International Equity collective trust (a)	$ 3,932,090	None	Monthly	30 Days
Hedge funds:				
Long only United States Equity hedge funds (b)	3,538,828	None	Quarterly	30 Days
Equity Long/Short hedge funds (c)	9,567,186	None	Quarterly	30-60 Days
Directional hedge funds (d)	3,735,465	None	Quarterly	30 Days
Directional hedge funds (d)	4,096,574	None	Biennially	90 Days
Low Volatility hedge funds (e)	9,732,132	None	Quarterly	30-90 Days
Multi-Strategy Macro hedge funds (f)	3,377,682	None	Quarterly	33 Days
Bank common trust funds (g):				
Northern Trust S&P 500	22,169,232	N/A	Daily	N/A
Northern Trust All Country World	3,516,860	N/A	Daily	N/A
JPMorgan Investment Bond Fund	6,102,995	N/A	Daily	N/A
	$ 69,769,044			

	Fair Value as of March 31, 2013	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Diversified International Equity collective trust (a)	$ 3,656,071	None	Monthly	30 Days
Hedge funds:				
Long only United States Equity hedge funds (b)	2,720,183	None	Quarterly	30 Days
Equity Long/Short hedge funds (c)	9,319,606	None	Quarterly	30-60 Days
Directional hedge funds (d)	3,233,216	None	Quarterly	30 Days
Low Volatility hedge funds (e)	8,919,820	None	Quarterly	30-90 Days
Multi-Strategy Macro hedge funds (f)	3,328,584	None	Quarterly	33 Days
Bank common trust funds (g):				
Northern Trust S&P 500	18,189,788	N/A	Daily	N/A
Northern Trust All Country World	3,126,145	N/A	Daily	N/A
JPMorgan Investment Bond Fund	6,109,724	N/A	Daily	N/A
	$ 58,603,137			

Note 3 - Fair Value Measurements (Continued)

a. Diversified International Equity: These managers will typically invest at least 80 percent of equities outside the U.S., with funds invested over a broad array of countries. These managers use fundamental and quantitative analysis to find undervalued and attractive international opportunities. These managers will hedge currency exposure within the portfolio based on their points of view regarding the appreciation or depreciation of specific currencies with the portfolio.

b. Long only United States Equity: These managers will typically invest at least 80 percent in U.S. domiciled equities. These managers use fundamental and quantitative analysis to find undervalued and attractive opportunities. These managers will not use leverage in their portfolios.

c. Equity Long/Short: These managers typically maintain portfolios with exposure between a 100 percent to 160 percent net long and 30 percent to 70 percent net short. The securities held in the portfolio will vary along the market capitalization spectrum with a bias to large cap companies. These investment managers will invest in global equities, typically with a North American bias in the portfolio. All of these portfolios will maintain exposure to credit when attractive opportunities become available. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors.

d. Directional: The directional strategies are comprised of managers with higher expected returns and portfolio risk; the strategies will be part of the capital appreciation allocation in the total portfolio. The strategies will generally have an equity bias, as many of the underlying managers have dedicated equity long/short mandates. Other hedge fund strategies in the portfolio include: event driven equities and credit, merger arbitrage, long/short corporate credit, distressed credit, structured credit, and capital structure arbitrage. The investment managers will generally use fundamental analysis to uncover attractive investment opportunities. These managers typically maintain portfolios with higher net long exposures. The managers' regional allocations will be diversified globally with a focus in the U.S., Europe, Asia, and some select emerging markets. One hedge fund included in the directional strategies has a rolling two-year lockup.

Note 3 - Fair Value Measurements (Continued)

e. Low Volatility: The low volatility strategies are comprised of managers with lower expected returns and portfolio risk; the strategies will be part of the capital preservation allocation in the total portfolio. These strategies are expected to be less correlated to the broader markets and provide consistent long-term returns. The strategies will tend to have a market neutral and relative value tilt, as many of the underlying managers will seek to isolate alpha while either directly or indirectly hedging market risk. Other hedge fund strategies in the portfolio will include: corporate credit, liquid distressed credit, merger arbitrage, convertible arbitrage, structured credit, and capital structure arbitrage. These managers typically maintain portfolios with lower net long exposures given the underlying strategies employed. The managers' regional allocations will be diversified globally with a focus in the U.S., Europe, Asia, and some select emerging markets.

