

# **Cleveland Zoological Society**

**Financial Statements  
December 31, 2018 and 2017**

## Independent Auditor's Report

To the Board of Directors of  
Cleveland Zoological Society

### Report on the Financial Statements

We have audited the accompanying financial statements of the Cleveland Zoological Society (the "Zoo Society," a nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended and the related statement of functional expenses for the year ended December 31, 2018, 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 audit to obtain reasonable assurance about whether the financial statements are free of 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.

To the Board of Directors of  
Cleveland Zoological Society

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Zoo Society as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2019, on our consideration of the Zoo Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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 Zoo Society's internal control over financial reporting and compliance.

*Cimini + Panichi, PC*

Cleveland, Ohio  
April 24, 2019

# Cleveland Zoological Society

## Statements of Financial Position

December 31, 2018 and 2017

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 922,875	\$ 1,215,313
Charitable gift annuities	215,902	240,390
Pledges receivable, net	1,269,427	916,575
Prepaid expenses and other assets	<u>50,562</u>	<u>51,600</u>
Total current assets	<u>2,458,766</u>	<u>2,423,878</u>
Office equipment, software, and network resources, at cost	714,938	650,122
Less: accumulated depreciation	<u>(606,819)</u>	<u>(537,846)</u>
	108,119	112,276
Other long-term assets:		
Pledges receivable, net	254,280	794,592
Marketable securities	12,117,384	13,473,605
Investments in pooled separate accounts	278,970	267,392
Beneficial interest in perpetual trusts	<u>542,750</u>	<u>642,203</u>
Total long-term assets	<u>13,193,384</u>	<u>15,177,792</u>
Total assets	\$ <u>15,760,269</u>	\$ <u>17,713,946</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable and accrued expenses	\$ 183,735	\$ 96,854
Other liabilities:		
Funds held for others	73,050	31,309
Conservation Fund	18,736	-
Amounts due to Cleveland Metropolitan Park District:		
Operating agreement	136,082	120,258
Special construction projects	-	500,000
Comprehensive campaign	<u>-</u>	<u>1,980,821</u>
Total amounts due to Cleveland Metropolitan Park District	<u>136,082</u>	<u>2,601,079</u>
Total current liabilities	411,603	2,729,242
Long-term liabilities:		
Liability under split-interest agreements	114,423	121,339
Deferred compensation	<u>283,970</u>	<u>292,392</u>
Total long-term liabilities	<u>398,393</u>	<u>413,731</u>
Total liabilities	809,996	3,142,973
Net assets:		
Without donor restrictions:		
Undesignated	999,151	836,652
Board-designated	<u>10,437,962</u>	<u>11,371,244</u>
Total net assets without donor restrictions	11,437,113	12,207,896
With donor restrictions	<u>3,513,160</u>	<u>2,363,077</u>
Total net assets	<u>14,950,273</u>	<u>14,570,973</u>
Total liabilities and net assets	\$ <u>15,760,269</u>	\$ <u>17,713,946</u>

The accompanying notes are an integral part of these financial statements

# Cleveland Zoological Society

## Statement of Activities

For the year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenues, and gains (losses):			
Contributions:			
Membership	\$ 3,307,442	\$ -	\$ 3,307,442
Individuals, corporations, and foundations	1,188,810	899,635	2,088,445
Comprehensive campaign	-	2,176,116	2,176,116
Special events	1,213,309	-	1,213,309
Less: Direct benefit to donor costs	(572,100)	-	(572,100)
Investment return	(482,760)	(39,413)	(522,173)
Change in value of split-interest agreements	(8,699)	(99,453)	(108,152)
Total support, revenues, and gains (losses)	<u>4,646,002</u>	<u>2,936,885</u>	<u>7,582,887</u>
Net assets released from restrictions	<u>1,786,802</u>	<u>(1,786,802)</u>	<u>-</u>
	6,432,804	1,150,083	7,582,887
Expenses:			
Program services	5,312,841	-	5,312,841
Management and general	761,881	-	761,881
Fundraising	<u>1,128,865</u>	<u>-</u>	<u>1,128,865</u>
Total expenses	<u>7,203,587</u>	<u>-</u>	<u>7,203,587</u>
Change in net assets	(770,783)	1,150,083	379,300
Net assets – beginning of year	<u>12,207,896</u>	<u>2,363,077</u>	<u>14,570,973</u>
Net assets – end of year	\$ <u>11,437,113</u>	\$ <u>3,513,160</u>	\$ <u>14,950,273</u>

