# The Lincoln Park Zoological Society

**Financial Report**

**March 31, 2022**

# Contents

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

# Independent Auditor's Report

To the Board of Trustees
The Lincoln Park Zoological Society

## Report on the Audits of the Financial Statements

### *Opinion*

We have audited the 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, 2022 and 2021 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of March 31, 2022 and 2021 and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

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

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

PRAXITY™
Empowering Business Globally

To the Board of Trustees
The Lincoln Park Zoological Society

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2022 on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 10, 2022

# Statement of Financial Position

**March 31, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash | $ 16,930,766 | $ 14,626,102 |
| Investments (Note 4) | 177,390,192 | 167,804,190 |
| Investments - Other | 24,850,787 | 13,039,189 |
| Receivables: | | |
| Pledges and grants - Net (Note 6) | 12,927,828 | 15,194,767 |
| Other | 1,972,864 | 199,452 |
| Inventories | 48,925 | 23,692 |
| Other assets | 1,108,718 | 350,982 |
| Property and equipment - Net (Notes 2 and 7) | 2,578,176 | 2,376,661 |
| Total assets | **$ 237,808,256** | **$ 213,615,035** |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable | $ 7,649,267 | $ 5,250,225 |
| Annuities payable | 569,835 | 403,217 |
| Deferred revenue | 479,927 | 161,206 |
| Accrued expenses - Other | 397,538 | 1,997,243 |
| Accrued compensation | 2,539,305 | 2,414,449 |
| Line of credit (Note 10) | 1,264,175 | - |
| Bonds payable - Net of issuance costs (Note 8) | 70,300,900 | 70,230,100 |
| Paycheck Protection Program loans (Note 9) | - | 5,253,538 |
| Total liabilities | 83,200,947 | 85,709,978 |
| **Net Assets** | | |
| Without donor restrictions | 67,277,607 | 49,308,266 |
| With donor restrictions | 87,329,702 | 78,596,791 |
| Total net assets | 154,607,309 | 127,905,057 |
| Total liabilities and net assets | **$ 237,808,256** | **$ 213,615,035** |

## The Lincoln Park Zoological Society

# Statement of Activities and Changes in Net Assets

### Years Ended March 31, 2022 and 2021

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **Revenue, Gains, and Other Support** | | | | | | |
| Contributions, grants, and development | $ 7,295,437 | $ 4,750,138 | $ 12,045,575 | $ 7,836,653 | $ 4,649,233 | $ 12,485,886 |
| Bequests | 4,011,299 | 9,974,437 | 13,985,736 | 677,499 | - | 677,499 |
| Visitor services | 10,295,591 | - | 10,295,591 | 2,984,834 | - | 2,984,834 |
| Chicago Park District subsidy | 5,837,158 | - | 5,837,158 | 5,617,210 | - | 5,617,210 |
| Fundraising events | 1,702,153 | - | 1,702,153 | 932,850 | - | 932,850 |
| Membership dues and activities | 1,601,029 | - | 1,601,029 | 1,465,923 | - | 1,465,923 |
| Government grants | 9,724,989 | - | 9,724,989 | 2,189,660 | - | 2,189,660 |
| Other income | 251,525 | - | 251,525 | 57,453 | - | 57,453 |
| Net assets released from restrictions | 8,650,791 | (8,650,791) | - | 21,324,398 | (21,324,398) | - |
| Total revenue, gains, and other support | 49,369,972 | 6,073,784 | 55,443,756 | 43,086,480 | (16,675,165) | 26,411,315 |
| **Expenses** | | | | | | |
| Program services: | | | | | | |
| Exhibits and grounds | 14,468,919 | - | 14,468,919 | 27,525,041 | - | 27,525,041 |
| Animal care and conservation | 12,033,804 | - | 12,033,804 | 10,337,133 | - | 10,337,133 |
| Learning and community engagement | 3,998,781 | - | 3,998,781 | 4,448,849 | - | 4,448,849 |
| Visitor and member services | 4,218,181 | - | 4,218,181 | 3,209,190 | - | 3,209,190 |
| Total program services | 34,719,685 | - | 34,719,685 | 45,520,213 | - | 45,520,213 |
| Support services: | | | | | | |
| Administration | 2,595,245 | - | 2,595,245 | 2,651,732 | - | 2,651,732 |
| Development | 2,646,198 | - | 2,646,198 | 1,975,406 | - | 1,975,406 |
| Fundraising | 574,864 | - | 574,864 | 107,459 | - | 107,459 |
| Total support services | 5,816,307 | - | 5,816,307 | 4,734,597 | - | 4,734,597 |
| Total expenses | 40,535,992 | - | 40,535,992 | 50,254,810 | - | 50,254,810 |
| **Increase (Decrease) in Net Assets** - Before nonoperating income | 8,833,980 | 6,073,784 | 14,907,764 | (7,168,330) | (16,675,165) | (23,843,495) |
| **Nonoperating Income** | | | | | | |
| Investment income | 3,881,823 | 2,659,127 | 6,540,950 | 29,129,356 | 21,439,170 | 50,568,526 |
| Gain on forgiveness of Paycheck Protection Program loans | 5,253,538 | - | 5,253,538 | - | - | - |
| Total nonoperating income | 9,135,361 | 2,659,127 | 11,794,488 | 29,129,356 | 21,439,170 | 50,568,526 |
| **Increase in Net Assets** | 17,969,341 | 8,732,911 | 26,702,252 | 21,961,026 | 4,764,005 | 26,725,031 |
| **Net Assets** - Beginning of year | 49,308,266 | 78,596,791 | 127,905,057 | 27,347,240 | 73,832,786 | 101,180,026 |
| **Net Assets** - End of year | **$ 67,277,607** | **$ 87,329,702** | **$ 154,607,309** | **$ 49,308,266** | **$ 78,596,791** | **$ 127,905,057** |

