The Lincoln Park Zoological Society

Financial Report
March 31, 2020

Contents

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Independent Auditor's Report

To the Board of Trustees
The Lincoln Park Zoological Society

We have audited the accompanying financial statements of The Lincoln Park Zoological Society (an Illinois corporation and an organized not-for-profit) (the "Society"), which comprise the statement of financial position as of March 31, 2020 and 2019 and the related statements of activities and changes in net assets, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lincoln Park Zoological Society as of March 31, 2020 and 2019 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 2 to the financial statements, the Society adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

To the Board of Trustees
The Lincoln Park Zoological Society

As discussed in Note 2 to the financial statements, the COVID-19 pandemic has impacted business operations. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

August 3, 2020

Statement of Financial Position

March 31, 2020 and 2019

	2020	2019
Assets		
Cash	$ 8,214,577	$ 8,712,718
Investments (Note 4)	123,417,209	136,890,649
Investments - Other	12,338,228	10,305,305
Receivables:		
Pledges and grants - Net (Note 6)	30,781,894	19,435,387
Other	109,090	94,529
Inventories	62,769	145,358
Other assets	367,694	536,280
Property and equipment - Net (Note 7)	2,685,991	2,019,213
Total assets	**$ 177,977,452**	**$ 178,139,439**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 2,376,859	$ 2,990,479
Annuities payable	436,062	385,727
Deferred revenue	633,295	533,020
Accrued expenses - Other	1,222,753	445,782
Accrued compensation	1,969,157	1,832,948
Bonds payable - Net of issuance costs (Note 8)	70,159,300	70,088,500
Total liabilities	76,797,426	76,276,456
Net Assets		
Without donor restrictions	27,347,240	31,287,905
With donor restrictions	73,832,786	70,575,078
Total net assets	101,180,026	101,862,983
Total liabilities and net assets	**$ 177,977,452**	**$ 178,139,439**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended March 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions, grants, and development	$ 9,768,623	$ 20,744,119	$ 30,512,742	$ 9,234,394	$ 9,083,723	$ 18,318,117
Visitor services	6,532,157	-	6,532,157	7,679,273	-	7,679,273
Chicago Park District subsidy	5,590,000	-	5,590,000	5,590,015	-	5,590,015
Event revenue	3,095,368	-	3,095,368	3,246,223	-	3,246,223
Membership dues and activities	1,325,895	-	1,325,895	1,360,950	-	1,360,950
Facility rental revenue	994,755	-	994,755	1,039,496	-	1,039,496
Other income	661,814	-	661,814	710,734	-	710,734
Investment (loss) income	(6,689,642)	(4,690,677)	(11,380,319)	2,306,616	1,558,621	3,865,237
Net assets released from restrictions	12,795,734	(12,795,734)	-	10,098,657	(10,098,657)	-
Total revenue, gains, and other support	34,074,704	3,257,708	37,332,412	41,266,358	543,687	41,810,045
Expenses						
Program services:						
Exhibits and grounds	10,839,570	-	10,839,570	14,289,560	-	14,289,560
Animal care and conservation	11,808,367	-	11,808,367	11,178,188	-	11,178,188
Learning and community engagement	5,115,674	-	5,115,674	4,885,789	-	4,885,789
Visitor and member services	4,356,907	-	4,356,907	5,506,588	-	5,506,588
Total program services	32,120,518	-	32,120,518	35,860,125	-	35,860,125
Support services:						
Administration	2,716,007	-	2,716,007	2,748,603	-	2,748,603
Fundraising and development	3,178,844	-	3,178,844	3,297,140	-	3,297,140
Total support services	5,894,851	-	5,894,851	6,045,743	-	6,045,743
Total expenses	38,015,369	-	38,015,369	41,905,868	-	41,905,868
(Decrease) Increase in Net Assets	(3,940,665)	3,257,708	(682,957)	(639,510)	543,687	(95,823)
Net Assets - Beginning of year	31,287,905	70,575,078	101,862,983	31,927,415	70,031,391	101,958,806
Net Assets - End of year	**$ 27,347,240**	**$ 73,832,786**	**$ 101,180,026**	**$ 31,287,905**	**$ 70,575,078**	**$ 101,862,983**

See notes to financial statements.