f. Multi-Strategy Macro: Multi-strategy macro hedge funds will take long and short positions in various securities based on top-down economic or political views. The fund will allocate to both discretionary trading and systematic quantitative based strategies. The correlations of the underlying strategies tend to be low, which has led to low volatility at the portfolio level and performance that has historically been uncorrelated to the broad market. The discretionary strategies in the portfolio include: trading interest rates, currency, and sovereign credit in both developed and emerging markets, thematic fixed income, liquid distressed credit, and trade finance. The systematic strategies include: trend following and statistical arbitrage. The fund's regional allocations will be diversified globally with a focus in the U.S., Europe, Asia, Australia, and some select emerging markets.

g. Bank Common Trust Funds: The bank common trust funds, which are held at The Northern Trust Company, are described below.

   NTGI-QM Common Daily S&P 500 Equity Index Fund - Lending: The primary objective of this fund is to approximate the risk and return characteristics of the S&P 500 index. This index is commonly used to represent the large cap segment of the U.S. equity market. This fund may participate in securities lending.

   NTGI-QM Common Daily All Country World ex US Equity Index Fund - Lending: The primary objective of this fund is to approximate the risk and return characteristics of the MSCI ACWI ex US index. This index is commonly used to represent the performance of non-U.S. emerging and developed markets. This fund may participate in securities lending.

Note 3 - Fair Value Measurements (Continued)

The bank common trust funds, which are held at JPMorgan Chase, are described below.

Investment Bond Fund (JPMorgan): This investment manager uses a bottom-up value-oriented approach to selecting fixed income securities. The fund will have an average maturity between four to six years. The fund's duration will usually be within 10 percent of Barclays Intermediate Government/Credit Index. Sector allocations will generally fall in the following ranges: Treasuries, 15 percent to 40 percent; Corporate/Asset Backed, 15 percent to 40 percent; and Mortgage Backed/Agency, 40 percent to 60 percent. The manager will only invest in investment grade securities at the time of purchase.

Note 4 - Investments

Investments as of March 31, 2014 and 2013 were as follows:

	2014	2013
Money market funds:		
Diversified assets - Money market	$ 200,059	$ 183,384
Short- and intermediate-term government bonds:		
Western Asset Intermediate Bond Fund	3,066,489	3,127,875
Templeton Foreign Small Company Fund	2,620,338	2,301,014
PIMCO Low Duration - Bond fund	1,990,375	2,021,174
PIMCO Emerging Markets - Bond fund	1,803,048	2,081,474
Dimensional fund	2,067,296	2,143,232
Equity mutual funds	8,714,623	7,092,104
Collective Trusts - Equity	3,932,090	3,656,071
Hedge funds	34,047,867	27,521,409
Bank common trust funds:		
Northern Trust S&P 500	22,169,232	18,189,788
Northern Trust All Country World	3,516,860	3,126,145
JPMorgan Investment Bond Fund	6,102,995	6,109,724
Total investments at fair value	$ 90,231,272	$ 77,553,394
Total investments at cost	$ 71,355,447	$ 67,172,562

Note 4 - Investments (Continued)

The components of investment income and gains/losses on investments for the years ended March 31, 2014 and 2013 are as follows:

	2014	2013
Unrestricted:		
Interest and dividends	$ 655,025	$ 772,971
Realized and unrealized gains	5,303,809	3,483,276
Subtotal	5,958,834	4,256,247
Temporarily restricted:		
Interest and dividends	480,566	601,672
Realized and unrealized gains	4,460,416	3,027,688
Subtotal	4,940,982	3,629,360
Total	$ 10,899,816	$ 7,885,607

Note 5 - Pledges and Grants Receivable

Pledges and grants receivable as of March 31 are expected to be collected in the following periods:

	2014	2013
Pledges and grants receivable:		
Within one year	$ 867,728	$ 1,706,526
One to five years	27,450,118	13,432,651
Five to nine years	14,292,000	15,000,000
	42,609,846	30,139,177
Less discounts	(3,995,467)	(2,974,509)
Net pledges and grants receivable	$ 38,614,379	$ 27,164,668

Pledges and grants receivable are adjusted to present value using discount rates between .40 percent and 3.04 percent.