See notes to financial statements.

# Statement of Functional Expenses

## Year Ended March 31, 2022

| | Program Services | | | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Exhibits and Grounds | Animal Care and Conservation | Learning and Community Engagement | Visitor and Member Services | Total Program Services | Administration | Development | Fundraising | Total Support Services | Total |
| Salaries and benefits | $ 1,839,486 | $ 8,962,383 | $ 3,060,627 | $ 1,507,232 | $ 15,369,728 | $ 1,792,172 | $ 2,018,840 | $ 55,575 | $ 3,866,587 | $ 19,236,315 |
| Professional fees | 167,426 | 686,877 | 448,577 | 213,457 | 1,516,337 | 289,254 | 107,218 | 23,076 | 419,548 | 1,935,885 |
| Contractual services | 1,717,021 | 90,763 | 66,790 | 1,030,827 | 2,905,401 | 116,265 | 64,529 | 17,991 | 198,785 | 3,104,186 |
| Insurance | 47,945 | 191,501 | 44,249 | 53,402 | 337,097 | 18,287 | 14,729 | - | 33,016 | 370,113 |
| Printing, postage, and shipping | 15,591 | 42,651 | 4,158 | 165,787 | 228,187 | 17,184 | 80,623 | 25,473 | 123,280 | 351,467 |
| Supplies | 400,680 | 1,244,707 | 144,208 | 731,156 | 2,520,751 | 22,763 | 166,544 | 407,327 | 596,634 | 3,117,385 |
| Professional development and meetings | 24,315 | 162,552 | 47,722 | 6,684 | 241,273 | 111,860 | 13,010 | 13,156 | 138,026 | 379,299 |
| Interest and bank fees | 762,954 | - | 11,269 | 193,274 | 967,497 | 51,944 | 29,153 | 25,293 | 106,390 | 1,073,887 |
| Software and equipment | 121,787 | 232,454 | 105,200 | 143,459 | 602,900 | 93,799 | 97,204 | 6,770 | 197,773 | 800,673 |
| Occupancy and improvements | 9,194,823 | 267,992 | 42,143 | 64,236 | 9,569,194 | 45,115 | 42,015 | 203 | 87,333 | 9,656,527 |
| Depreciation and amortization | 176,891 | 151,924 | 23,838 | 108,667 | 461,320 | 36,602 | 12,333 | - | 48,935 | 510,255 |
| Total functional expenses | **$ 14,468,919** | **$ 12,033,804** | **$ 3,998,781** | **$ 4,218,181** | **$ 34,719,685** | **$ 2,595,245** | **$ 2,646,198** | **$ 574,864** | **$ 5,816,307** | **$ 40,535,992** |