The accompanying notes are an integral part of these financial statements

# Cleveland Zoological Society

## Statement of Activities

For the year ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenues, and gains:			
Contributions:			
Membership	\$ 3,165,119	\$ -	\$ 3,165,119
Individuals, corporations, and foundations	1,139,709	859,111	1,998,820
Comprehensive campaign	-	2,259,109	2,259,109
Special events	1,172,886	-	1,172,886
Less: Direct benefit to donor costs	(503,353)	-	(503,353)
Investment return	1,932,669	90,067	2,022,736
Change in value of split-interest agreements	<u>(6,123)</u>	<u>66,084</u>	<u>59,961</u>
Total support, revenues, and gains	6,900,907	3,274,371	10,175,278
Net assets released from restrictions	<u>4,772,823</u>	<u>(4,772,823)</u>	<u>-</u>
	11,673,730	(1,498,452)	10,175,278
Expenses:			
Program services	7,722,141	-	7,722,141
Management and general	608,078	-	608,078
Fundraising	<u>1,443,361</u>	<u>-</u>	<u>1,443,361</u>
Total expenses	<u>9,773,580</u>	<u>-</u>	<u>9,773,580</u>
Change in net assets	1,900,150	(1,498,452)	401,698
Net assets – beginning of year	<u>10,307,746</u>	<u>3,861,529</u>	<u>14,169,275</u>
Net assets – end of year	\$ <u>12,207,896</u>	\$ <u>2,363,077</u>	\$ <u>14,570,973</u>

The accompanying notes are an integral part of these financial statements

# Cleveland Zoological Society

## Statement of Functional Expenses

**For the year ended December 31, 2018**

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries and wages	\$ 568,680	\$ 409,866	\$ 476,581	\$ 1,455,127
Pension and employee fringe benefits	34,629	10,041	31,498	76,168
Payroll taxes	<u>40,667</u>	<u>18,620</u>	<u>37,398</u>	<u>96,685</u>
Total personnel expenses	643,976	438,527	545,477	1,627,980
Insurance	59,179	40,035	48,766	147,980
Professional Fees	-	130,265	29,200	159,465
Computer	9,522	48,817	14,482	72,821
Postage and shipping	271,724	1,921	17,936	291,581
Office supplies	24,582	5,340	15,271	45,193
Conference and meeting	9,277	2,608	15,789	27,674
Printing and publications	109,034	-	29,032	138,066
Special events	-	-	308,225	308,225
Grants	3,928,298	-	14,996	3,943,294
Dues and subscriptions	16,931	6,042	15,892	38,865
Advertising	13,980	-	34,562	48,542
Other	<u>226,338</u>	<u>19,353</u>	<u>39,237</u>	<u>284,928</u>
Total expenses before depreciation	5,312,841	692,908	1,128,865	7,134,614
Depreciation	<u>-</u>	<u>68,973</u>	<u>-</u>	<u>68,973</u>
Total	\$ <u>5,312,841</u>	\$ <u>761,881</u>	\$ <u>1,128,865</u>	\$ <u>7,203,587</u>

The accompanying notes are an integral part of these financial statements

# Cleveland Zoological Society

## Statements of Cash Flows

For the years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 379,300	\$ 401,698
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	68,973	87,517
Provision for doubtful accounts	-	4,844
Discount on pledges receivable	(99,283)	12,846
Net unrealized and realized losses (gains) on investments	865,263	(1,674,435)
Change in value of split-interest agreements	8,699	6,123
Change in value of beneficial interest in trusts	99,453	(66,084)
Contributions restricted to perpetual endowment	(2,250)	(48,250)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	286,743	(139,443)
Prepaid expenses and other assets	1,038	30,788
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	86,881	(6,834)
Deferred compensation	(8,422)	-
Other liabilities	60,477	23,840
Amounts due to Cleveland Metropolitan Park District	(2,464,997)	1,623,333
Net cash (used) provided by operating activities	(718,125)	255,943
Cash flows from investing activities:		
Purchases of office equipment	(64,816)	(16,845)
Purchases of investments	(1,735,422)	(1,280,637)
Proceeds from sales of investments	2,239,290	1,341,998
Net cash provided by investing activities	439,052	44,516
Cash flows from financing activities:		
Contributions received for perpetual endowment	2,250	48,250
Payments on annuity obligations	(15,615)	(16,260)
Net cash (used) provided by financing activities	(13,365)	31,990
Net (decrease) increase in cash and cash equivalents	(292,438)	332,449
Cash and cash equivalents, beginning of year	1,215,313	882,864
Cash and cash equivalents, end of year	\$ 922,875	\$ 1,215,313

The accompanying notes are an integral part of these financial statements

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 1: Summary of Significant Accounting Policies

#### Nature of Activities

The Cleveland Zoological Society (the “Zoo Society”) is the advancement partner of Cleveland Metroparks Zoo (the “Zoo”) in support of a shared mission – *We create compelling experiences that connect people with wildlife and inspire personal responsibility for conserving our natural world.* The strong public-private partnership between the Zoo and the nonprofit Zoo Society facilitates continuous improvements at the Zoo and contributes significantly to the quality of life in our region. With an average annual attendance of 1.1 million visitors and 40,000 household members, the Zoo and Zoo Society are recognized as a premier conservation education facility and as a top destination in Northeast Ohio.

