
The Chicago Zoological Society

**Financial Report
December 31, 2019**

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3-4
Statement of Activities	5-6
Statement of Functional Expenses	7-8
Statement of Cash Flows	9
Notes to Financial Statements	10-26

Independent Auditor's Report

To the Board of Trustees
The Chicago Zoological Society

Report on the Financial Statements

We have audited the accompanying financial statements of The Chicago Zoological Society (the "Society"), which comprise the statement of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Society as of December 31, 2019 and 2018 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.

To the Board of Trustees
The Chicago Zoological Society

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2020 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 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 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

April 7, 2020

Statement of Financial Position

December 31, 2019
(in Thousands)

	Total Without Donor Restrictions	Total With Donor Restrictions	Total All Funds
Assets			
Cash	\$ 1,813	\$ -	\$ 1,813
Investments - General fund	11,364	-	11,364
Investments - Board designated and donor restricted	41,004	20,041	61,045
Inventories - Net	595	-	595
Pledges and grants receivable - Net	4,746	2,567	7,313
Park improvements and equipment - Net of accumulated depreciation	129,294	-	129,294
Other	1,311	3	1,314
	<u>\$ 190,127</u>	<u>\$ 22,611</u>	<u>\$ 212,738</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and other accrued expenses	\$ 2,903	\$ -	\$ 2,903
Payroll-related accrued expenses	3,453	-	3,453
Deferred revenue:		-	
Membership dues	8,336	-	8,336
Sponsorships and other	1,511	-	1,511
Interest rate swaps	433	-	433
Accrued actuarial benefit obligations	3,521	-	3,521
Revenue bonds payable - Net of debt issuance costs	33,977	-	33,977
Other	756	-	756
	<u>54,890</u>	<u>-</u>	<u>54,890</u>
Net Assets			
Without donor restrictions			
Undesignated	\$ (883)	\$ -	\$ (883)
Board designated	136,120	-	136,120
Total without donor restrictions	<u>135,237</u>	<u>-</u>	<u>135,237</u>
With donor restrictions	<u>-</u>	<u>22,611</u>	<u>22,611</u>
Total net assets	135,237	22,611	157,848
Total liabilities and net assets	<u>\$ 190,127</u>	<u>\$ 22,611</u>	<u>\$ 212,738</u>

Statement of Financial Position

December 31, 2018
(in Thousands)

	Total Without Donor Restrictions	Total With Donor Restrictions	Total All Funds
Assets			
Cash	\$ 855	\$ -	\$ 855
Investments - General fund	14,881	-	14,881
Investments - Board designated and donor restricted	38,231	19,643	57,874
Inventories - Net	695	-	695
Pledges and grants Receivable - Net	421	6,351	6,772
Interfund (payable) receivable	(248)	248	-
Park improvements and equipment - Net of accumulated depreciation	127,044	-	127,044
Other	1,220	2	1,222
Total assets	\$ 183,099	\$ 26,244	\$ 209,343
Liabilities and Net Assets			
Liabilities			
Accounts payable and other accrued expenses	\$ 3,361	\$ -	\$ 3,361
Payroll-related accrued expenses	3,187	-	3,187
Deferred revenue:			
Membership dues	7,708	-	7,708
Sponsorships and other	458	-	458
Interest rate swaps	65	-	65
Accrued actuarial benefit obligations	3,517	-	3,517
Revenue bonds payable - Net of debt issuance costs	34,448	-	34,448
Other	689	-	689
Total liabilities	53,433	-	53,433
Net Assets			
Without donor restrictions			
Undesignated	\$ 27	\$ -	\$ 27
Board designated	129,639	-	129,639
Total without donor restrictions	129,666	-	129,666
With donor restrictions	-	26,244	26,244
Total net assets	129,666	26,244	155,910
Total liabilities and net assets	\$ 183,099	\$ 26,244	\$ 209,343

Statement of Activities

Year Ended December 31, 2019
(in Thousands)

	Total Without Donor Restrictions	With Donor Restrictions	Total All Funds
Revenue, Gains, and Other Support			
Forest Preserve District - Tax collections	\$ 14,574	\$ -	\$ 14,574
Visitor related revenues	27,368	-	27,368
Contributions and grants - General operations	4,747	-	4,747
Contributions and grants - Board designated and donor restricted	3,265	5,215	8,480
Donated goods and services	836	-	836
Membership dues	13,580	-	13,580
Investment income, net of investment expenses - General operations	381	-	381
Investment income, net of investment expenses - Board designated and donor restricted	4,684	2,857	7,541
Other income	2,406	515	2,921
Net assets released	12,220	(12,220)	-
Total revenue, gains, and other support	84,061	(3,633)	80,428
Expenses			
Program services:			
Center for Science of Animal Care and Welfare	22,319	-	22,319
Center for Conservation Leadership	6,008	-	6,008
Park operations	36,473	-	36,473
Support services:			
Management and general	10,169	-	10,169
Fundraising	3,369	-	3,369
Total expenses	78,338	-	78,338
Changes in Net Assets Before Change in Postretirement Benefits Not Yet Recognized in Operations	5,723	(3,633)	2,090
Change in Postretirement Benefits Not Yet Recognized in Operations	(152)	-	(152)
Changes in Net Assets	5,571	(3,633)	1,938
Net Assets - Beginning of year	129,666	26,244	155,910
Net Assets - End of year	\$ 135,237	\$ 22,611	\$ 157,848