# Statement of Functional Expenses

**Year Ended March 31, 2021**

| | Program Services | | | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Exhibits and Grounds | Animal Care and Conservation | Learning and Community Engagement | Visitor and Member Services | Total Program Services | Administration | Development | Fundraising | Total Support Services | Total |
| Salaries and benefits | $ 1,315,117 | $ 7,857,446 | $ 3,519,488 | $ 1,387,916 | $ 14,079,967 | $ 1,892,228 | $ 1,529,135 | $ 58,170 | $ 3,479,533 | $ 17,559,500 |
| Professional fees | 209,878 | 743,164 | 246,345 | 217,337 | 1,416,724 | 274,251 | 133,941 | 3,891 | 412,083 | 1,828,807 |
| Contractual services | 1,699,739 | 91,293 | 63,079 | 581,583 | 2,435,694 | 106,254 | 62,890 | 186 | 169,330 | 2,605,024 |
| Insurance | 44,616 | 168,416 | 39,669 | 47,101 | 299,802 | 47,625 | 18,107 | 4,149 | 69,881 | 369,683 |
| Printing, postage, and shipping | 6,155 | 26,404 | 10,361 | 83,545 | 126,465 | 24,234 | 45,906 | 6,667 | 76,807 | 203,272 |
| Supplies | 262,620 | 986,564 | 84,188 | 462,654 | 1,796,026 | 14,037 | 26,939 | 30,398 | 71,374 | 1,867,400 |
| Professional development and meetings | 26,997 | 79,591 | 21,490 | 3,477 | 131,555 | 76,924 | 7,580 | 209 | 84,713 | 216,268 |
| Interest and bank fees | 771,909 | 3 | 6,946 | 83,303 | 862,161 | 39,345 | 22,405 | 3,789 | 65,539 | 927,700 |
| Software and equipment | 83,542 | 179,658 | 104,260 | 186,800 | 554,260 | 104,710 | 94,587 | - | 199,297 | 753,557 |
| Occupancy and improvements | 22,928,670 | 58,487 | 328,712 | 34,335 | 23,350,204 | 25,960 | 20,409 | - | 46,369 | 23,396,573 |
| Depreciation and amortization | 175,798 | 146,107 | 24,311 | 121,139 | 467,355 | 46,164 | 13,507 | - | 59,671 | 527,026 |
| Total functional expenses | **$ 27,525,041** | **$ 10,337,133** | **$ 4,448,849** | **$ 3,209,190** | **$ 45,520,213** | **$ 2,651,732** | **$ 1,975,406** | **$ 107,459** | **$ 4,734,597** | **$ 50,254,810** |

See notes to financial statements.

# Statement of Cash Flows

**Years Ended March 31, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Increase in net assets | $ 26,702,252 | $ 26,725,031 |
| Adjustments to reconcile increase in net assets to net cash from operating activities: | | |
| Realized and unrealized gain on investments | (4,886,392) | (48,850,123) |
| Depreciation | 439,455 | 456,226 |
| Amortization of debt issuance costs | 70,800 | 70,800 |
| Contributions restricted for perpetual duration | (9,901,502) | (1,020,469) |
| Gain on forgiveness of Paycheck Protection Program loans | (5,253,538) | - |
| Changes in operating assets and liabilities that provided (used) cash: | | |
| Receivables | 481,218 | 15,484,818 |
| Inventories | (25,233) | 39,077 |
| Other assets | (757,736) | 16,712 |
| Accounts payable and accrued expenses | 924,193 | 4,093,148 |
| Annuity payable | 166,618 | (32,845) |
| Deferred revenue | 318,721 | (472,089) |
| Net cash provided by (used in) operating activities | 8,278,856 | (3,489,714) |
| **Cash Flows from Investing Activities** | | |
| Purchase of investments | (13,486,779) | (5,529,080) |
| Sale of investments | 8,787,169 | 9,992,222 |
| Purchase of investments - Other | (11,811,598) | (700,961) |
| Capital expenditures | (640,970) | (146,896) |
| Net cash (used in) provided by investing activities | (17,152,178) | 3,615,285 |
| **Cash Flows from Financing Activities** | | |
| Proceeds from restricted contributions | 9,913,811 | 1,032,416 |
| Proceeds from Paycheck Protection Program loans | - | 5,253,538 |
| Proceeds from draws on line of credit | 1,264,175 | - |
| Net cash provided by financing activities | 11,177,986 | 6,285,954 |
| **Net Increase in Cash** | 2,304,664 | 6,411,525 |
| **Cash** - Beginning of year | 14,626,102 | 8,214,577 |
| **Cash** - End of year | **$ 16,930,766** | **$ 14,626,102** |
| **Supplemental Cash Flow Information** - Cash paid for interest and related fees | $ 695,492 | $ 743,754 |