The Zoo Society is governed by a Board of Directors and is a separate and distinct entity from the Cleveland Metropolitan Park District (the “District”). The Zoo Society’s activities are primarily in support of the District’s Zoo, subject to approval by the Zoo Society’s Board.

#### Basis of Presentation

The Zoo Society follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Zoo Society and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations, and are therefore available for use at the discretion of the Board of Directors and/or management for general operating purposes.

*Net Assets Without Donor Restrictions (Undesignated)* – Consists of net assets that are not subject to donor-imposed restrictions nor have been designated for a specific purpose by the Zoo Society’s Board of Directors. The purpose of these net assets is to provide support for the daily operations and the mission of the Zoo Society.

*Net Assets Without Donor Restrictions (Board-Designated)* – Consists of net assets that can be used only for the specific purposes determined by a formal action of the Zoo Society’s Board of Directors, which is the Zoo Society’s highest level of decision-making authority. Commitments may be changed or lifted only by the Zoo Society’s Board of Directors taking the same formal action that imposed the constraint originally. The purpose of Board-designated net assets is to provide funding to ensure the continuous operation of the Zoo Society (the Sustaining Fund) and to support initiatives to connect people with wildlife (the ZooFutures Fund). In addition, Board-designated funds are included, along with donor-restricted funds, in both the Animal Care Fund and the Conservation Fund.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 1: Summary of Significant Accounting Policies (continued)

#### Basis of Presentation (continued)

*Net Assets With Donor Restrictions* – Net assets whose use has been limited by donor-imposed time and/or purpose restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a donor stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Zoo Society to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy. (See note 7.)

#### Adopted Accounting Pronouncement

The FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities* in August 2016. This ASU changes the current reporting requirements for nonprofit organizations and their required disclosures. The changes include: (a) requiring the presentation of only two classes of net assets, entitled “net assets without donor restriction” and “net assets with donor restrictions,” (b) modifying the presentation and disclosures of underwater endowment funds, (c) requiring the use of the placed in service approach to recognize the releases from restriction for gifts utilized to acquire or construct long-lived assets, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes to the financial statements and to summarize the allocation methodologies utilized to allocate the costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity, and (f) modifying other financial statement reporting requirements and disclosures to enhance the usefulness of nonprofit financial statements. This ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Zoo Society’s financial statements have been updated to reflect the implementation of this standard. There was no impact on beginning net assets as a result of this implementation.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Functional Expenses

The statement of functional expenses presents expenses by functional and natural classification. Expenses directly attributable to program services, general and administrative, and fundraising are reported as expenses of that functional area. Payroll expenses have been allocated based on estimates between program, general and administrative, and fundraising functions based on job roles. Other indirect expenses have been allocated to functional areas on the basis of payroll per functional area as a percentage of total payroll costs.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 1: Summary of Significant Accounting Policies (continued)

#### Cash Equivalents

For purposes of the statements of cash flows, the Zoo Society considers unrestricted or short-term temporarily restricted, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Board-designated cash and cash equivalents within brokerage accounts are not considered cash and cash equivalents for purposes of the statements of cash flows. Such amounts have been classified as investments on the statements of financial position.

Cash receipts from the sale of donated financial assets that are converted nearly immediately into cash are classified as cash inflows from operating activities on the statements of cash flows, unless the donor restricted the use of contributed resources to long-term purposes, in which case those cash receipts are classified as cash inflows from financing activities.

#### Contributions and Pledges Receivable

Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor-imposed restrictions.

Unconditional pledges receivable are recognized as revenues in the period the promise is received. Conditional pledges receivable are recognized when the conditions upon which they depend are substantially met. The pledges are stated at their estimated fair value. Pledges that are to be received over a period of time greater than one year are discounted to their estimated fair value assuming their respective payment terms and an appropriate discount rate as of the date the pledge is received. The discount is amortized into contribution revenue over the term of the respective pledge agreement.