Statement of Activities

Year Ended December 31, 2018
(in Thousands)

	Total Without Donor Restrictions	With Donor Restrictions	Total All Funds
Revenue, Gains, and Other Support			
Forest Preserve District - Tax collections	\$ 15,178	\$ -	\$ 15,178
Visitor related revenues	25,782	-	25,782
Contributions and grants - General operations	4,696	-	4,696
Contributions and grants - Board designated and donor restricted	1,262	6,163	7,425
Donated goods and services	851	-	851
Membership dues	13,650	-	13,650
Investment income, net of investment expenses - General operations	386	-	386
Investment income, net of investment expenses - Board designated and donor restricted	(1,402)	(1,236)	(2,638)
Other income	2,460	14	2,474
Net assets released	5,184	(5,184)	-
Total revenue, gains, and other support	68,047	(243)	67,804
Expenses			
Program services:			
Center for Science of Animal Care and Welfare	21,927	-	21,927
Center for Conservation Leadership	6,379	-	6,379
Park operations	35,579	-	35,579
Support services:			
Management and general	10,098	-	10,098
Fundraising	3,278	-	3,278
Total expenses	77,261	-	77,261
Changes in Net Assets Before Change in Postretirement Benefits Not Yet Recognized in Operations	(9,214)	(243)	(9,457)
Change in Postretirement Benefits Not Yet Recognized in Operations	649	-	649
Changes in Net Assets	(8,565)	(243)	(8,808)
Net Assets - Beginning of year	138,231	26,487	164,718
Net Assets - End of year	\$ 129,666	\$ 26,244	\$ 155,910

Statement of Functional Expenses

Year Ended December 31, 2019

(in Thousands)

	Program Services				Support Services			2019
	Center for Science of Animal Care and Welfare	Center for Conservation Leadership	Park Operations	Total	Management and General	Fundraising	Total	
Salaries and benefits	\$ 11,607	\$ 4,066	\$ 20,079	\$ 35,752	\$ 5,350	\$ 2,268	\$ 7,618	\$ 43,370
Supplies	2,087	228	1,536	3,851	133	259	392	4,243
Operating expenses	1,525	497	2,172	4,194	2,641	146	2,787	6,981
Professional and outside services	830	606	2,904	4,340	1,005	428	1,433	5,773
Depreciation	4,790	528	2,747	8,065	313	43	356	8,421
Equipment expenses	129	39	2,015	2,183	680	213	893	3,076
Utilities	1,351	44	918	2,313	47	12	59	2,372
Cost of sales	-	-	4,102	4,102	-	-	-	4,102
Total functional expenses	\$ 22,319	\$ 6,008	\$ 36,473	\$ 64,800	\$ 10,169	\$ 3,369	\$ 13,538	\$ 78,338

Statement of Functional Expenses

Year Ended December 31, 2018

(in Thousands)

	Program Services				Support Services			2018
	Center for Science of Animal Care and Welfare	Center for Conservation Leadership	Park Operations	Total	Management and General	Fundraising	Total	
Salaries and benefits	\$ 11,563	\$ 4,304	\$ 19,939	\$ 35,806	\$ 5,435	\$ 2,277	\$ 7,712	\$ 43,518
Supplies	1,907	283	1,510	3,700	139	236	375	4,075
Operating expenses	1,346	520	2,014	3,880	2,508	115	2,623	6,503
Professional and outside services	651	643	2,597	3,891	973	399	1,372	5,263
Depreciation	4,807	528	2,878	8,213	326	43	369	8,582
Equipment expenses	174	57	1,678	1,909	670	197	867	2,776
Utilities	1,479	44	1,108	2,631	47	11	58	2,689
Cost of sales	-	-	3,855	3,855	-	-	-	3,855
Total functional expenses	\$ 21,927	\$ 6,379	\$ 35,579	\$ 63,885	\$ 10,098	\$ 3,278	\$ 13,376	\$ 77,261

Statement of Cash Flows

Years Ended December 31, 2019 and 2018

(in Thousands)

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 1,938	\$ (8,808)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	8,421	8,582
Loss on retirement of capital assets	-	202
Unrealized loss (gain) on interest rate swap	368	(63)
Net unrealized and realized (gain) loss on investments	(6,051)	3,756
Donated stock	(1,051)	(1,034)
Contributions restricted for long-term purposes	(3,015)	(3,752)
Amortization of debt issuance costs	19	19
Changes in operating assets and liabilities that provided (used) cash:		
Inventories	100	88
Pledges and grants receivable	553	1,502
Other assets	(91)	(126)
Accounts payable and other accrued expenses	(614)	532
Payroll-related accrued expenses	266	518
Deferred revenue	1,681	(846)
Accrued sick pay and postretirement benefits	4	(786)
Other liabilities	67	70
Net cash provided by (used in) operating activities	2,595	(146)
Cash Flows from Investing Activities		
Purchase of capital assets	(10,515)	(3,385)
Purchase of investments	(10,007)	(17,263)
Sale of investments	17,454	18,784
Net cash used in investing activities	(3,068)	(1,864)
Cash Flows from Financing Activities		
Payments of long-term debt	(490)	(465)
Proceeds from contributions restricted for long-term purposes	1,921	2,854
Net cash provided by financing activities	1,431	2,389
Net Increase in Cash	958	379
Cash - Beginning of year	855	476
Cash - End of year	\$ 1,813	\$ 855
Supplemental Cash Flow Information		
Cash payments for interest	\$ 573	\$ 548
Property and equipment purchases included in accounts payable	899	743