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 where 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.

### *Reclassification*

Certain 2021 amounts have been reclassified to conform to the 2022 presentation to present fundraising event revenue and fundraising event expenses individually on the statement of activities and changes in net assets and the statement of functional expenses.

### *Contribution and Bequest Revenue*

Contributions and bequests 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.

## Note 2 - Significant Accounting Policies (Continued)

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.

***Government Grant Revenue***

Government grant revenue consists of cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and the incurrence of allowable, qualifying expenses. Amounts received are recognized when the Society has incurred expenditures in compliance with specific contract or grant provisions. Amounts that have been awarded but not yet recognized as revenue are treated as conditional contributions and are not reflected in the accompanying financial statements. As of March 31, 2022, the Society is eligible to receive and recognize $1,075,285 of these conditional contributions upon the occurrence of future qualifying expenses.

***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. Event revenue is included in visitor services on the statement of activities and changes in net assets.

***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).

***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, 2022 and 2021.

## Note 2 - Significant Accounting Policies (Continued)

***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 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, 2022 and 2021.

***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 12.

***Inventories***

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

## Note 2 - Significant Accounting Policies (Continued)

***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 program and support services based on estimates 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 Pronouncements***

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Society's year ending March 31, 2023 and will be applied using the retrospective method.

In March 2020, the FASB issued ASU 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.

## Note 2 - Significant Accounting Policies (Continued)

***Risks and Uncertainties Due to COVID-19***

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus 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 to visitors from mid-March to July 2020 and again in January to February 2021, which resulted in a decrease in visitor services, event, facility rental, and other revenue. The Society was able to reopen in June 2021 with no restrictions. The Society received loans totaling $5,253,538 from the Paycheck Protection Program (see Note 9). The Society also filed for the Employee Retention Credit (ERC) as expanded by the Consolidated Appropriations Act in the amount of $1,757,727 and $1,610,853 for the years ended March 31, 2022 and 2021, respectively. The Society recognizes the ERC as conditional contributions. The Society believes it has satisfied the conditions of the ERC as of March 31, 2022 and 2021 and, therefore, has included the amounts in the government grants line in the statement of activities and changes in net assets.

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, investments, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including June 10, 2022, which is the date the financial statements were available to be issued.

## 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:

| | 2022 | 2021 |
|---|---|---|
| Cash | $ 16,930,766 | $ 14,626,102 |
| Investments | 177,390,192 | 167,804,190 |
| Investments - Other | 24,850,787 | 13,039,189 |
| Pledges and grants receivable | 12,927,828 | 15,194,767 |
| Other receivables | 1,972,864 | 199,452 |
| Financial assets - At year end | 234,072,437 | 210,863,700 |
| Less those unavailable for general expenditures within one year due to: | | |
| Long-term portion pledges receivable | 6,580,367 | 8,284,130 |
| Restricted by donor with time and purpose restrictions | 5,420,839 | 5,956,164 |
| Subject to appropriation and satisfaction of donor restrictions (less current year appropriation) | 77,950,654 | 68,176,158 |
| Investments held for board-designated endowment (less current year appropriation) | 6,760,919 | 6,439,267 |
| Investments held for capital improvements, debt service, and other (less current year appropriations) | 110,426,011 | 92,024,634 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 26,933,647 | $ 29,983,347 |

## 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 $6,760,919 and $6,739,339 as of March 31, 2022 and 2021, respectively, are subject to an annual spending rate of up to 4 percent for 2022 and 2021, as described in Note 12. 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.