Note 6 - Property and Equipment

The components of property and equipment as of March 31, 2014 and 2013 are as follows:

	2014	2013
Building improvements	$ 1,950,697	$ 1,595,888
Equipment and facilities	1,183,199	1,028,679
Furniture and office equipment	62,483	62,483
	3,196,379	2,687,050
Accumulated depreciation and amortization	(1,667,296)	(1,444,409)
Net property and equipment	$ 1,529,083	$ 1,242,641

Note 7 - Commercial Paper

In connection with the Commercial Paper Revenue Notes Pooled Financing Program of the Illinois Educational Facilities Authority (the "Authority"), $23,300,000 was made available to the Society pursuant to the terms and provisions of the security agreement under a Trust Indenture (the "Indenture"), dated November 1, 1995, between the Authority and JPMorgan Chase & Company (JPMorgan), as trustee (the "Trustee"). In connection therewith, the Society issued a promissory note, dated November 30, 1995, with the principal amount not to exceed $20,000,000 at any one time outstanding under the security agreement. An additional $20,000,000 was made available to the Society pursuant to the terms and provisions of the amended security agreement. In connection therewith, the Society issued a promissory note for $10,000,000, dated May 2, 2002, and an additional note for $10,000,000 on December 18, 2003. An additional $15,000,000 was made available to the Society pursuant to the terms and provisions of the amended security agreement. In connection therewith, the Society issued a promissory note for $15,000,000 on November 1, 2013. The total principal amount of all such notes is not to exceed $70,000,000 outstanding at any one time under the agreement. Concurrently with the issuance of the notes, the Society entered into a letter of credit agreement (LOC) issued by The Northern Trust Company pursuant to the terms of the reimbursement agreement in the amount of $56,375,000. The Society is subject to certain covenants relative to, among other things, operating performance measures. The LOC secures the payment of the principal and certain interest payments until November 30, 2017, when it is subject to renegotiation. The LOC is subject to a .40 percent annual fee effective December 1, 2012. Prior to that, the LOC was subject to a .45 percent annual fee.

Note 7 - Commercial Paper (Continued)

On November 1, 1995, $9,000,000 was issued. The proceeds were primarily used to (a) finance, including capitalized interest, the acquisition, construction, renovation, and equipping of certain cultural facilities owned or operated by the Society, (b) pay a portion of the interest on the notes and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal payment of $9,000,000 is due on November 1, 2025.

On June 30, 1997, an additional $4,935,000 was issued. The proceeds were used to (a) finance, including capitalized interest, the acquisition, construction, renovation and equipping of certain cultural facilities owned or operated by the Society, (b) pay a portion of the interest on the notes and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal of $4,935,000 is due on June 1, 2027.

On November 17, 1998, an additional $6,065,000 was issued. The proceeds were used to (a) finance, including capitalized interest, the construction, renovation, and equipping of certain cultural facilities owned or operated by the Society, (b) pay a portion of the interest on the notes and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal of $6,065,000 is due on November 1, 2028.

On May 2, 2002, an additional $10,000,000 was issued. The proceeds were used to (a) finance, including capitalized interest, the construction, renovation, and equipping of certain cultural facilities owned or operated by the Society, (b) pay a portion of the interest on the notes and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal of $10,000,000 is due on May 1, 2032.

On December 18, 2003, an additional $10,000,000 was issued. The proceeds were used to (a) finance, including capitalized interest, the acquisition, construction, renovation, and equipping of certain cultural facilities owned or operated by the Society, (b) pay a portion of the interest on the notes and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal of $10,000,000 is due on May 1, 2032.

Note 7 - Commercial Paper (Continued)

On November 1, 2013, an additional $15,000,000 was issued. As of March 31, 2014, the Society has drawn down $3,301,976 of proceeds. The proceeds were used to (a) finance, including capitalized interest, the acquisition, construction, renovation, and equipping of certain cultural facilities owned or operated by the Society, (b) pay a portion of the interest on the notes and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal of $15,000,000 is due on November 1, 2043.

The interest rates on the notes are variable and are determined by JPMorgan Chase & Company (JPMorgan) as the re-marketing agent and are defined as tax-exempt rates equal to the lowest rates, which, in the judgment of JPMorgan, would enable the notes to be re-marketed at par plus any accrued interest on the date of issuance of such notes, all in accordance with the terms of the Indenture. The interest rate on the notes issued as of March 31, 2014 ranged from .07 percent to .12 percent. Interest expense for the years ended March 31, 2014 and 2013 was $385,697 and $322,332, respectively.