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 1 - Nature of Business

The mission of The Chicago Zoological Society (the "Society") is to inspire conservation leadership by connecting people with wildlife and nature. The Society (an Illinois not-for-profit corporation) maintains and operates the Brookfield Zoo (the "Zoo") under a contract with the Forest Preserve District of Cook County (the "District") extending through April 2026. The contract provides for an automatic renewal for an additional 20 years unless revoked in writing 12 months prior to the end of the contract by either the Society or the District. Under the contract, the land occupied by the Zoo is provided by the District at no charge. In addition, the District funds a significant portion of the Society's operations under the contract through taxes levied by the District and distributed to the Society. Additional funding for the development and operation of the Zoo by the Society is obtained through private donations, memberships, and various admission, exhibit, and concession fees.

Note 2 - Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Society maintains its books and records in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose and on the existence of donor-imposed restrictions.

Accordingly, net assets of the Society are reported as follows:

- Funds without donor restrictions - Those resources over which the board of trustees has discretionary control. These include any designated amounts the board has set aside for a particular purpose. These funds are broken out by board designation into the following funds:
 - Undesignated fund - Represents the portion of expendable funds available for support of the Society's operations
 - Board-designated fund - Represents funds that have been designated for specific purposes, including capital improvements and renovation expenditures, by the Society's board. These designations can be changed or removed at any time by action of the board.
- Funds with donor restrictions - Those resources subject to donor-imposed restrictions that will be satisfied either by actions of the Society or the passage of time or that stipulate that the principal of these endowments can be permanently invested by the Society

Revenue Recognition

The following revenue streams are applicable under ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, for the years ended December 31, 2019 and 2018:

- Visitor-related revenue
- Membership dues
- Other income

Performance Obligations

The following explains the performance obligations related to each revenue stream under the new standard and how those are recognized.

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 2 - Significant Accounting Policies (Continued)

Visitor-related Revenue

The Society generates revenue from transaction-based fees, concession and merchandise sales, and providing services to customers. Transaction-based fees, which include general admission, parking, special attractions, animal feedings, motor safari, and transportation rentals, are recognized at the time the transaction is executed, as that is the point in time the Society satisfies the performance obligation. Concession and merchandise sales are recognized at the point in time the sale occurs and the visitor takes possession of the food or the merchandise. Service revenue includes catered and special events. The Society recognizes revenue at the point in time the services are provided to its customers.

Membership Dues

The Society earns membership dues from its members. Membership dues are earned over the course of one or two years, representing the period over which the Society satisfies the performance obligation.

Other Income

The Society generates revenue from other activities, including sponsorships, educational programs, marketing events, radiology services, advertising, and rental. The Society recognizes revenue at the point in time the services are rendered to its customers, except for certain sponsorships that are recognized over the sponsorship period.

Revenue and Support

See the revenue recognition section above for information regarding revenue streams.

Tax revenue appropriated and collected by the District partially supports the services provided by the Society under its contract with the District to operate the Zoo. Amounts recognized from the District under the contract for 2019 represent the amounts appropriated by the District for 2018 property taxes and personal property replacement taxes, which are due for payment from taxpayers in 2019 for ultimate distribution to the Zoo. Tax revenue also includes the Society's share of any amounts remitted to the District by the Cook County Collector (the "County") for prior year property tax payments, net of the Society's share of any property tax refunds returned to the taxpayers by the County. Support from the District for any given year is recognized at the net amount reported as collected by the District to operate the Zoo. A receivable is recorded at year end for any amounts reported as collected by the District but not yet remitted to the Society.

Cash contributions are recognized in the period received. Pledges are recognized in the period pledged. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met. Contributions of cash and other assets, including unconditional promises to give in the future, are reported at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. An allowance for uncollectible pledges receivable is provided based on management's judgment considering factors such as prior collection history, type of contribution, and nature of fundraising activity.

A portion of the Society's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Society has incurred expenditures in compliance with specific contract or grant provisions.

Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Society has \$668 of refundable advances as of December 31, 2019. The Society had no refundable advances as of December 31, 2018.

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 2 - Significant Accounting Policies (Continued)

Cash

The Society maintains its cash 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 and cash equivalents.