The Society also realizes there could be unanticipated liquidity needs.

## 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, 2022 and 2021 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, 2022:

| | 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, 2022 |
| Investments: | | | | | |
| Money market funds | $ 998,765 | $ - | $ - | $ - | $ 998,765 |
| Western Asset Intermediate Bond Fund | 8,996,033 | - | - | - | 8,996,033 |
| Baird Intermediate Fund | 9,311,597 | - | - | - | 9,311,597 |
| Templeton Foreign Small Company Fund | 4,563,975 | - | - | - | 4,563,975 |
| Ballie Gifford Harbor Fund | 11,405,507 | - | - | - | 11,405,507 |
| Small-cap mutual fund | 6,460,763 | - | - | - | 6,460,763 |
| International stock fund | 10,516,017 | - | - | - | 10,516,017 |
| Hedge funds | - | - | - | 58,303,168 | 58,303,168 |
| Bank common trust funds | - | - | - | 63,533,849 | 63,533,849 |
| Private equity funds | - | - | - | 3,300,518 | 3,300,518 |
| Total investments | $ 52,252,657 | $ - | $ - | $ 125,137,535 | $ 177,390,192 |

The Society has the following recurring fair value measurements as of March 31, 2021:

| | 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, 2021 |
| Investments: | | | | | |
| Money market funds | $ 906,232 | $ - | $ - | $ - | $ 906,232 |
| Western Asset Intermediate Bond Fund | 9,552,262 | - | - | - | 9,552,262 |
| Baird Intermediate Fund | 9,732,057 | - | - | - | 9,732,057 |
| Templeton Foreign Small Company Fund | 4,524,362 | - | - | - | 4,524,362 |
| Ballie Gifford Harbor Fund | 12,815,723 | - | - | - | 12,815,723 |
| Small-cap mutual fund | 5,996,206 | - | - | - | 5,996,206 |
| International stock fund | 9,483,800 | - | - | - | 9,483,800 |
| Hedge funds | - | - | - | 60,252,601 | 60,252,601 |
| Bank common trust funds | | | | 53,810,814 | 53,810,814 |
| Private equity fund | | | | 730,133 | 730,133 |
| Total investments | $ 53,010,642 | $ - | $ - | $ 114,793,548 | $ 167,804,190 |

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, 2022 and 2021, there were no such transfers.

## Note 4 - Fair Value Measurements (Continued)

### *Investments in Entities That Calculate Net Asset Value per Share*

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

As of March 31, 2022 and 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

| | 2022 | 2021 | 2022 | | |
|---|---|---|---|---|---|
| | Fair Value | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
| Hedge funds: | | | | | |
| Equity long hedge funds (a) | $ 8,265,427 | $ 8,244,240 | $ - | Quarterly | 30 days |
| Equity long/short hedge funds (b) | 25,103,180 | 26,646,757 | - | Quarterly | 15-60 days |
| Directional hedge funds (c) | - | 17,122 | - | Quarterly | 30 days |
| Directional hedge funds (c) | - | 6,672 | - | Biennially | 90 days |
| Low-volatility hedge funds (d) | 12,035,729 | 11,527,421 | - | Quarterly | 30-90 days |
| Multistrategy macro hedge funds (e) | 10,001,537 | 11,390,293 | - | Annual | 60-90 days |
| Emerging markets equity strategy (f) | 2,897,295 | 2,420,096 | - | Monthly | 3-5 days |
| Bank common trust funds (g): | | | | | |
| Northern Trust S&P 500 | 54,994,883 | 45,117,880 | - | Daily | N/A |
| Northern Trust All Country World | 8,538,966 | 8,692,934 | - | Daily | N/A |
| Private equity fund (h) | 3,300,518 | 730,133 | 8,083,222 | None | N/A |
| Total investments measured at NAV | $ 125,137,535 | $ 114,793,548 | $ 8,083,222 | | |

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.

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.

