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# Shedd Aquarium Society

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**Financial Report  
December 31, 2019**

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## Independent Auditor's Report

To the Board of Trustees  
Shedd Aquarium Society

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shedd Aquarium Society as of December 31, 2019 and 2018 and the change in its net assets and its functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As described in Note 2 to the financial statements, there were various subsequent events that impacted the Society. Our opinion is not modified with respect to these matters.

As described in Note 3 to the financial statements, in 2019, the Society adopted the provisions of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

April 30, 2020

**Statement of Financial Position**

**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 18,889,027	\$ 28,700,964
Certificates of deposit	17,317,249	-
Receivables:		
Accounts receivable - Net	2,033,690	1,339,336
Pledges receivable	13,671,177	4,275,273
Total receivables	<u>15,704,867</u>	<u>5,614,609</u>
Prepaid expenses and other assets	1,164,265	1,771,908
<b>Investments</b>	298,997,469	257,285,118
<b>Building, Improvements, and Equipment</b>		
Building	104,197,519	104,197,519
Building improvements and renovations	139,128,759	137,027,059
Machinery and equipment	62,283,850	60,695,658
Construction in progress	3,543,305	2,780,493
Total building, improvements, and equipment	<u>309,153,433</u>	<u>304,700,729</u>
Less accumulated depreciation	<u>200,242,563</u>	<u>188,520,315</u>
Net building, improvements, and equipment	108,910,870	116,180,414
<b>Beneficial Interest in a Perpetual Trust</b>	<u>1,418,637</u>	<u>1,262,298</u>
Total assets	<u><b>\$ 462,402,384</b></u>	<u><b>\$ 410,815,311</b></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,292,905	\$ 2,832,746
Accrued payroll	2,323,833	2,358,129
Accrued postretirement benefits	4,726,516	4,204,763
Deferred revenue	1,474,549	961,418
<b>Bond Payable - Net of issuance costs</b>	<u>16,654,475</u>	<u>18,325,294</u>
Total liabilities	28,472,278	28,682,350
<b>Net Assets</b>		
Without donor restrictions	339,017,653	312,486,462
With donor restrictions	94,912,453	69,646,499
Total net assets	<u>433,930,106</u>	<u>382,132,961</u>
Total liabilities and net assets	<u><b>\$ 462,402,384</b></u>	<u><b>\$ 410,815,311</b></u>

## Statement of Activities and Changes in Net Assets

**Years Ended December 31, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Admissions	\$ 35,662,035	\$ -	\$ 35,662,035	\$ 35,607,836	\$ -	\$ 35,607,836
Tax appropriations	3,997,943	-	3,997,943	3,877,469	-	3,877,469
Ancillary services	3,928,157	-	3,928,157	4,638,688	-	4,638,688
Memberships and contributions	10,842,356	1,030,351	11,872,707	14,888,940	2,820,010	17,708,950
Educational programs and trips	2,079,819	-	2,079,819	1,696,622	-	1,696,622
Miscellaneous	57,611	-	57,611	134,261	-	134,261
Fundraising events	1,934,364	-	1,934,364	535,135	-	535,135
Net assets released from restrictions	789,337	(789,337)	-	1,358,315	(1,358,315)	-
<b>Total revenue, gains, and other support</b>	<b>59,291,622</b>	<b>241,014</b>	<b>59,532,636</b>	<b>62,737,266</b>	<b>1,461,695</b>	<b>64,198,961</b>
<b>Operating Expenses</b>						
Program services:						
Conservation education	21,549,440	-	21,549,440	23,385,504	-	23,385,504
Animal care	13,178,688	-	13,178,688	13,242,402	-	13,242,402
Conservation science and research	2,744,755	-	2,744,755	2,633,034	-	2,633,034
Guest services	5,864,728	-	5,864,728	5,723,525	-	5,723,525
Ancillary services	1,775,863	-	1,775,863	2,550,975	-	2,550,975
Support services:						
Development and membership	3,803,210	-	3,803,210	3,521,417	-	3,521,417
Fundraising events	785,395	-	785,395	633,021	-	633,021
Management and general	9,826,655	-	9,826,655	9,823,615	-	9,823,615
<b>Total operating expenses</b>	<b>59,528,734</b>	<b>-</b>	<b>59,528,734</b>	<b>61,513,493</b>	<b>-</b>	<b>61,513,493</b>
<b>(Decrease) Increase in Net Assets - Before nonoperating items and appropriations and transfers</b>	<b>(237,112)</b>	<b>241,014</b>	<b>3,902</b>	<b>1,223,773</b>	<b>1,461,695</b>	<b>2,685,468</b>
<b>Nonoperating Items</b>						
Interest and dividend income, net of investment fees	1,050,767	157,604	1,208,371	645,987	119,398	765,385
Net realized gains (losses) on sales of investments	946,697	408,116	1,354,813	246,876	(101,702)	145,174
Unrealized gains (losses) on investments	28,969,893	10,885,405	39,855,298	(8,570,442)	(3,152,876)	(11,723,318)
Long-range planning costs	(2,607,571)	-	(2,607,571)	(2,952,253)	-	(2,952,253)
Actuarial (loss) gain related to retirees medical plan	(601,000)	-	(601,000)	567,000	-	567,000
Support for capital projects	70,000	111,317	181,317	325,948	-	325,948
Support for strategic initiatives	-	12,402,015	12,402,015	-	-	-
Net assets released from restrictions	-	-	-	1,676	(1,676)	-
Settlement income	-	-	-	1,457,264	-	1,457,264
<b>Total nonoperating items</b>	<b>27,828,786</b>	<b>23,964,457</b>	<b>51,793,243</b>	<b>(8,277,944)</b>	<b>(3,136,856)</b>	<b>(11,414,800)</b>
<b>Increase (Decrease) in Net Assets - Before appropriations and transfers</b>	<b>27,591,674</b>	<b>24,205,471</b>	<b>51,797,145</b>	<b>(7,054,171)</b>	<b>(1,675,161)</b>	<b>(8,729,332)</b>
<b>Appropriations and Transfers - Including change in donor restriction</b>	<b>(1,060,483)</b>	<b>1,060,483</b>	<b>-</b>	<b>769,160</b>	<b>(769,160)</b>	<b>-</b>
<b>Increase (Decrease) in Net Assets</b>	<b>26,531,191</b>	<b>25,265,954</b>	<b>51,797,145</b>	<b>(6,285,011)</b>	<b>(2,444,321)</b>	<b>(8,729,332)</b>
<b>Net Assets - Beginning of year</b>	<b>312,486,462</b>	<b>69,646,499</b>	<b>382,132,961</b>	<b>318,771,473</b>	<b>72,090,820</b>	<b>390,862,293</b>
<b>Net Assets - End of year</b>	<b>\$ 339,017,653</b>	<b>\$ 94,912,453</b>	<b>\$ 433,930,106</b>	<b>\$ 312,486,462</b>	<b>\$ 69,646,499</b>	<b>\$ 382,132,961</b>