Statement of Functional Expenses

Year Ended March 31, 2020

	Program Services					Support Services			
	Exhibits and Grounds	Animal Care and Conservation	Learning and Community Engagement	Visitor and Member Services	Total	Administration	Fundraising and Development	Total	Total
Salaries and benefits	$ 1,749,118	$ 9,003,520	$ 3,503,069	$ 1,541,073	$ 15,796,780	$ 1,939,998	$ 2,079,140	$ 4,019,138	$ 19,815,918
Professional fees	1,614,375	624,091	893,327	386,868	3,518,661	336,641	73,966	410,607	3,929,268
Contractual services	1,666,476	58,323	61,025	1,093,003	2,878,827	91,372	86,803	178,175	3,057,002
Insurance	49,546	202,789	43,475	61,561	357,371	35,601	28,145	63,746	421,117
Printing, postage, and shipping	1,065	35,615	89,942	154,841	281,463	21,753	104,934	126,687	408,150
Supplies	179,311	1,210,346	250,681	726,844	2,367,182	38,140	607,999	646,139	3,013,321
Professional development and meetings	29,822	268,259	106,444	9,438	413,963	75,868	28,994	104,862	518,825
Cost of goods sold	-	-	-	1,307	1,307	-	-	-	1,307
Interest and bank fees	1,816,262	1,181	19,274	135,605	1,972,322	48,060	44,301	92,361	2,064,683
Software and equipment	49,017	248,261	105,096	121,462	523,836	57,677	100,540	158,217	682,053
Occupancy and improvements	3,525,802	40,879	21,698	4,675	3,593,054	21,305	18,154	39,459	3,632,513
Depreciation and amortization	158,776	115,103	21,643	120,230	415,752	49,592	5,868	55,460	471,212
Total functional expenses	**$ 10,839,570**	**$ 11,808,367**	**$ 5,115,674**	**$ 4,356,907**	**$ 32,120,518**	**$ 2,716,007**	**$ 3,178,844**	**$ 5,894,851**	**$ 38,015,369**

See notes to financial statements.

Statement of Functional Expenses

Year Ended March 31, 2019

	Program Services					Support Services			
	Exhibits and Grounds	Animal Care and Conservation	Learning and Community Engagement	Visitor and Member Services	Total	Administration	Fundraising and Development	Total	Total
Salaries and benefits	$ 1,996,541	$ 8,617,239	$ 3,415,232	$ 2,017,520	$ 16,046,532	$ 2,046,575	$ 2,103,012	$ 4,149,587	$ 20,196,119
Professional fees	1,379,016	583,467	600,957	400,561	2,964,001	192,654	74,333	266,987	3,230,988
Contractual services	1,678,269	7,228	85,310	844,121	2,614,928	103,218	108,566	211,784	2,826,712
Insurance	47,506	217,650	39,978	54,822	359,956	50,100	49,363	99,463	459,419
Printing, postage, and shipping	108,644	43,607	118,997	188,589	459,837	16,936	99,491	116,427	576,264
Supplies	239,807	1,046,481	273,929	757,620	2,317,837	39,934	638,583	678,517	2,996,354
Professional development and meetings	44,059	312,496	161,670	11,192	529,417	104,645	38,344	142,989	672,406
Cost of goods sold	-	-	-	849,158	849,158	-	-	-	849,158
Interest and bank fees	1,826,772	3,261	27,893	173,126	2,031,052	46,710	43,587	90,297	2,121,349
Software and equipment	348,600	253,671	120,273	84,071	806,615	65,423	110,212	175,635	982,250
Occupancy and improvements	6,489,948	8,747	26,205	7,301	6,532,201	39,773	26,305	66,078	6,598,279
Depreciation and amortization	130,398	84,341	15,345	118,507	348,591	42,635	5,344	47,979	396,570
Total functional expenses	**$ 14,289,560**	**$ 11,178,188**	**$ 4,885,789**	**$ 5,506,588**	**$ 35,860,125**	**$ 2,748,603**	**$ 3,297,140**	**$ 6,045,743**	**$ 41,905,868**

See notes to financial statements.