## Note 4 - Fair Value Measurements (Continued)

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 private equity funds that invest 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:

| | 2022 | 2021 |
|---|---|---|
| Without donor restrictions: | | |
| Interest and dividends | $ 1,024,668 | $ 1,074,622 |
| Realized and unrealized gains | 2,971,748 | 28,158,879 |
| Investment expenses | (114,593) | (104,145) |
| With donor restrictions: | | |
| Interest and dividends | 744,482 | 747,926 |
| Realized and unrealized gains | 1,914,645 | 20,691,244 |
| Total | $ 6,540,950 | $ 50,568,526 |

## Note 6 - Pledges and Grants Receivable

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

| | 2022 | 2021 |
|---|---|---|
| Pledges and grants receivable: | | |
| Within one year | $ 6,347,461 | $ 6,910,637 |
| One to five years | 5,818,502 | 6,824,690 |
| Five to nine years | 1,400,000 | 2,300,000 |
| Total | 13,565,963 | 16,035,327 |
| Less discounts | (638,135) | (840,560) |
| Net pledges and grants receivable | $ 12,927,828 | $ 15,194,767 |

Pledges and grants receivable are adjusted to present value using discounted rates between 1.34 percent and 3.04 percent.

## Note 7 - Property and Equipment

Property and equipment are summarized as follows:

| | 2022 | 2021 | Depreciable Life - Years |
|---|---|---|---|
| Land improvements | $ 2,523,973 | $ 2,327,589 | 3-32 |
| Machinery and equipment | 4,091,345 | 3,668,940 | 3-10 |
| Furniture and fixtures | 81,998 | 81,998 | 3-7 |
| Total cost | 6,697,316 | 6,078,527 | |
| Accumulated depreciation | 4,119,140 | 3,701,866 | |
| Net property and equipment | $ 2,578,176 | $ 2,376,661 | |

Depreciation expense for 2022 and 2021 was $439,455 and $456,226, respectively.

## 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 1.034 and 0.942 percent as of March 31, 2022 and 2021, respectively. The interest rate for the Series 2017B Bonds was 1.034 and 0.946 percent as of March 31, 2022 and 2021, 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.

## Note 8 - Bonds Payable (Continued)

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 | (53,100) |
| Total | $ 70,300,900 |

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

Total interest costs incurred in 2022 and 2021 were $670,276 and $742,912, respectively.

## Note 9 - Paycheck Protection Program Loans

During the year ended March 31, 2021, the Society received an initial Paycheck Protection Program (PPP) loan in the amount of $3,253,538. The Society also received a second draw of the PPP loan program in the amount of $2,000,000. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loans may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Society may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of two and five years for the initial and second draw, respectively, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered period. Based on the loan amount, irrespective of any potential forgiveness that may be granted in the future, monthly principal payments would be $182,186 for the first draw and $34,187 for the second draw during the repayment period.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. In addition, because the Society’s initial loan exceeds $2,000,000, the SBA will review the Society’s loan file, which will include review of the Society’s eligibility for the program and the good-faith certification of the necessity of the loan.

As of March 31, 2021, the outstanding balance on both PPP loans totaled $5,253,538, which is classified as debt on the statement of financial position.

During the year ended March 31, 2022, the Society applied for and received notification of forgiveness of the entire loan balance for both the initial and second draw PPP loans in the amounts of $3,253,538 and $2,000,000, respectively, from the SBA. The amount of the loans forgiven have been included in the nonoperating income line in the statement of activities and changes in net assets.

The SBA has the ability to review the Society’s loan file for a period subsequent to the date the loan is forgiven or repaid in full and could request additional documentation to support the Society’s initial eligibility for the loan and request for loan forgiveness. In the event the SBA subsequently determines the Society did not meet the initial eligibility requirements for the PPP loan, the Society could be required to repay the PPP loans plus interest.

## Note 10 - Line of Credit

In October 2020, the Society entered into a line of credit agreement with a bank with available borrowings of up to $10,000,000 to fund the ongoing construction of the Lion House. Interest is payable monthly at a rate of 1.25 percent plus the one-month LIBOR (an effective rate of 1.50 percent and 1.38 percent at March 31, 2022 and 2021, respectively). The line of credit is collateralized by Lion House campaign pledges. Any outstanding borrowings are due in full upon maturity on October 14, 2025. The outstanding balance under the line of credit was $1,264,175 as of March 31, 2022. There were no outstanding borrowings on the line as of March 31, 2021.