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services					Support Services						
	Conservation Education	Animal Care	Conservation Science and Research	Guest Services	Ancillary Services	Total	Development and Membership	Fundraising Events	Management and General	Strategic Initiatives	Total	Total
Salaries	\$ 5,898,242	\$ 6,098,452	\$ 1,570,171	\$ 2,837,440	\$ 54,445	\$ 16,458,750	\$ 2,114,076	\$ 9,007	\$ 4,566,649	\$ 175,202	\$ 6,864,934	\$ 23,323,684
Employee benefits	1,582,752	1,567,548	402,807	541,375	14,465	4,108,947	569,057	2,033	1,167,905	40,205	1,779,200	5,888,147
Professional development	99,123	97,172	41,621	9,355	-	247,271	16,598	-	130,901	963	148,462	395,733
Professional fees	-	1,550	1,550	-	-	3,100	-	-	230,928	37,322	268,250	271,350
Outsourcing fees	1,714,150	413,494	23,435	166,180	216,899	2,534,158	18,053	5,854	69,948	-	93,855	2,628,013
Outside contractors	14,880	-	1,969	360	-	17,209	2,530	23,870	4,914	66,002	97,316	114,525
Contractual services	1,108,361	339,072	17,441	951,989	49,467	2,466,330	404,024	210,749	688,266	2,189,653	3,492,692	5,959,022
Printing and production	103,041	-	8,423	-	4,325	115,789	280,866	4,890	15,564	6,859	308,179	423,968
Advertising	-	-	-	-	-	-	-	2,000	1,829,481	-	1,831,481	1,831,481
Supplies	715,238	1,059,638	165,502	99,583	5,528	2,045,489	58,025	193,680	173,647	58,608	483,960	2,529,449
Telephone and communications	71,759	97,557	12,498	24,408	12,851	219,073	17,441	-	71,967	19	89,427	308,500
Postage and shipping	5,327	165,999	3,940	430	383	176,079	85,660	2,412	15,505	103	103,680	279,759
Travel and meetings	288,311	68,712	176,856	47,837	3,217	584,933	127,027	324,578	114,621	27,940	594,166	1,179,099
Repairs and maintenance	835,211	243,883	10,376	82,792	103,482	1,275,744	5,961	6,007	149,510	4,695	166,173	1,441,917
Occupancy	1,093,009	405,465	22,946	144,316	175,247	1,840,983	13,176	-	73,655	-	86,831	1,927,814
Insurance	302,014	101,271	6,220	35,566	43,189	488,260	3,248	315	16,499	-	20,062	508,322
Grants and contributions	-	-	133,582	-	-	133,582	-	-	-	-	-	133,582
Miscellaneous	652,912	2,190	2,641	24,633	1,340	683,716	357	-	89,852	-	90,209	773,925
Interest expense	490,685	-	-	-	-	490,685	5,079	-	-	-	5,079	495,764
Depreciation	6,574,425	2,516,685	142,777	898,464	1,091,025	11,223,376	82,032	-	416,843	-	498,875	11,722,251
<b>Total functional expenses</b>	<b>\$ 21,549,440</b>	<b>\$ 13,178,688</b>	<b>\$ 2,744,755</b>	<b>\$ 5,864,728</b>	<b>\$ 1,775,863</b>	<b>\$ 45,113,474</b>	<b>\$ 3,803,210</b>	<b>\$ 785,395</b>	<b>\$ 9,826,655</b>	<b>\$ 2,607,571</b>	<b>\$ 17,022,831</b>	<b>\$ 62,136,305</b>