Statement of Cash Flows

Years Ended March 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Decrease in net assets	$ (682,957)	$ (95,823)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Realized and unrealized loss (gain) on investments	13,705,040	(1,935,034)
Depreciation	400,412	325,770
Amortization of debt issuance costs	70,800	70,800
Contributions restricted for perpetual duration	(54,115)	(5,053,900)
Changes in operating assets and liabilities that (used) provided cash:		
Receivables	(11,349,473)	7,268,189
Inventories	82,589	299,902
Other assets	168,586	(90,669)
Accounts payable and accrued expenses	299,560	723,317
Annuity payable	50,335	32,244
Deferred revenue	100,275	(124,293)
Net cash provided by operating activities	2,791,052	1,420,503
Cash Flows from Investing Activities		
Purchase of investments	(6,525,808)	(13,461,010)
Sale of investments	6,294,208	6,446,003
Purchase of investments - Other	(2,032,923)	(5,054,678)
Capital expenditures	(1,067,190)	(177,061)
Net cash used in investing activities	(3,331,713)	(12,246,746)
Cash Flows Provided by Financing Activities - Proceeds from restricted contributions	42,520	5,053,900
Net Decrease in Cash	(498,141)	(5,772,343)
Cash - Beginning of year	8,712,718	14,485,061
Cash - End of year	**$ 8,214,577**	**$ 8,712,718**
Supplemental Cash Flow Information - Cash paid for interest and related fees	$ 1,813,881	$ 1,819,757

See notes to financial statements.

Note 1 - Nature of Business

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's 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 that gives the Society complete responsibility for the financial and operational management of the Zoo. The agreement provides for the Park District to pay an annual base subsidy of $5,590,000, subject to an adjustment every five years, beginning on January 1, 2021. During April 2019, the original agreement was amended to extend the agreement through December 31, 2049.

The agreement also transferred the rights to parking concession income to the Society. Revenue from such concessions is designated for the operation and maintenance of the Zoo's facilities and related capital expenditures.

Note 2 - Significant Accounting Policies

Basis of Presentation

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

Classification of Net Assets

Net assets of the Society are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Society.

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

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Adoption of New Accounting Pronouncements

As of April 1, 2019, the Society adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The amount and timing of revenue recognized in 2020 was not significantly impacted as a result of adopting the standard.

Note 2 - Significant Accounting Policies (Continued)

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition.* The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Society adopted the ASU effective April 1, 2019, using the modified retrospective method. The adoption of the ASU did not result in any restatement to net assets or changes in net assets.

Contribution Revenue

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 resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions.

Revenue Recognition for Contracts with Customers

The Society's primary revenue streams that are applicable under contracts with customers include visitor services and event revenue. For each revenue stream, revenue recognition is subject to the completion of performance obligations.

Visitor Services

The Society earns revenue from transaction-based fees for daily food and retail operations and special attractions, as well as parking, net of taxes. These transaction-based fees are recognized at the point in time the transaction is executed, which is the point in time that the Society satisfies the performance obligation.

Event Revenue

The Society generates revenue from transaction-based ticketed events and private and special events. These ticketed fees are recognized at the point in time the transaction is executed, which is the point in time that the Society satisfies the performance obligation. Funds received in advance of the events are recorded as deferred revenue until the time of the event. In the event of cancellation, payments will be refunded.

Chicago Park District Subsidy

Revenue from the Society's allocable share of the tax levy administered by the Chicago Park District is recorded when collected.

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).

Note 2 - Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable are stated at the present value of the expected future cash flows; discounts are amortized to contribution revenue consistent with donor restrictions. An allowance for doubtful pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of the fundraising activity. No allowance was deemed necessary at March 31, 2020 and 2019.

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; (b) require specialized skills, which 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 for operations in bank deposit accounts that 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 and changes in net assets 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.