## Note 11 - Net Assets

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

| | 2022 | 2021 |
|---|---|---|
| Subject to expenditures for a specified purpose: | | |
| Capital expenditures | $ 1,308,709 | $ 3,021,760 |
| Programs and operations expenditures | 4,228,047 | 3,639,616 |
| Endowment appropriation | 31,518,565 | 31,374,844 |
| Total subject to expenditures for a specified purpose | 37,055,321 | 38,036,220 |
| Subject to the passage of time - Time restricted | 500,000 | 700,000 |
| Restricted in perpetuity: | | |
| Animal care | 19,446,027 | 9,571,974 |
| Conservation and science | 11,217,796 | 11,190,348 |
| Education | 3,000,000 | 3,000,000 |
| Horticulture and sculpture | 3,425,080 | 3,425,080 |
| General operation | 12,685,478 | 12,673,169 |
| Total restricted in perpetuity | 49,774,381 | 39,860,571 |
| Total | $ 87,329,702 | $ 78,596,791 |

## Note 12 - Donor-restricted and Board-designated Endowments

The Society's endowment consists of 23 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.

## Note 12 - Donor-restricted and Board-designated Endowments (Continued)

***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, 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | $ 6,760,919 | $ - | $ 6,760,919 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | - | 49,356,492 | 49,356,492 |
| Accumulated investment gains | - | 31,936,454 | 31,936,454 |
| Total | $ 6,760,919 | $ 81,292,946 | $ 88,053,865 |

| | Changes in Endowment Net Assets for the Fiscal Year Ended March 31, 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets - Beginning of year | $ 6,739,339 | $ 71,235,415 | $ 77,974,754 |
| Investment return: | | | |
| Investment income | 67,662 | 744,484 | 812,146 |
| Net appreciation (realized and unrealized) | 193,975 | 1,914,644 | 2,108,619 |
| Total investment return | 261,637 | 2,659,128 | 2,920,765 |
| Contributions | - | 9,913,811 | 9,913,811 |
| Appropriation of endowment assets for expenditure | (240,057) | (2,515,408) | (2,755,465) |
| Endowment net assets - End of year | $ 6,760,919 | $ 81,292,946 | $ 88,053,865 |

## Note 12 - Donor-restricted and Board-designated Endowments (Continued)

| | Endowment Net Asset Composition by Type of Fund as of March 31, 2021 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | $ 6,739,339 | $ - | $ 6,739,339 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | - | 39,371,587 | 39,371,587 |
| Accumulated investment gains | - | 31,863,828 | 31,863,828 |
| Total | $ 6,739,339 | $ 71,235,415 | $ 77,974,754 |

| | Changes in Endowment Net Assets for the Fiscal Year Ended March 31, 2021 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets - Beginning of year | $ 4,893,183 | $ 50,753,126 | $ 55,646,309 |
| Investment return: | | | |
| Investment income | 71,677 | 747,929 | 819,606 |
| Net appreciation (realized and unrealized) | 1,988,165 | 20,691,244 | 22,679,409 |
| Total investment return | 2,059,842 | 21,439,173 | 23,499,015 |
| Contributions | - | 1,032,416 | 1,032,416 |
| Appropriation of endowment assets for expenditure | (213,686) | (1,989,300) | (2,202,986) |
| Endowment net assets - End of year | $ 6,739,339 | $ 71,235,415 | $ 77,974,754 |

### *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, 2022, there were funds with deficiencies in the amount of $87,655. As of March 31, 2021, there were no funds with deficiencies.

### *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.

## Note 12 - Donor-restricted and Board-designated 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 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 2022 and 2021, there were no amounts appropriated for expenditure from underwater endowments.

## Note 13 - 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, 2022 and 2021 totaled $567,223 and $197,401, 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 $45,000 in 2022 and $10,000 in 2021. 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, 2022 and 2021, total assets of the plan were $886,184 and $795,997, respectively.

## Note 14 - Other Cash Flow Information

During the years ended March 31, 2022 and 2021, pledged receivables of $3,645,963 and $1,844,737, respectively, were paid by the donation of common stock, which the Society sold as soon as was practical.

## Note 15 - Subsequent Events

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