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services					Support Services						
	Conservation Education	Animal Care	Conservation Science and Research	Guest Services	Ancillary Services	Total	Development and Membership	Fundraising Events	Management and General	Strategic Initiatives	Total	Total
Salaries	\$ 6,657,460	\$ 5,963,672	\$ 1,393,925	\$ 2,757,285	\$ 62,416	\$ 16,834,758	\$ 1,874,297	\$ 6,683	\$ 4,063,598	\$ 143,795	\$ 6,088,373	\$ 22,923,131
Employee benefits	1,670,404	1,500,323	354,368	508,389	18,556	4,052,040	496,656	1,426	1,055,334	35,360	1,588,776	5,640,816
Professional development	178,726	108,002	59,958	12,538	-	359,224	20,012	-	120,712	85	140,809	500,033
Professional fees	-	-	5,260	-	-	5,260	-	-	266,827	-	266,827	272,087
Outsourcing fees	1,713,652	419,002	24,145	175,170	218,644	2,550,613	24,910	5,495	71,266	3,300	104,971	2,655,584
Outside contractors	34,989	-	1,000	-	-	35,989	2,927	93,269	7,800	17,525	121,521	157,510
Contractual services	1,485,212	469,415	19,759	860,119	52,381	2,886,886	480,319	108,349	1,010,644	2,543,898	4,143,210	7,030,096
Printing and production	26,122	383	7,519	-	-	34,024	203,968	8,142	31,347	7,405	250,862	284,886
Advertising	-	-	-	-	-	-	401	-	1,971,395	27,937	1,999,733	1,999,733
Supplies	807,502	1,122,053	135,386	121,585	2,780	2,189,306	66,321	109,169	182,026	56,042	413,558	2,602,864
Telephone and communications	67,825	93,400	11,927	24,257	12,322	209,731	16,737	-	69,025	95	85,857	295,588
Postage and shipping	6,321	69,356	4,503	351	241	80,772	93,119	3,264	12,045	25	108,453	189,225
Travel and meetings	397,368	64,823	204,115	30,671	4,347	701,324	124,282	286,963	187,796	114,671	713,712	1,415,036
Repairs and maintenance	843,841	247,625	10,704	84,458	88,386	1,275,014	5,991	10,096	153,333	462	169,882	1,444,896
Occupancy	1,049,772	384,641	21,756	136,904	166,246	1,759,319	12,500	-	69,928	-	82,428	1,841,747
Insurance	271,589	90,794	5,398	32,059	38,930	438,770	2,926	-	14,874	-	17,800	456,570
Grants and contributions	4,665	2,500	216,817	-	-	223,982	-	-	-	-	-	223,982
Miscellaneous	644,439	10,955	3,575	17,453	717,200	1,393,622	2,910	165	89,211	1,653	93,939	1,487,561
Interest expense	484,179	-	-	-	-	484,179	5,282	-	-	-	5,282	489,461
Depreciation	7,041,438	2,695,458	152,919	962,286	1,168,526	12,020,627	87,859	-	446,454	-	534,313	12,554,940
<b>Total functional expenses</b>	<b>\$ 23,385,504</b>	<b>\$ 13,242,402</b>	<b>\$ 2,633,034</b>	<b>\$ 5,723,525</b>	<b>\$ 2,550,975</b>	<b>\$ 47,535,440</b>	<b>\$ 3,521,417</b>	<b>\$ 633,021</b>	<b>\$ 9,823,615</b>	<b>\$ 2,952,253</b>	<b>\$ 16,930,306</b>	<b>\$ 64,465,746</b>

**Statement of Cash Flows**

**Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 51,797,145	\$ (8,729,332)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	12,296,702	13,128,757
Support for capital projects	(82,100)	(325,948)
Support for long-range planning	(12,402,015)	-
Donor-restricted contributions for long-term purposes	-	(60,000)
Interest and dividends on investments	(1,099,459)	(765,385)
Net realized and unrealized (gains) losses on investments	(40,997,649)	11,578,141
Provision for bad debts	-	715,860
Change in value of beneficial interest in a perpetual trust	(156,339)	161,789
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(694,354)	(190,694)
Pledges receivable	(299,389)	(2,268,262)
Prepaid expenses and other assets	63,403	(942,508)
Accounts payable and accrued expenses	1,079,022	(97,849)
Accrued postretirement benefit expense	521,753	(297,305)
Deferred revenue	513,131	(18,945)
	10,539,851	11,888,319
<b>Cash Flows from Investing Activities</b>		
Purchases of certificates of deposit	(17,317,249)	-
Proceeds from sales and maturities of investments	9,301,527	11,612,144
Purchases of investments	(8,916,770)	(11,844,310)
Additions to building, improvements, and equipment	(5,105,867)	(5,052,116)
	(22,038,359)	(5,284,282)
<b>Cash Flows from Financing Activities</b>		
Repayment of bond principal	(1,665,000)	(1,590,000)
Support for capital projects	82,100	325,948
Support for long-range planning	3,305,500	-
Donor-restricted contributions for long-term purposes	-	60,000
Bond issuance costs	(36,029)	-
	1,686,571	(1,204,052)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(9,811,937)	5,399,985
<b>Cash and Cash Equivalents - Beginning of year</b>	28,700,964	23,300,979
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 18,889,027</b>	<b>\$ 28,700,964</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 465,554	\$ 466,928
<b>Significant Noncash Transactions - Accrued amounts for building, improvements, and equipment</b>	270,424	923,583



**December 31, 2019 and 2018**

**Note 1 - Nature of Operations**

The Shedd Aquarium Society (the "Society") is a not-for-profit corporation established to own and operate the John G. Shedd Aquarium in the city of Chicago, Illinois. Under the terms of its organization, the Society owns the aquarium building and its contents; the building, however, is located on land owned by the Chicago Park District, which has been leased in perpetuity to the Society at no cost.