Investments - Other

The balance includes nonoperating amounts in interest-bearing cash accounts at March 31, 2020 and 2019.

Board-designated Endowments

The Society maintains, within its net assets without donor restrictions, designated endowments from which the Society's board permits only distributions of earnings, which may include appreciation and income. These designations relate to the Women's Board and Auxiliary Board endowments and are included in Note 10.

Inventories

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

Note 2 - Significant Accounting Policies (Continued)

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 and changes in net assets.

Property and Equipment

Property and equipment consist 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 is computed over the estimated useful lives of the assets, as indicated in Note 7, 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 or more. Major construction projects are expensed by the Society as a result of its agreement with the Chicago Park District.

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 and changes in net assets. Costs are charged to program services and supporting service on a direct basis when available. Additionally, the following indirect costs have been allocated between the various programs and support services based on estimates, as determined by management:

- Information technology services - By headcount per department
- Maintenance - By approximate square footage
- Salaries - By estimates of time and effort
- Interest - Directly assigned based on use of proceeds from related bond issuance

Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Upcoming Accounting Pronouncement

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which addresses the accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate (LIBOR). The ASU provides optional expedients and exceptions to contracts, hedging relationships, and other transactions impacted by reference rate reform. The provisions of the ASU are effective upon issuance (March 2020) and generally can be applied through December 31, 2022. The Society has not yet been contacted by the bank to change the rate.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including August 3, 2020, which is the date the financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As a result of this response, the Society closed the Zoo from mid-March to July 2020, which resulted in a decrease in visitor services, event, facility rental, and other revenue. No impairments were recorded as of the statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Society's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

On April 14, 2020, the Society received a Paycheck Protection Program term note through its primary bank in the amount of approximately $3,200,000. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program. The note structure required officials to certify certain statements that permitted the Society to qualify for the loan and provides loan forgiveness for a portion up to all of the borrowed amount if the Society uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven (if any) will require the Society to pay back this amount in full by April 14, 2022, under 18 equal monthly principal installment payments beginning in November 2020, with interest at 1.00 percent. The Society has the right to prepay any amount outstanding at any time without penalty.

Volatility in Investment Values

Subsequent to year end, the Society's investment portfolio has incurred significant fluctuations in fair value, consistent with the general volatility in financial markets. However, because the values of individual investment fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Note 3 - Liquidity and Availability of Resources

The following reflects the Society's financial assets as of March 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2020	2019
Cash	$ 8,214,577	$ 8,712,718
Investments	123,417,209	136,890,649
Investments - Other	12,338,228	10,305,305
Pledges and grants receivable	30,781,894	19,435,387
Other receivables	109,090	94,529
Financial assets - At year end	174,860,998	175,438,588
Less those unavailable for general expenditures within one year due to:		
Long-term portion pledges receivable	21,711,260	14,094,301
Restricted by donor with time and purpose restrictions	9,986,112	10,850,782
Subject to appropriation and satisfaction of donor restrictions (less current year appropriation)	48,775,421	55,277,495
Investments held for board-designated endowment (less current year appropriation)	4,679,315	5,416,841
Investments held for capital improvements, debt service, and other (less current year appropriation)	71,324,962	73,690,067
Financial assets available to meet cash needs for general expenditures within one year	$ 18,383,928	$ 16,109,102

Note 3 - Liquidity and Availability of Resources (Continued)

The Society's endowment funds consist of both donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general expenditure. Donor-restricted endowment funds are not available for general expenditure. The board-designated endowments totaling $4,893,183 and $5,561,841 as of March 31, 2020 and 2019, respectively, are subject to an annual spending rate of up to 4 percent for 2020 and 2019, as described in Note 10. The Society also maintains board-designated funds that are set aside for purposes of debt service and payback, capital, and general support. The Society does not intend to spend from these board-designated endowment or other board-designated funds (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation); these amounts could be made available if necessary. However, a portion of the board-designated endowments contains investments with lockup provisions that would reduce the total investments that could be made available (see Note 4 for disclosures related to investments). As part of its liquidity management plan, the Society invests in excess of daily requirements in short-term investments and money market funds.