Inventories

Merchandise inventories are recorded at the lower of weighted-average cost or net realizable value. Merchandise inventories are approximately 68 and 70 percent of total inventories as of December 31, 2019 and 2018, respectively. Concession inventories are recorded at the lower of the last-in cost or market. Concession inventories are approximately 32 and 30 percent of total inventories as of December 31, 2019 and 2018, respectively. A reserve is recorded for slow-moving items. Inventories are stated net of an allowance for obsolete inventories of \$83 and \$99 as of December 31, 2019 and 2018, respectively.

Investments

Investments are reported at fair value. Investment income, including net realized and unrealized gains (losses), is reflected in the statement of activities as an increase (decrease) in net assets. Interest and dividend income is recorded on the accrual basis. The Society invests cash in excess of daily requirements in short-term investments. Realized gains and losses are determined based on specific identification of securities sold.

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 future and will materially affect the amounts reported in the financial statements.

The Society classifies cash receipts from the sale of donated securities that, upon receipt, had no donor-imposed limitations for sale and were converted nearly immediately into cash as operating cash flows.

Park Improvements and Equipment

Park improvements and equipment are recorded at cost. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives, as shown below:

	Depreciable Life - Years
Park improvements	10-40
Equipment	5

The Society capitalizes individual equipment and park expenditures over \$5. The land site of the Zoo is owned by the District and, accordingly, is not recorded in the Society's financial statements. All park improvements acquired by the Society are legally owned by the District. All exhibit buildings and similar facilities, including those purchased with district funds and also equipment, are recorded as park improvements on the books of the Society and are depreciated over their estimated useful lives. This depreciation expense for park improvements is not funded by the District's tax collections.

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), except for taxes on unrelated business income.

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Donated Services

The Society's zoo volunteers have made significant contributions of their time to develop, manage, and operate the Zoo and the Society's programs. The value of this time is not reflected in the financial statements, as these services do not require specialized skills. The value of time donated for services that do require specialized skills, which the Society would have had to otherwise purchase, has been included in both revenue and expense or park improvements.

Animal Collection

Animal collections, which were acquired through breeding loans, purchases, and contributions, are not recognized as assets on the statement of financial position. Costs to acquire collection items are recorded as a decrease in net assets without donor restrictions in the year in which the animals are acquired. Proceeds from deaccessions are reflected as an increase in the appropriate net asset class.

The Society's animal collections consist of specimens with numerous attributes, including taxonomic group, age, sex, relationship and value to other animals, endangered status, and breeding potential. The Society retains a record of every animal in a permanent file. An inventory of the collection is prepared annually. Professional trained keeper staff and population managers provide daily care for the collection and determine population needs.

Interest Rate Swap

The Society has entered into one interest rate swap agreement to manage its exposure on its variable-rate Revenue Bonds Series 2008. The Society's interest rate swap is recognized as a liability in the accompanying statement of financial position at fair value. Changes in the fair value of the interest rate swap are recognized in the statement of activities.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. Costs have been allocated between the various programs and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

The financial statements report certain categories of expense that are attributable to one or more program or supporting functions of the Society. Those expenses and the allocation methods used for each are described in the list below.

- CEO and COO salaries and benefits - Estimates of time and effort
- Certain IT salaries and benefits - Percentage of historical work orders
- Electric, water, and gas - Square footage and estimate of building time usage
- General insurance - Based on coverage type
- Phone - Percentage of historical call duration

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 2 - Significant Accounting Policies (Continued)

- Benefits - Salary as a percentage of the whole
- Depreciation - Building or equipment function

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 7, 2020, which is the date the financial statements were available to be issued. The large-scale COVID-19 pandemic may have a material adverse effect on admission, membership, commission, and program revenue generated from operations due to a temporary shutdown of all facilities over an extended period of time. While it is not yet possible to estimate the financial impact, a large-scale pandemic could have a material adverse effect on the Society's revenue, liquidity, and operating results. 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.

Note 3 - Liquidity

The table below reflects the Society's financial assets as of December 31, reduced by the amounts not available for general use within one year of the statement of financial position date because of contractual restrictions, donor-imposed restrictions, or internal board designations. Amounts not available due to internal board designations include amounts set aside for long-term investing in the quasi endowment fund that could be drawn upon in the event of an unanticipated liquidity need, if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or the quasi endowment in accordance with the Society's spending policy for general expenditures within one year of the statement of financial position date have not been subtracted as unavailable. Amounts not available due to internal board designations also include amounts set aside for conservation granting award programs.

The Society is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet those responsibilities to donors. Thus, certain financial assets may not be available for general expenditure within one year.

The Society considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs, which are ongoing, major, and central to its annual operations, to be available to meet cash needs for general expenditures.

Notes to Financial Statements

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 3 - Liquidity (Continued)

	2019	2018
Cash	\$ 1,813	\$ 855
Investments	72,409	72,755
Pledges and grants receivable - Net	7,313	6,772
Other receivables - Net	504	652
Other	110	89
Total financial assets - At year end	82,149	81,123
Less those unavailable for general expenditures within one year due to:		
Contributions receivable - For restricted gifts - Net	4,658	5,291
Investments board designated for capital improvements and other (less current year appropriation)*	34,425	34,308
Investments held for quasi endowment (less current year appropriation)*	8,009	5,790
Investments restricted by donor or time*	5,593	6,136
Endowment investments held in perpetuity	10,118	9,801
Other	110	89
Total financial assets not available to be used within one year	62,913	61,415
Total financial assets available to meet cash needs for general expenditures within one year	\$ 19,236	\$ 19,708

*A portion of these amounts are maintained to comply with certain financial covenants.