The Society is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, it is not subject to state or federal taxes on income related to its exempt purposes. The Society is not aware of any potential risk to its tax-exempt status at this time.

**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.

***Cash Equivalents***

The Society considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The Society maintains its cash and cash equivalents in the bank deposit accounts that may exceed federally insured limits. The Society has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

***Certificates of Deposit***

Certificates of deposit are carried at cost. All certificates of deposit held by the Society at December 31, 2019 had an original maturity term of one year and are set to mature in 2020.

***Building, Improvements, and Equipment***

Property and equipment are recorded at cost. Assets are depreciated over their estimated useful lives using the straight-line method. The cost of leasehold improvements is amortized over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

***Investments***

Investments are stated at fair value. 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 materially affect the amounts reported in the financial statements.

***Beneficial Interest in a Perpetual Trust***

The Society is the beneficiary of a perpetual trust held and administered by a community foundation. The assets in the perpetual trust are donor restricted in perpetuity; however, interest earned by the perpetual trust is distributed to the Society annually for support of general operations. The Society's beneficial interest in the perpetual trust is recorded at fair value.

***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.

**December 31, 2019 and 2018**

**Note 2 - Significant Accounting Policies (Continued)**

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

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

***Revenue Recognition***

The Society's revenue streams under contracts with customers are composed of admissions, ancillary services, educational programs and trips, and memberships.

For admissions, ancillary services, and educational programs and trips, the Society has a stand-ready performance obligation to provide access to the aquarium and other shows or events. Revenue for admissions is recognized at the point in time at which the customer is admitted to the aquarium. Other ancillary revenue includes restaurant and merchandise sales. Restaurant and merchandise sales are recognized at the point in time the sale occurs and the customer takes possession of the food or the merchandise. For educational programs and trips, the Society has an obligation to provide the experience described. Revenue is recognized at the point in time the service is provided to its customers.

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

Under the typical payment terms, the customer provides payment at the time of purchase.

In some situations, the Society collects cash prior to the satisfaction of the performance obligation, which results in the Society recognizing contract liabilities. Total contract liabilities were \$1,434,049 and \$960,418 as of December 31, 2019 and 2018, respectively.

***Tax Appropriations***

The Society receives support from the Chicago Park District (the "CPD") based upon the CPD's annual tax levy ordinance that includes a levy for museums situated on CPD land. This support is recorded by the Society when known, which is approximately 18 months after the assessment period.

***Contributions and Pledges Receivable***

Unconditional promises to give cash and other assets to the Society are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. At December 31, 2019 and 2018, all pledges were deemed to be collectible, and no allowance was recorded by management.

**December 31, 2019 and 2018**

**Note 2 - Significant Accounting Policies (Continued)**

***Donated Services and Assets***

Certain donated services are recognized as support in the statement of activities and changes in net assets if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of these services is determined based on estimated fair value. Contributions of tangible assets are recognized at fair value when received. During December 31, 2019 and 2018, in-kind support of \$491,002 and \$326,360, respectively, was recognized in the statement of activities and changes in net assets.

A number of volunteers have donated time to the Society. These volunteer services are not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America.

***Operating and Nonoperating Activity***

Operating revenue and expenses are those directly related to the purpose and primary mission of the Society. As a result, other activity is reported as nonoperating revenue and expenses.

The Society considers all revenue and expenses to be related to operations except investment income; actuarial gains or losses on retirees medical plan; strategic initiative costs, funds received in support of specific capital projects; and write-off of certain assets, which are categorized as nonoperating items.

***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. The Society tracks expenses by natural classification (i.e., utilities), department (i.e., human resources or development), and program, if applicable, as part of the normal accounts payable process. The function of the department generally dictates the allocation to the functional expense category. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort or square footage. Other expenses utilized by all employees, such as depreciation, occupancy, and utilities, are also allocated on square footage. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***Live Animal Inventory***

The costs of purchasing or collecting live animals are expensed as incurred. Donated specimens are not valued and, therefore, are not reflected in the financial statements.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including April 30, 2020, which is the date the financial statements were available to be issued. During this evaluation period, the COVID-19 pandemic arose, with a related monetary easing by the Federal Reserve, and is considered an event that has prospective financial reporting implications. Therefore, no financial implications are reflected in the December 31, 2019 financial statements. However, while it is not yet possible to estimate the full impact on future earnings, the Society did close the aquarium to visitors, which could have an adverse effect on the Society's revenue, liquidity, and operating results, as well as on certain estimates, such as the allowance for uncollectible grant and pledged receivables and fair value of financial instruments, which are particularly susceptible to adjustment, and these adjustments could be significant.