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Society's assets measured at fair value on a recurring basis at March 31, 2020 and 2019 and the valuation techniques used by the Society to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Society has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Society's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 4 - Fair Value Measurements (Continued)

The Society has the following recurring fair value measurements as of March 31, 2020:

	Assets Measured at Fair Value on a Recurring Basis				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at March 31, 2020
Investments:					
Money market funds	$ 671,132	$ -	$ -	$ -	$ 671,132
Western Asset Intermediate Bond Fund	10,413,326	-	-	-	10,413,326
Baird Intermediate Fund	10,764,583	-	-	-	10,764,583
Templeton Foreign Small Company Fund	3,625,934	-	-	-	3,625,934
Dimensional Fund	912,073	-	-	-	912,073
TCW Emerging Markets Local Income Fund	1,263,374	-	-	-	1,263,374
Ballie Gifford Harbor Fund	7,727,390	-	-	-	7,727,390
Small-cap mutual fund	3,381,039	-	-	-	3,381,039
International stock fund	6,136,219	-	-	-	6,136,219
Hedge funds	-	-	-	44,498,031	44,498,031
Bank common trust funds	-	-	-	33,894,765	33,894,765
Private equity fund	-	-	-	129,343	129,343
Total investments	$ 44,895,070	$ -	$ -	$ 78,522,139	$ 123,417,209

The Society has the following recurring fair value measurements as of March 31, 2019:

	Assets Measured at Fair Value on a Recurring Basis				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at March 31, 2019
Investments:					
Money market funds	$ 614,810	$ -	$ -	$ -	$ 614,810
Western Asset Intermediate Bond Fund	6,713,739	-	-	-	6,713,739
Baird Intermediate Fund	10,190,267	-	-	-	10,190,267
Templeton Foreign Small Company Fund	4,884,930	-	-	-	4,884,930
Dimensional Fund	1,308,716	-	-	-	1,308,716
Vanguard Short-term Investment Grade Fund	2,179,093	-	-	-	2,179,093
TCW Emerging Markets Local Income Fund	1,384,140	-	-	-	1,384,140
Ballie Gifford Harbor Fund	8,285,797	-	-	-	8,285,797
Small-cap mutual fund	4,998,066	-	-	-	4,998,066
International stock fund	8,205,927	-	-	-	8,205,927
Hedge funds				51,077,570	51,077,570
Bank common trust funds				37,047,594	37,047,594
Total investments	$ 48,765,485	$ -	$ -	$ 88,125,164	$ 136,890,649

Note 4 - 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 years ended March 31, 2020 and 2019, there were no such transfers.

Investments in Entities That Calculate Net Asset Value per Share

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

As of March 31, 2020 and 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	2020	2019	2020		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Hedge funds:					
Equity long hedge funds (a)	$ 4,824,294	$ 5,602,116	$ -	Quarterly	30 Days
Equity long/short hedge funds (b)	18,224,581	19,557,176	-	Quarterly	15-60 Days
Directional hedge funds (c)	56,900	106,897	-	Quarterly	30 Days
Directional hedge funds (c)	408,705	4,039,996	-	Biennially	90 Days
Low-volatility hedge funds (d)	9,586,025	10,247,328	-	Quarterly	30-90 Days
Multistrategy macro hedge funds (e)	-	24,926	-	Quarterly	30 Days
Multistrategy macro hedge funds (e)	9,786,457	9,957,870	-	Annual	60-90 Days
Emerging markets equity strategy (f)	1,611,069	1,541,261	-	Monthly	3-5 Days
Bank common trust funds (g):					
Northern Trust S&P 500	28,069,506	30,169,259	-	Daily	N/A
Northern Trust All Country World	5,825,259	6,878,335	-	Daily	N/A
Private equity fund (h)	129,343	-	871,000	None	N/A
Total investments measured at NAV	$ 78,522,139	$ 88,125,164	$ 871,000		

a. 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.

b. Equity long/short: These managers typically maintain portfolios with exposure between 100 percent and 160 percent net long and 30 percent and 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.