The Society manages its cash available to meet general expenditures following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations that support mission fulfillment will continue to be met, and ensuring the sustainability of the Society. As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Society regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. In the event of an unanticipated liquidity need, the Society also could draw upon its \$5,000 line of credit, as described in Note 7.

Note 4 - Unconditional Pledges and Grants Receivable

Unconditional pledges and grants receivable as of December 31, 2019 and 2018 are due to be received as follows:

	2019	2018
Within one year	\$ 2,978	\$ 3,020
One to five years	4,680	4,493
After five years	-	10
Less:		
Discounts to net present value	(285)	(187)
Allowance for uncollectible pledges	(60)	(70)
Allowance for State of Illinois grants	-	(494)
Net receivable	\$ 7,313	\$ 6,772

Notes to Financial Statements

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 4 - Unconditional Pledges and Grants Receivable (Continued)

The discount rate used in determining the net present value of unconditional pledges and grants receivable ranged from 1.47 to 2.51 percent as of December 31, 2019 and 2018.

Note 5 - Fair Value Measurements

The Society categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and liabilities. Level 1 inputs are quoted prices in active markets for identical assets and liabilities; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the 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 or liability.

The Society has the following recurring fair value measurements as of December 31, 2019 and 2018:

	Assets and Liabilities 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)	Balance at December 31, 2019
Assets - Investments				
Mutual funds:				
Equity - Emerging markets	\$ 3,284	\$ -	\$ -	\$ 3,284
Equity - International	6,860	-	-	6,860
Equity - U.S. large cap	8,320	-	-	8,320
Equity - U.S. small cap	2,543	-	-	2,543
Fixed - High-yield bonds	2,126	-	-	2,126
Fixed - International bonds	1,551	-	-	1,551
Fixed - Master limited partnerships	2,369	-	-	2,369
Fixed - Treasury inflation protected	1,028	-	-	1,028
Fixed - U.S. intermediate bonds	17,930	-	-	17,930
Fixed - U.S. short-term bonds	5,110	-	-	5,110
U.S. real estate	2,559	-	-	2,559
Other	125	-	-	125
Total assets	<u>\$ 53,805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,805</u>
Liabilities - Interest rate swap	<u>\$ -</u>	<u>\$ 433</u>	<u>\$ -</u>	<u>\$ 433</u>

Notes to Financial Statements

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 5 - Fair Value Measurements (Continued)

	Assets and Liabilities 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)	Balance at December 31, 2018
Assets - Investments				
Mutual funds:				
Commodity futures	\$ 704	\$ -	\$ -	\$ 704
Equity - Emerging markets	1,876	-	-	1,876
Equity - International	6,206	-	-	6,206
Equity - U.S. large cap	8,556	-	-	8,556
Equity - U.S. small cap	2,151	-	-	2,151
Fixed - High-yield bonds	1,638	-	-	1,638
Fixed - International bonds	2,202	-	-	2,202
Fixed - Master limited partnerships	1,554	-	-	1,554
Fixed - Treasury inflation protected	1,772	-	-	1,772
Fixed - U.S. intermediate bonds	12,284	-	-	12,284
Fixed - U.S. short-term bonds	5,831	-	-	5,831
U.S. real estate	1,528	-	-	1,528
Total mutual funds	<u>\$ 46,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,302</u>
Liabilities	<u>\$ -</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 65</u>

Not included in the tables above are \$18,604 and \$26,453 of cash and cash equivalents in brokerage accounts as of December 31, 2019 and 2018, respectively.

Level 1 inputs - Estimated fair values for the Society's publicly traded mutual funds were based on quoted market prices.

Level 2 inputs - The interest rate swap was not traded on an exchange. The fair value was based on a variety of observable inputs, including contract terms, interest rate curves, yield curves, measures of volatility, and correlations of such inputs. The Society's interest rate swaps are classified as Level 2 in the fair value hierarchy.

There were no Level 3 investments as of December 31, 2019 and 2018.

Note 6 - Park Improvements and Equipment

Park improvements and equipment are summarized as follows:

	2019	2018
Park improvements	\$ 277,757	\$ 265,837
Equipment	10,182	9,980
Construction in progress	334	1,832
Total cost	<u>288,273</u>	<u>277,649</u>
Less accumulated depreciation	<u>158,979</u>	<u>150,605</u>
Net property and equipment	<u>\$ 129,294</u>	<u>\$ 127,044</u>

Depreciation expense for 2019 and 2018 was \$8,421 and \$8,582, respectively.

Notes to Financial Statements

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 7 - Line of Credit

During 2019 and 2018, the Society had a \$5,000 unsecured evergreen line of credit demand note with a bank available. The Society has the option to select the prime rate, the London Interbank Offered Rate (LIBOR) plus 1.1 percent, or the federal funds rate plus 1.1 percent. Any borrowings are secured against the assets of the Society. There were no borrowings outstanding on this line of credit at any time during 2019 and 2018.