December 31, 2019 and 2018

**Note 2 - Significant Accounting Policies (Continued)**

The Society received a Small Business Administration loan of \$4,898,488 on April 10th as part of the Paycheck Protection Program (PPP) provision of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was administered through JPMorgan Chase, has a two-year duration, and an interest rate of 100 basis points. The Society expects a significant portion of the loan to be converted into a federal grant under the forgiveness provision of the Paycheck Protection Program.

The Society is in the processes of due diligence for the potential purchase of an off-site facility that began prior to current economic changes.

**Note 3 - Adoption of New Accounting Pronouncement**

As of January 1, 2019, the Society adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Society adopted the new standard using the modified retrospective method to all contracts effective January 1, 2019 and is using a portfolio approach to group contracts with similar characteristics, including admissions. Modified retrospective adoption requires entities to apply the standard retrospectively to the most current period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings at the date of initial application. Prior periods have not been adjusted. No cumulative-effect adjustment in net assets was recorded, as the adoption of ASU did not significantly impact the Society's reported historical revenue.

As of January 1, 2019, the Society adopted FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Society adopted the new standard on a modified prospective basis, and it impacted the recognition of certain contribution and grant agreements. Government grants now meet the criteria of a nonreciprocal (contribution) transaction, typically with conditions to be met before revenue is recognized. The standard did not require a restatement of prior year amounts.

**Note 4 - Pledges Receivable**

Included in contributions receivable are several unconditional promises to give. Contributions are recorded at the present value of their estimated future cash flows. The Society discounted contributions due in more than one year using rates between 1.59 and 2.56 percent for the year ended December 31, 2019 and rates between 1.89 and 2.56 percent for the year ended December 31, 2018. Pledges are included as follows at December 31, 2019 and 2018:

	2019	2018
Gross promises to give before unamortized discount	\$ 14,182,500	\$ 4,439,000
Less allowance for net present value discount	(511,323)	(163,727)
Net contributions receivable	<u>\$ 13,671,177</u>	<u>\$ 4,275,273</u>
Amounts due in:		
Less than one year	\$ 2,897,500	\$ 1,114,000
One to five years	9,785,000	3,325,000
More than five years	1,500,000	-
Total	<u>\$ 14,182,500</u>	<u>\$ 4,439,000</u>

**December 31, 2019 and 2018**

**Note 4 - Pledges Receivable (Continued)**

For the year ended December 31, 2019, individual contributions in excess of 10 percent of total operating and contribution revenue were from two donors in the amount of \$12,500,000. The receivable balance from these two donors was \$10,500,000 at December 31, 2019. For the year ended December 31, 2018, there were no individual contributions in excess of 10 percent of total operating and contribution revenue.

**Note 5 - Investments**

Investments as of December 31, 2019 and 2018 are summarized as follows:

	2019	
	Fair Value	Historical Cost
Global equities	\$ 133,390,056	\$ 90,757,565
Global fixed income	49,497,587	48,168,680
Absolute return	44,582,751	40,257,956
Real assets	34,019,663	31,244,945
Private capital	34,817,238	23,482,688
Cash and cash equivalents	2,690,174	2,690,174
<b>Total</b>	<b>\$ 298,997,469</b>	<b>\$ 236,602,008</b>

  

	2018	
	Fair Value	Historical Cost
Global equities	\$ 102,379,700	\$ 87,872,320
Global fixed income	47,301,651	47,971,997
Absolute return	41,084,720	40,057,956
Real assets	28,466,070	28,873,415
Private capital	34,603,132	25,290,500
Cash and cash equivalents	3,449,845	3,449,845
<b>Total</b>	<b>\$ 257,285,118</b>	<b>\$ 233,516,033</b>

Investments of the Society are managed by an external management firm, which is overseen by the Society's board of trustees. The Society diversifies its investments both by asset class and within asset classes.

**Note 6 - 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.

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.

December 31, 2019 and 2018

**Note 6 - Fair Value Measurements (Continued)**

In instances whereby 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.

The following tables present information about the Society's assets measured at fair value on a recurring basis at December 31, 2019 and 2018 and the valuation techniques used by the Society to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at December 31, 2019					
	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 December 31, 2019
<b>Assets</b>					
Global equities	\$ 77,890	\$ -	\$ -	\$ 133,312,166	\$ 133,390,056
Global fixed income	21,686,789	5,355,641	-	22,455,157	49,497,587
Absolute return	-	-	-	44,582,751	44,582,751
Real assets	-	-	-	34,019,663	34,019,663
Private capital	-	-	-	34,817,238	34,817,238
Beneficial interest in a perpetual trust	-	-	1,418,637	-	1,418,637
<b>Total assets</b>	<b>\$ 21,764,679</b>	<b>\$ 5,355,641</b>	<b>\$ 1,418,637</b>	<b>\$ 269,186,975</b>	<b>\$ 297,725,932</b>

Assets Measured at Fair Value on a Recurring Basis at December 31, 2018					
	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 December 31, 2018
<b>Assets</b>					
Global equities	\$ 453,099	\$ -	\$ -	\$ 101,926,601	\$ 102,379,700
Global fixed income	25,208,171	2,614,122	-	19,479,358	47,301,651
Absolute return	-	-	-	41,084,720	41,084,720
Real assets	-	-	-	28,466,070	28,466,070
Private capital	-	-	-	34,603,132	34,603,132
Beneficial interest in a perpetual trust	-	-	1,262,298	-	1,262,298
<b>Total assets</b>	<b>\$ 25,661,270</b>	<b>\$ 2,614,122</b>	<b>\$ 1,262,298</b>	<b>\$ 225,559,881</b>	<b>\$ 255,097,571</b>

Not included in the tables above are cash and cash equivalents of \$2,690,174 and \$3,449,845 as of December 31, 2019 and 2018, respectively.