Note 4 - Fair Value Measurements (Continued)

c. Directional: The directional strategies are composed 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. One hedge fund included in the directional strategies has a one-year lockup.

d. Low volatility: The low-volatility strategies are composed 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.

e. Multistrategy macro: Multistrategy 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.

f. Emerging markets equity strategy: These managers invest primarily in equity and equity-linked securities of non-U.S. emerging market companies. These managers may also invest in companies domiciled in the U.S. and non-U.S. developed countries if a portion of their revenue is derived from emerging markets. These managers use fundamental and quantitative analysis to find undervalued and attractive investment opportunities. These managers will not use leverage in their portfolios.

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-U.S. Equity Index Fund - Lending: The primary objective of this fund is to approximate the risk and return characteristics of the MSCI ACWI ex-U.S. 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.

h. Private equity: This category includes a private equity fund that invests primarily in buyout, recapitalization, and growth equity transactions. The investments typically involve direct or indirect securities of private companies doing business in the United States and Canada.

Note 5 - Investment Income

The components of investment income for the years ended March 31 are as follows:

	2020	2019
Without donor restrictions:		
Interest and dividends	$ 1,512,566	$ 1,233,466
Realized and unrealized gains	(8,099,035)	1,172,946
Investment expenses	(103,174)	(99,796)
With donor restrictions:		
Interest and dividends	915,329	796,534
Realized and unrealized gains	(5,606,005)	762,087
Total	$ (11,380,319)	$ 3,865,237

Note 6 - Pledges and Grants Receivable

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

	2020	2019
Pledges and grants receivable:		
Within one year	$ 9,070,634	$ 5,341,086
One to five years	19,963,548	11,610,023
Five to nine years	3,200,000	4,100,000
Total	32,234,182	21,051,109
Less discounts	(1,452,288)	(1,615,722)
Net pledges and grants receivable	$ 30,781,894	$ 19,435,387

Pledges and grants receivable are adjusted to present value using discounted rates between 0.33 percent and 3.04 percent.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Land improvements	$ 2,224,264	$ 2,143,039	3-32
Machinery and equipment	3,735,839	2,749,876	3-10
Furniture and fixtures	81,998	81,998	3-7
Total cost	6,042,101	4,974,913	
Accumulated depreciation	3,356,110	2,955,700	
Net property and equipment	$ 2,685,991	$ 2,019,213	

Depreciation expense for 2020 and 2019 was $400,412 and $325,770, respectively.

As of March 31, 2020, the Society has an agreement with a contractor for approximately $27,400,000 in commitments for work on the Lion House.

Note 8 - Bonds Payable

In December 2017, the Illinois Finance Authority (IFA) issued tax-exempt bonds in the amount of $70,354,000 (the Series 2017A and 2017B Bonds) through private placement. The proceeds from the issuance were loaned to the Society for the purpose of redeeming its commercial paper, which had been previously issued by the Illinois Educational Facilities Authority, and funding the issuance costs. The Series 2017 Bonds carry a variable interest rate based on LIBOR. On October 29, 2019, the Society amended the financing agreement to eliminate the corporate tax multiplier in exchange for a revised variable rate. The resulting refinanced bond terms are five years with an option for renewal, and the principal balances remained unchanged. The interest rate for the Series 2017A Bonds was 2.112 and 2.592 percent as of March 31, 2020 and 2019, respectively. The interest rate for the Series 2017B Bonds was 2.115 and 3.152 percent as of March 31, 2020 and 2019, respectively. Expenses incurred in connection with the Series 2017 Bonds were capitalized and are being amortized on a straight-line basis over the bond terms. The bond terms are five years with an option for renewal.

The principal balances are payable as follows:

November 1, 2025	$ 9,000,000
June 1, 2027	4,935,000
November 1, 2028	6,065,000
May 1, 2032	20,000,000
November 1, 2043	30,354,000
Less bond issuance costs	(194,700)
Total	$ 70,159,300

The Society is subject to certain covenants relative to, among other things, operating performance measures.