Note 8 - Revenue Bonds

Revenue bonds outstanding as of December 31, 2019 and 2018 are as follows:

	2019	2018
Village of Brookfield, Illinois - Series 2008	\$ 30,720	\$ 30,720
Illinois Educational Facilities Authority (IEFA) - Series 1995B	3,465	3,955
Less debt issuance costs - Net of accumulated amortization	(208)	(227)
Total	<u>\$ 33,977</u>	<u>\$ 34,448</u>

In June 2008, the Village of Brookfield, Illinois issued \$39,850 of Revenue Bonds, Chicago Zoological Society Series 2008 (the "Series 2008 Bonds"). These bonds are subject to a loan agreement between the Society and the Village of Brookfield, Illinois, which assigned its interest to The Bank of New York Trust Company, as trustee. Series 2008 Bonds mature on June 1, 2038, bear interest at a variable rate based on weekly remarketing, and have adjustable methods of demand features, purchase features, redemption provisions, rate determination dates, rate change dates, and interest payment dates.

Expenses incurred in connection with the Series 2008 Bond offerings of \$297 were deferred and are being amortized on a straight-line basis over the period the bonds are to be outstanding. The debt issuance costs are reported net of the revenue bond payable on the statement of financial position. The Series 2008 Bonds are secured by a letter of credit that expires on June 18, 2020. The Society intends to extend or renew the line of credit. In the event the agent is unable to remarket the bonds, the bonds become a demand note under an irrevocable letter of credit issued by The Northern Trust Company. Should the irrevocable letter of credit not be renewed, an alternative credit facility must be obtained, or the bonds require repayment in 12 equal quarterly installments.

On July 10, 2015, the Society entered into a 10-year interest rate swap agreement for \$10,000 of the 2008 Series Bonds with The Northern Trust Company to exchange a variable-rate interest payment equal to the Securities Industry and Financial Markets Association Swap Index (SIFMA) for a fixed interest payment of 1.966 percent. The SIFMA variable interest rate approximates the weekly remarketing variable rate. The swap exposes the Society to basis risk should the relationship between the weekly remarketing rate and SIFMA rate change significantly. The fair value liability for the obligation under this instrument was \$433 and \$65 as of December 31, 2019 and 2018, respectively. This swap agreement will mature on July 10, 2025.

The remaining \$20,720 of the Series 2008 Bonds had an effective variable interest rate of 1.47 and 1.41 percent during 2019 and 2018, respectively.

Notes to Financial Statements

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 8 - Revenue Bonds (Continued)

In December 1995, the Society issued tax-exempt bonds through IEFA. Series 1995B Bonds mature on December 15, 2025, bear interest at a variable rate based on weekly remarketing, and have adjustable methods of demand features, purchase features, redemption provisions, rate determination dates, rate change dates, and interest payment dates. The bonds are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed plus accrued interest to the redemption date on December 15 of the following years and in the following principal amounts:

Years Ending	Amount
2020	\$ 510
2021	535
2022	565
2023	590
2024	620
Thereafter	645
Total	<u>\$ 3,465</u>

Expenses incurred in connection with the Series 1995B Bond offerings of \$202 were deferred and are being amortized on a straight-line basis over the period the bonds are to be outstanding. The debt issuance costs are reported net of the revenue bond payable on the statement of financial position. The Series 1995B Serial Bonds are secured by a letter of credit that expires on June 18, 2020. The Society intends to extend or renew the line of credit. In the event that the agent is unable to remarket the bonds, the bonds become a demand note under an irrevocable letter of credit issued by The Northern Trust Company. Should the irrevocable letter of credit not be renewed, an alternative credit facility must be obtained or the bonds require repayment in 12 equal quarterly installments.

The remaining \$3,465 and \$3,955 of Series 1995B Bonds had an effective variable interest rate of 1.53 percent and 1.47 percent during 2019 and 2018, respectively.

The letters of credit for the Series 2008 Bonds and the Series 1995B Bonds are subject to certain financial covenants, the most restrictive of which is a restriction concerning unrestricted cash and investments plus leadership campaign pledge receivables as a percentage of total debt.

Total interest expense is \$562 and \$554 for the years ended December 31, 2019 and 2018, respectively.

The following table presents the amounts and the locations of the amounts relating to the Society's interest rate swap in the Society's financial statements as of and for the year ended December 31, 2019 and 2018:

	2019	2018
Statement of financial position information - Interest rate swaps	\$ 433	\$ 65
Statement of activities information*: Change in the fair value of interest rate swap agreements	(368)	63
Interest expense	<u>(50)</u>	<u>(54)</u>
Total income on interest rate swaps	<u>\$ (418)</u>	<u>\$ 9</u>

*Both interest expense and the change in the fair value of the interest rate swaps are classified in the statement of activities and recorded in the Center for Science of Animal Care and Welfare expense line.