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. There were no transfers during 2019 or 2018.

December 31, 2019 and 2018

**Note 6 - Fair Value Measurements (Continued)**

Fair value of the Society's beneficial interest in a perpetual trust is based on the percentage of the trust designated to the Society applied to the total fair value of the trust, which is based on quoted market prices of the underlying assets, when available. Changes in the fair value of the underlying assets, as determined by the trustees that hold and manage these assets, are recognized in the statement of activities and changes in net assets in the period in which they occur.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2019 and 2018 are as follows:

Balance at January 1, 2019	\$ 1,262,298
Distributions	(52,690)
Net market value change	<u>209,029</u>
Balance at December 31, 2019	<u>\$ 1,418,637</u>
Balance at January 1, 2018	\$ 1,424,087
Distributions	(51,798)
Net market value change	<u>(109,991)</u>
Balance at December 31, 2018	<u>\$ 1,262,298</u>

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

**Investments in Entities that Calculate Net Asset Value per Share**

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

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	December 31, 2019	December 31, 2018	December 31, 2019		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Global equities (a)	\$ 133,312,166	\$ 101,926,601	\$ -	Annually	Quarterly
Global fixed income (b)	1,714,468	4,178,828	-	Annually	Quarterly
Direct fixed income (b)	4,147,160	4,000,000	-	Quarterly	60 days
Direct fixed income (b)	2,163,087	-	-	Monthly	60 days
Direct fixed income (b)	5,443,944	5,857,242	-	Daily	10 days
Direct fixed income (b)	4,931,813	5,443,288	-	Bi-monthly	5 days
Direct fixed income (b)	4,054,685	-	-	Daily	0 days
Absolute return (c)	44,582,751	41,084,720	-	See below	See below
Real assets (d)	33,824,695	28,202,112	7,910,982	Annually	Quarterly
Real assets (d)	194,968	263,958	-	N/A	N/A
Private capital (e)	34,817,238	34,603,132	20,694,322	N/A	N/A
Total	<u>\$ 269,186,975</u>	<u>\$ 225,559,881</u>	<u>\$ 28,605,304</u>		

December 31, 2019 and 2018

**Note 6 - Fair Value Measurements (Continued)**

At December 31, 2019 and 2018, the Society had invested \$242.9 million and \$204.1 million, respectively, through the Agility Comprehensive Solutions Fund LP (the "Fund"). The Fund has an unlimited life and is organized as a "master fund" in a "master/feeder" structure. The fund investments are broadly diversified by asset class and geography. The Society's investments through the Fund are valued at fair value using net asset value (NAV) per share as an expedient and are invested in the following asset classes:

- (a) Global equities include domestic and international equities, including emerging-market investments, which are invested in either publicly traded equities listed on national exchanges or in limited partnerships or commingled funds.
- (b) Global and direct fixed income includes U.S. treasuries, agency securities, corporate bonds, loans and notes, and sovereign debt from other nations.
- (c) Absolute return includes hedge funds and other absolute return-oriented investments that are not necessarily hedged. The underlying investments may be publicly traded securities; however, the funds have restrictions that make the investments less liquid. Twenty-five percent of the fund can be redeemed on June 30 with 25 percent available at the end of the following three quarters. The final redemption will be available on March 31, 2021.
- (d) Real assets investments include global energy, natural resources such as oil and gas, and real state. Real assets may be publicly traded or illiquid private investments.
- (e) Private capital includes investments in private equity and venture capital and distressed investment funds in limited partnerships.

**Note 7 - Building, Improvements, and Equipment**

Building, improvements, and equipment are summarized as follows:

	2019	2018	Depreciable Life - Years
Building	\$ 104,197,519	\$ 104,197,519	40-80
Building improvements and renovations	139,128,759	137,027,059	10-40
Machinery and equipment	62,283,850	60,695,658	3-10
Construction in progress	3,543,305	2,780,493	-
Total cost	309,153,433	304,700,729	
Accumulated depreciation	200,242,563	188,520,315	
Net building, improvements, and equipment	<u>\$ 108,910,870</u>	<u>\$ 116,180,414</u>	

Depreciation expense for 2019 and 2018 was \$11,722,251 and \$12,554,940, respectively.