Total interest costs incurred in 2020 and 2019 were $1,802,572 and $1,819,757, respectively.

Note 9 - Net Assets

Net assets with donor restrictions as of March 31 are available for the following purposes:

	2020	2019
Subject to expenditures for a specified purpose:		
Capital expenditures	$ 805,556	$ 525,000
Programs and operations expenditures	4,368,103	7,260,083
Endowment appropriation	11,924,971	18,503,455
Total subject to expenditures for a specified purpose	17,098,630	26,288,538
Subject to the passage of time - Time restricted	17,906,001	5,512,500
Restricted in perpetuity:		
Animal care	9,570,974	9,570,974
Conservation and science	10,170,879	10,128,359
Education	3,000,000	3,000,000
Horticulture and sculpture	3,425,080	3,425,080
General operation	12,661,222	12,649,627
Total restricted in perpetuity	38,828,155	38,774,040
Total	$ 73,832,786	$ 70,575,078

Note 10 - Donor-restricted and Board-designated Endowments

The Society's endowment consists of 22 individual funds established for a variety of purposes. Its endowment includes donor-restricted funds and funds designated by the board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absences of donor-imposed restrictions.

Interpretation of Relevant Law

The Society is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Society had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Society considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Society has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

	Endowment Net Asset Composition by Type of Fund as of March 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 4,893,183	$ -	$ 4,893,183
Donor-restricted endowment funds	-	50,753,126	50,753,126
Total	$ 4,893,183	$ 50,753,126	$ 55,646,309

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended March 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 5,561,841	$ 57,277,495	$ 62,839,336
Investment return:			
Investment income	89,561	915,329	1,004,890
Net depreciation (realized and unrealized)	(547,909)	(5,606,005)	(6,153,914)
Total investment return	(458,348)	(4,690,676)	(5,149,024)
Contributions	-	42,520	42,520
Appropriation of endowment assets for expenditure	(210,310)	(1,876,213)	(2,086,523)
Endowment net assets - End of year	$ 4,893,183	$ 50,753,126	$ 55,646,309

	Endowment Net Asset Composition by Type of Fund as of March 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 5,561,841	$ -	$ 5,561,841
Donor-restricted endowment funds	-	57,277,495	57,277,495
Total	$ 5,561,841	$ 57,277,495	$ 62,839,336

	Changes in Endowment Net Assets for the Fiscal Year Ended March 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 5,587,521	$ 52,516,612	$ 58,104,133
Investment return:			
Investment income	169,960	796,535	966,495
Net appreciation (realized and unrealized)	-	762,088	762,088
Total investment return	169,960	1,558,623	1,728,583
Contributions	-	5,053,900	5,053,900
Appropriation of endowment assets for expenditure	(195,640)	(1,851,640)	(2,047,280)
Endowment net assets - End of year	$ 5,561,841	$ 57,277,495	$ 62,839,336

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Society to retain as a fund of perpetual duration. As of March 31, 2020 and 2019, there were funds with deficiencies in the amount of $539,827 and $0, respectively.

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

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, as well as board-designated funds. 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 exceed the price and yield results of the S&P 500 Index 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.

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.

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 assets annually, based on the average market value for the trailing three fiscal years. In establishing this policy, the Society considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow 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. The Society has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. During 2020 and 2019, there were no amounts appropriated for expenditure from underwater endowments.

Note 11 - Retirement Plans

The Society provides 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, 2020 and 2019 totaled $706,983 and $698,620, respectively.

The Society has established 457(b) and 457(f) deferred compensation plans for select employees. The Society may make contributions for the benefit of eligible employees; the Society contributed $47,500 in 2020 and $290,019 in 2019. Balances in the 457(b) and 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, 2020 and 2019, total assets of the plan were $571,651 and $543,446, respectively.

Note 12 - Other Cash Flow Information

During the years ended March 31, 2020 and 2019, pledged receivables of $3,430,540 and $2,567,796, respectively, were paid by the donation of common stock, which the Society sold as soon as was practical.