Notes to Financial Statements

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 9 - Tax Collections

Tax collections received by the Society from the District were made up of the following components:

	2019	2018
Real estate taxes - Tax year 2018/2017	\$ 13,977	\$ 14,673
Personal property replacement taxes	533	526
Prior year taxes, refunds, and other - Net	64	(21)
Total	\$ 14,574	\$ 15,178

Note 10 - Net Assets

The Society's governing board has designated, from net assets without donor restrictions, net assets for the following purposes as of December 31:

	2019	2018
Board-designated net assets:		
Programs and capital improvements	\$ 29,760	\$ 28,919
Quasi endowment	5,133	4,426
Other	5,910	3,697
Investment in property plant and equipment, net of related debt	95,317	92,597
Total board-designated net assets	\$ 136,120	\$ 129,639

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	2019	2018
Subject to expenditures for a specified purpose:		
Center for Science of Animal Care and Welfare	\$ 469	\$ 500
Center for Conservation Leadership	1,420	2,281
Capital improvements	3,046	7,996
Other	48	205
Total	4,983	10,982
Subject to the passage of time - Promises to give that are not restricted by donors but that are unavailable for expenditure until due	399	557
Subject to the Society's spending policy, appropriation, and satisfaction of purpose restriction, if applicable, the income of which is available to support:		
General operating expenditures	1,051	967
Center for Science of Animal Care and Welfare	4,291	3,347
Center for Conservation Leadership	11,262	9,837
Capital improvements	2	1
Other	623	553
Total	17,229	14,705
Total net assets with donor restrictions	\$ 22,611	\$ 26,244

Notes to Financial Statements

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 11 - Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended December 31, 2019 and 2018 by passage of time or incurring expenses satisfying the following restricted purposes:

	2019	2018
Center for Science of Animal Care and Welfare	\$ 986	\$ 995
Center for Conservation Leadership	2,918	2,706
Capital improvements	7,407	182
Time restricted	692	1,277
Other	217	24
Total	<u>\$ 12,220</u>	<u>\$ 5,184</u>

Note 12 - Donor-restricted and Board-designated Endowments

The Society's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence 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 has 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

Notes to Financial Statements

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2019			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,133	\$ -	\$ 5,133
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	10,781	10,781
Accumulated investment gains	-	6,448	6,448
Total donor-restricted endowment funds	-	17,229	17,229
Total	\$ 5,133	\$ 17,229	\$ 22,362

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 4,426	\$ 14,705	\$ 19,131
Investment return, net	891	2,868	3,759
Contributions	5	316	321
Appropriation of endowment assets for expenditure	(189)	(660)	(849)
Endowment net assets - End of year	\$ 5,133	\$ 17,229	\$ 22,362

Endowment Net Asset Composition by Type of Fund as of December 31, 2018			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,426	\$ -	\$ 4,426
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	10,465	10,465
Accumulated investment gains	-	4,240	4,240
Total donor-restricted endowment funds	-	14,705	14,705
Total	\$ 4,426	\$ 14,705	\$ 19,131

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 5,174	\$ 14,900	\$ 20,074
Investment return, net	(446)	(1,236)	(1,682)
Board designations and contributions	(15)	1,588	1,573
Appropriation of endowment assets for expenditure	(287)	(547)	(834)
Endowment net assets - End of year	\$ 4,426	\$ 14,705	\$ 19,131

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

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

Funds with Deficiencies

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 a fund of perpetual duration. As of December 31, 2019, there were no funds with deficiencies. As of December 31, 2018, two funds had deficiencies of \$88 and \$6.

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 and 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 respective benchmarks for the different asset classes provided for in the Society's investment policy. These asset classes include domestic and international equities, high-grade corporate and government bonds, and cash equivalents but specifically exclude any direct investment in real estate and commodities (i.e., gold). Any investments in hedge funds or derivatives require separate approval by the board of trustees. The Society expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually, net of management fees. 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 5 percent of its endowment fund's average fair value over the prior 12 quarters though the calendar year end two years preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of 2 percent annually. 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.

Note 13 - Retiree Medical Benefits

The Society has a postretirement medical and dental plan available to all nonunion employees hired prior to January 1, 2016 at age 62 with 10 or more years of service. As of April 2, 2012, all active union participants are eligible at age 62 with 15 or more years of service and are covered under a union health plan for a three-year period commencing at age 62 and ending at age 65.

GAAP requires the Society to recognize the funded status of its postretirement benefit plan as a liability in the statement of financial position with an offsetting amount in the statement of activities and to recognize changes in that funded status in the year in which changes occur through the change in net assets. Additionally, GAAP requires the Society to measure the funded status of the plan.