**Note 8 - Bond Payable**

In July 2015, the Illinois Finance Authority (IFA) issued a tax-exempt bond in the amount of \$22,945,000 (the "Series 2015 Bond") through a private placement with a fixed rate of 2.42 percent. The proceeds were loaned to the Society for the purpose of redeeming its Series 2005 Bonds, which had been issued by the IFA in 2005 and had maturities and mandatory redemptions through July 1, 2027. Expenses incurred in connection with the Series 2015 Bond issue are being amortized on a straight-line basis over the period the bond is to be outstanding. The Society refinanced the remaining \$18.4 million of bonds outstanding on March 14, 2019. The refinance was a response to the Tax Cuts and Jobs Act of 2017. The refinance secured a 2.70 percent fixed interest rate and eliminated a statutory tax rate change fee. Additional expense incurred in connection with the refinance is being amortized on a straight-line basis over the remaining period the bond is to be outstanding. The net value of the debt issuance costs at December 31, 2019 and 2018 is \$85,525 and \$79,706, respectively. In 2019 and 2018, the Series 2015 Bond carried a fixed interest rate of 2.70 and 2.42 percent, respectively.

The balance of the above debt matures as follows:

Years Ending	Amount
2020	\$ 1,750,000
2021	1,835,000
2022	1,925,000
2023	2,030,000
2024	2,135,000
Thereafter	7,065,000
Total	<u>\$ 16,740,000</u>

Interest expense for 2019 and 2018 was \$495,764 and \$489,461, respectively.

Under the terms of the Series 2015 Bond agreement, the Society is subject to various financial covenants, including minimum liquidity and maximum debt balances.

**Note 9 - Net Assets**

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

	2019	2018
Subject to expenditures for a specified purpose and/or passage of time	\$ 19,336,365	\$ 4,652,018
Subject to the Society's spending policy and appropriation	61,141,474	50,716,206
Not subject to appropriation or expenditure:		
General operations	3,159,345	3,003,006
Educational programs and conservation activities	11,075,269	11,075,269
Special projects	200,000	200,000
	<u>14,434,614</u>	<u>14,278,275</u>
Total	<u>\$ 94,912,453</u>	<u>\$ 69,646,499</u>

**Note 10 - 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. Board-restricted funds are guided by the investment policy that establishes minimum required balances, as well as designated uses. 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 are also 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 December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 203,055,833	\$ -	\$ 203,055,833
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	13,015,977	13,015,977
Accumulated investment gains	-	61,141,474	61,141,474
Total donor-restricted endowment funds	-	74,157,451	74,157,451
Total	<u>\$ 203,055,833</u>	<u>\$ 74,157,451</u>	<u>\$ 277,213,284</u>

**Notes to Financial Statements**

**December 31, 2019 and 2018**

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

	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	\$ 172,181,227	\$ 63,732,183	\$ 235,913,410
Investment return:			
Investment income	421,290	157,604	578,894
Net change in fair value	29,636,478	11,084,503	40,720,981
Total investment return	30,057,768	11,242,107	41,299,875
Contributions	438,126	-	438,126
Appropriation of endowment assets for expenditure	752,872	(752,872)	-
Other changes - Transfers	(374,160)	(63,967)	(438,127)
Endowment net assets - End of year	<u>\$ 203,055,833</u>	<u>\$ 74,157,451</u>	<u>\$ 277,213,284</u>

	Endowment Net Asset Composition by Type of Fund as of December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 172,181,227	\$ -	\$ 172,181,227
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	13,015,977	13,015,977
Accumulated investment gains	-	50,716,206	50,716,206
Total donor-restricted endowment funds	-	63,732,183	63,732,183
Total	<u>\$ 172,181,227</u>	<u>\$ 63,732,183</u>	<u>\$ 235,913,410</u>

	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	\$ 179,393,260	\$ 67,414,733	\$ 246,807,993
Investment return:			
Investment income	317,580	119,398	436,978
Net change in fair value	(8,238,773)	(3,092,788)	(11,331,561)
Total investment return	(7,921,193)	(2,973,390)	(10,894,583)
Contributions	346,941	60,000	406,941
Appropriation of endowment assets for expenditure	730,417	(730,417)	-
Other changes - Transfers	(368,198)	(38,743)	(406,941)
Endowment net assets - End of year	<u>\$ 172,181,227</u>	<u>\$ 63,732,183</u>	<u>\$ 235,913,410</u>

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

***Underwater Endowment Funds***

As of December 31, 2019 and 2018, 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 preserve the "real" value of the investment portfolio after expenses, inflation, and withdrawals combined with long-term growth through capital appreciation in order to support the Society in perpetuity. As a result, the Society's investment policies are designed to preserve the purchasing power of the Society's portfolio, as well as balance present institutional needs with those of the future.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Society's investments are broadly diversified among asset classes. The Society expects its endowment funds, over time, to achieve a long-term compound return of approximately 5 percent, net of related fees, plus the rate of inflation. However, actual returns in any given year may vary from that amount.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Society has a policy of appropriating for distribution to current year operations each year less than 4 percent of certain endowment funds' average fair value over the prior 12 quarters. The governing board appropriated for expenditure less than \$1 million in each of 2019 and 2018. The Society believes its policy of limiting spending to no more than 4 percent of the funds' trailing three-year average market value will allow the endowment to grow at an average rate in excess of inflation over the long term.

**Note 11 - Employee and Retiree Benefits**

The Society maintains a 401(k) defined contribution plan covering all employees who are at least 21 years of age and have at least one year of service. Employees may contribute a percentage of their pretax compensation to the plan. The Society has agreed to match employee contributions in an amount equal to 100 percent of the first 3 percent of pretax contributions and 50 percent of the next 2 percent of pretax contributions made to the plan by each participant. In addition, the Society has agreed to contribute to the plan an amount equal to 2 percent of all participants' eligible compensation. Total employer contributions in 2019 and 2018 were \$937,535 and \$930,284, respectively.