Based on the weekly remarketing of the interest rates, the cost of the debt outstanding is its estimated fair value as of March 31, 2014 and 2013. The debt would have been classified as a Level 2 input if it had been included in the fair value table.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2014	2013
Capital expenditures	$ 1,182,420	$ 14,450,691
Programs and operations	7,486,957	5,086,348
Endowment earnings	14,152,817	10,386,853
	$ 22,822,194	$ 29,923,892

Amounts included in these restrictions are also included in the pledges receivable balance on the statement of financial position.

Note 8 - Temporarily Restricted Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

	2014	2013
Capital expenditures	$ 758,052	$ 25,000
Programs and operations expenditures	1,971,515	2,606,481
Endowment appropriations	1,175,018	774,584
Total expenditures	$ 3,904,585	$ 3,406,065

Note 9 - Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the following:

	2014	2013
Investments in perpetuity, the income from which is expendable to support:		
Animal care	$ 9,569,974	$ 5,069,974
Conservation and science	5,008,822	5,003,822
Education	3,000,000	2,000,000
Horticulture and sculptures	3,425,080	2,925,080
General operations	12,395,183	12,725,089
Total permanently restricted net assets	$ 33,399,059	$ 27,723,965

Note 10 - Endowments

The Society's endowment consists of 19 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds only. As required by GAAP, net assets associated with endowment funds are classified and reported based on existences or absences of donor-imposed restrictions.

Note 10 - Endowments (Continued)

Interpretation of Relevant Law

The board of trustees of the Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that grow the endowment over time while assuming a moderate level of investment risk. The Society expects its endowment funds, over time, to provide an annual real return of 5 percent, net of inflation and expenses. Actual returns in any given year may vary from this amount.

Note 10 - Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year up to 4 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of 5 percent annually. This is consistent with the Society's objective to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of March 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 14,152,817	$ 33,399,059	$ 47,551,876

Changes in endowment net assets for the year ended March 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ -	$ 10,386,853	$ 27,723,965	$ 38,110,818
Investment return:				
Investment income	-	480,566	-	480,566
Net appreciation (realized and unrealized)	-	4,460,416	-	4,460,416
Total investment return	-	4,940,982	-	4,940,982
Contributions	-	-	5,680,094	5,680,094
Appropriation of endowment assets for expenditure	-	(1,175,018)	-	(1,175,018)
Pledge receivable write-off	-	-	(5,000)	(5,000)
Endowment net assets - end of year	$ -	$ 14,152,817	$ 33,399,059	$ 47,551,876

Note 10 - Endowments (Continued)

Endowment net asset composition by type of fund as of March 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 10,386,853	$ 27,723,965	$ 38,110,818

Changes in endowment net assets for the year ended March 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ -	$ 7,532,077	$ 27,218,885	$ 34,750,962
Investment return:				
Investment income	-	601,672	-	601,672
Net appreciation (realized and unrealized)	-	3,027,688	-	3,027,688
Total investment return	-	3,629,360	-	3,629,360
Contributions	-	-	505,080	505,080
Appropriation of endowment assets for expenditure	-	(774,584)	-	(774,584)
Endowment net assets - end of year	$ -	$ 10,386,853	$ 27,723,965	$ 38,110,818

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society 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 Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 11 - Retirement Plan

The Society has a defined contribution employee retirement program under which it makes contributions equal to 3 percent of the eligible participant's salary and also matches participant contributions up to an additional 3 percent of the participant's salary. The Society's contribution for the fiscal years ended March 31, 2014 and 2013 was $499,546 and $493,417, respectively.

Note 11 - Retirement Plan (Continued)

The Society has established a 457(f) deferred compensation plan for select employees. The Society may make contributions for the benefit of eligible employees; the Society contributed $0 in 2014 and 2013. Balances in the 457(f) plans are subject to forfeiture until age or certain other requirements are met. The assets in the plans are held in trust but remain property of the Society and are subject to the claims of the Society's general creditors. The Society's liability for benefits under this plan is limited to the balance of assets in the plan. As of March 31, 2014 and 2013, total assets of the plan were $200,059 and $183,384, respectively.

Note 12 - Other Cash Flow Information

During the years ended March 31, 2014 and 2013, pledged receivables of $362,117 and $63,068, respectively, were paid by the donation of common stock, which the Society sold as soon as was practical.

Note 13 - Concentrations

Revenue from two major contributors amounted to 40 percent of total revenue in 2013. There were no major contributors in 2014.

Note 14 - Construction Commitments

The current construction is managed by a general contractor with a signed commitment of approximately $12,500,000 as of March 31, 2014, including a retainage/contingency ranging from five to ten percent, and is expected to be complete in August 2014.