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 13 - Retiree Medical Benefits (Continued)

The following tables provide information about the Society's postretirement medical and dental benefit plan as of December 31, 2019 and 2018:

Obligations and Funded Status

	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,973	\$ 2,646
Service cost	78	136
Interest cost	80	131
Actuarial loss	(114)	(798)
Benefits paid	(63)	(142)
Benefit obligation at end of year	1,954	1,973
Fair value of plan assets at end of year	-	-
Funded status at end of year	\$ (1,954)	\$ (1,973)

Amounts recognized in the statement of financial position consist of the following:

	2019	2018
Accrued postretirement benefits	\$ (1,954)	\$ (1,973)

Amounts recognized in net assets (not yet recognized in net periodic benefit cost) consist of the following:

	2019	2018
Actuarial losses - Net	\$ (1,397)	\$ (1,383)
Prior service credit	(922)	(1,088)
Total	\$ (2,319)	\$ (2,471)

Components of net periodic benefit cost and other amounts recognized in other comprehensive income are as follows:

	2019	2018
Change in amounts not yet recognized in postretirement benefits:		
Arising	\$ (114)	\$ (798)
Recognized	100	(17)
Prior year service credit (recognized)	166	166
Total	\$ 152	\$ (649)

Amounts recognized in net assets to be recognized in statement of activities in 2019 and 2018 - Prior service credit

\$ 166	\$ 166
--------	--------

Weighted-average assumptions used to determine benefit obligations at December 31 are as follows:

	2019	2018
Weighted-average assumption as of end of year (benefit obligation) - Discount rate	2.98%	4.03%
Weighted-average assumption as of beginning of year (net benefit cost) - Discount rate	4.03%	3.43%

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 13 - Retiree Medical Benefits (Continued)

Assumed Healthcare Cost Trend Rates at December 31

	Other Postretirement Benefits	
	2019	2018
Healthcare cost trend rate assumed for next year	6.50 %	7.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %	4.50 %
Year that the rate reaches the ultimate trend rate	2025	2027

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A 1-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on total service and interest cost for 2019	\$ 25	\$ (21)
Effect on year-end 2019 postretirement benefit obligation	259	(216)
Effect on total service and interest cost for 2018	66	(52)
Effect on year-end 2018 postretirement benefit obligation	242	(203)

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for each of the fiscal years as of December 31, 2019:

Years Ending	Amount
2020	\$ 90
2021	111
2022	122
2023	133
2024	133
2025-2029	613

Note 14 - Employee Benefit Plan

The Society sponsors a defined contribution plan available to all regular employees who are 21 years of age and have completed one hour of service. Participants may contribute a portion of their compensation, which is then partially matched by the Society. Only employees who have completed one year of service and met certain minimum hours worked requirements are eligible for the company match. The Society's expense for the years ended December 31, 2019 and 2018 was approximately \$746 and \$771, respectively.

December 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

Note 15 - Sick Leave Benefits

The Society has a sick leave policy whereby eligible employees may accumulate sick leave days. Upon resignation, retirement, or death, employees are paid 50 percent of their accumulated sick leave days up to 120 days. Retirees age 62 or older are paid 100 percent of their accumulated sick leave days up to 120 days. Beginning on January 1, 2001, new employees continue to accumulate sick leave days according to the current schedule but are not eligible for payment of their accumulated and unused sick leave days upon resignation or retirement. This change did not affect employees hired prior to January 1, 2001. Additionally, effective in 2010, employees hired prior to January 1, 2001 who have current balances of greater than 120 days each December 31 are required to cash out their amount over 120 days, up to 10 days, 5 of which may permanently reduce their future resignation, retirement, or death payout. The actuarially determined present value of the Society's liability for accumulated sick leave was \$1,567 and \$1,543 as of December 31, 2019 and 2018, respectively, included in accrued actuarial benefit obligations on the statement of financial position. The assumed increase in salary rates was 2.0 percent per annum, compounded annually using a 2019 discount rate of 2.6 percent for the 2019 actuarial valuation.

The assumed increase in salary rates was 2.0 percent per annum, compounded annually using 2018 discount rates of 3.8 percent for the 2018 actuarial valuation.

Note 16 - Charitable Gift Annuity

Certain assets and liabilities recorded within the statement of financial position relate to charitable gift annuities. The assets related to these agreements are recorded at their fair value, and the liability is recorded at its present value based on the life expectancy of the individual donor and the Internal Revenue Service's approved discount rate applicable at the time of the agreement, which ranged from 4.5 to 8.3 percent.

The total assets and total liabilities related to this program as of December 31, 2019 were \$435 and \$216, respectively. The total assets and liabilities related to this program as of December 31, 2018 were \$416 and \$243, respectively. Charitable gift annuity assets and liabilities are included in investments and other liabilities in the statement of financial position.

Note 17 - Beneficial Interest in Trust

In 1996, the Society was notified that it is the designated beneficiary of the interest income on a \$1,000 endowment established and maintained by the Chicago Community Trust. The Chicago Community Trust maintains variance power over this endowment, and, accordingly, the Society has not included the endowment in the accompanying financial statements.

Note 18 - Contingencies

The Society is a defendant in various litigation matters arising in the normal course of business. In the opinion of management, the ultimate resolution of all such litigation matters will not have a material effect on the financial position or activities of the Society.

The Society has asset retirement obligations arising from regulatory requirements to remove asbestos from its facilities when remodeling or disposing of those facilities containing asbestos. Management cannot readily estimate the cost of removing asbestos, and, in the opinion of management, the ultimate resolution of all such matters will not have a material effect on the financial position or activities of the Society.

Note 19 - Related Party Transactions

Certain utility, banking, legal, and investment services are provided by companies with which members of the board of trustees are affiliated. These services are approved by the board of trustees and are provided at rates consistent with the market rates for not-for-profit organizations.