The Society has established a Section 457(b) retirement income deferral plan for a select group of management or highly compensated employees that allows the eligible employees to defer a percentage of their pretax compensation. The Society may make contributions for the benefit of the employees. The Society contributed \$24,500 and \$18,000 to the plan in 2019 and 2018, respectively. Under the terms of the plan, amounts deferred by eligible employees are always vested, while separate vesting provisions may be established for amounts related to employer contributions. The assets in the plan are held in trust but remain the property of the Society and are subject to the claims of the Society's general creditors. The Society's liability for benefits under the plan is limited to the balance of assets in the plan. At December 31, 2019 and 2018, total assets of the plan were \$97,394 and \$453,277, respectively.

Employees retiring on or after attaining the age at which they may retire with full Social Security benefits who meet certain years of service requirements are eligible to continue coverage for group health insurance benefits. Eligible retirees with less than 25 years of service who choose to continue coverage are required to pay periodic premiums based on the retiree's length of service. All participants are required to pay future increases in cost of the coverage. In 2019 and 2018, retirees paid \$65,403 and \$58,770, respectively, toward this coverage. The Society funds these benefit costs on a pay-as-you-go basis; therefore, there are no plan assets. Benefit payments made by the Society were \$63,331 and \$57,402 in 2019 and 2018, respectively. The Society does not anticipate that the level of benefit payments will be significant to the Society over the next 10 years.

December 31, 2019 and 2018

**Note 11 - Employee and Retiree Benefits (Continued)**

The following table sets forth the plan's postretirement benefit obligation as of December 31:

	<u>2019</u>	<u>2018</u>
Accumulated postretirement benefit obligation:		
Retirees	\$ 519,000	\$ 520,000
Active employees eligible to retire	333,000	341,000
Active employees not eligible to retire	<u>3,749,000</u>	<u>2,862,000</u>
Accrued postretirement benefit cost	<u>\$ 4,601,000</u>	<u>\$ 3,723,000</u>

Components of net periodic postretirement benefit cost included the following components for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Service cost - Benefits earned during the year	\$ 201,000	\$ 234,000
Interest cost	155,000	142,000
Amortization of net gain	<u>(5,000)</u>	<u>-</u>
Total net periodic benefit cost	<u>\$ 351,000</u>	<u>\$ 376,000</u>

The assumed healthcare cost trend rate used in measuring the accumulated postretirement benefit obligation at December 31, 2019 and 2018 ranged from 6.00 for 2020 to 5.00 for 2024 and beyond, and 6.25 for 2019 to 5.00 for 2024 and beyond. For 2019 and 2018, the discount rates used in determining annual expenses were 4.21 and 3.60, respectively, and 3.21 and 4.21, respectively, for determining disclosure liabilities.

If the healthcare cost trend rate assumptions were increased by 1 percent, the accumulated postretirement benefit obligation as of December 31, 2019 would be increased by \$655,000. The effect of this change on the service and interest cost components of the net periodic postretirement benefit expense for 2019 would be an increase of \$62,000.

If the healthcare cost trend rate assumptions were decreased by 1 percent, the accumulated postretirement obligation as of December 31, 2019 would be decreased by \$529,000. The effect of this change on the service and interest cost components of the net periodic postretirement benefit expense for 2019 would be \$49,000.

December 31, 2019 and 2018

**Note 12 - Liquidity and Availability of Resources**

The following reflects the Society's financial assets as of December 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:

	2019	2018
Cash and cash equivalents	\$ 18,889,027	\$ 28,700,964
Certificates of deposit	17,317,249	-
Accounts receivable	2,033,690	1,339,336
Pledges receivable	13,671,177	4,275,273
Investments	298,997,469	257,285,118
Beneficial interest in a perpetual trust	1,418,637	1,262,298
	<u>352,327,249</u>	<u>292,862,989</u>
Financial assets - At year end		
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	19,336,365	4,652,018
Subject to appropriation	61,141,474	50,716,206
Beneficial interest in a perpetual trust	1,418,637	1,262,298
Restricted in perpetuity	13,015,977	13,015,977
Board designations - Quasi-endowment fund, as governed by the investment policy	<u>203,055,833</u>	<u>172,181,227</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 54,358,963</u>	<u>\$ 51,035,263</u>

The Society is substantially 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 its donors.

The Society has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Society invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

The Society also realizes there could be unanticipated liquidity needs, as well as seasonality. In addition, there are encumbrances on some of the more liquid aspects of the funds for long-term planning, including deferred maintenance, animal welfare upgrades, and deferred exhibit renovations.

Income from board-designated endowments is not restricted and, therefore, is available for general expenditure within the guidance of the investment policy. Historically, the Society draws on the endowment cyclically for significant capital projects. As described in Note 10, the quasi endowment has a spending rate of less than 4 percent at December 31, 2019 and 2018. A total of approximately \$505,000 of appropriations from the quasi endowment will be available within the next 12 months. Even though the Society does not intend to spend from its quasi endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi endowment could be made available if necessary. However, both the quasi endowment and donor-restricted endowments contain investments with lockup provisions that would reduce the total investments that could be made available (see Note 6 for disclosures about investments).