The Zoo Society and the Zoo are financially interrelated entities, in accordance with the “Transfers of Assets to a Not-for-Profit Organization” topic of the FASB ASC. Therefore, contributions raised by the Zoo Society on behalf of the Zoo are reported as contribution revenues with donor restrictions, and the amounts to be remitted to the Zoo are recorded as expense under the caption of “Cleveland Metropolitan Park District” in the accompanying statements of activities.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in investment income in the statements of activities, along with interest, dividends, and investment fees.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 1: Summary of Significant Accounting Policies (continued)

#### Office Equipment, Software, and Network Resources

Office equipment, software, and network resources are depreciated utilizing the straight-line method over their estimated useful lives ranging from three to ten years. The Zoo Society capitalizes purchases or donations of capital assets that exceed \$1,000. Purchased office equipment, software, and network resources are stated at cost.

Donations of capital assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire office equipment, software, and network resources, are reported as donor-restricted support.

#### Split-Interest Agreements

The Zoo Society receives gift annuities where donors contribute assets in exchange for the right to receive an annual return during their lifetimes. Upon receipt of a gift annuity, the Zoo Society records the fair value of the assets received and records a liability for the estimated present value of future cash outflows to the annuitant, determined on an actuarial basis, as a “liability under split-interest agreements” in the accompanying statements of financial position. The difference between the fair value of the assets received and the estimated liability is recorded as contribution revenue with donor restrictions or contribution revenue without donor restrictions in accordance with the donor’s intent in the accompanying statements of activities.

The Zoo Society holds beneficial interests in perpetual trusts. The Zoo Society records its share of the fair market value of such trusts as long-term assets and contribution revenue with donor restrictions at the date it is notified of its interest in such trusts. As the Zoo Society receives distributions from these trusts, it records the distributions as interest income. The interest income is classified as either revenue with donor restrictions or revenue without donor restrictions in accordance with the terms of the trust agreement. Changes in the fair value of the Zoo Society’s beneficial interest in perpetual trusts are recorded as gains/losses with donor restrictions in the accompanying statements of activities under the caption “change in value of split-interest agreements.”

#### In-Kind Contributions

In-kind contributions are reflected as revenues at their estimated fair value at the date of donation. Any difference between estimated fair value and value ultimately received is booked at final disposition. The Zoo Society reports gifts of media support, food for special events, and other non-monetary contributions as revenue without donor restrictions and expense (or capitalized, if applicable) unless accompanied by explicit donor-imposed restrictions, in which case, the contributions would be recorded as revenues with donor restrictions in accordance with donor stipulations.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 1: Summary of Significant Accounting Policies (continued)

#### Contributed Services

The Zoo Society recognizes contributions of services received when those services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation.

#### Income Taxes

The Zoo Society is tax-exempt, under Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986. No provision for federal income taxes has been reported in its financial statements. In addition, the Zoo Society has been classified as an organization that is not a “private foundation” within the meaning of Section 509(a) of the IRC.

In accordance with the “Income Taxes” topic of the FASB ASC, uncertain income tax positions are evaluated at least annually by management. As of December 31, 2018 and 2017, the Zoo Society has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended. The Zoo Society files information returns in the United States and local jurisdictions.

#### Concentrations of Credit Risk

Financial instruments which potentially subject the Zoo Society to concentrations of credit risk consist of cash and temporary investments, investment securities, and pledges receivable.

The Zoo Society maintains its cash and cash equivalents with national financial institutions, the balances at times may exceed federally insured limits.

The Zoo Society has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are supervised by the Directors. The investment advisors are required to manage the Zoo Society’s investments in accordance with the Zoo Society’s investment policy. The investment policy contains investment criteria that the Zoo Society believes should reduce, to an extent, the potential for significant concentrations of credit risk. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Directors believe that the investment policy is prudent for the long-term welfare of the Zoo Society.

Credit risk with respect to pledges receivable is limited due to the number and credit worthiness of the foundations, corporations, and individuals who comprise the contributor base.

#### Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported total net assets. As part of these reclassifications, \$51,679 was reclassified from undesignated net assets without donor restrictions to board-designated net assets without donor restrictions at December 31, 2017.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 1: Summary of Significant Accounting Policies (continued)

#### Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date of adoption by the Zoo Society until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The Zoo Society has not elected earlier adoption. FASB also issued ASU 2016-08 that addresses principal versus agent considerations in recognizing revenue from contracts with customers. The amendments in these updates are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management has evaluated the material impacts of adoption. Management has concluded that certain membership revenues will have to be recognized on a net basis as an offset against operating expenses under the Operating Agreement. This would result in a reduction of membership income and an offsetting reduction in Grants Expense. Management evaluation of the impact of the adoption will continue through the date of adoption.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which clarifies the presentation of restricted cash as included in the cash balances in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption of this ASU is permitted. Management does not expect the impact of implementing this ASU to have an effect on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange transactions subject to the guidance issued under ASU 2014-09. This ASU gives further guidance related to when a contribution is deemed to be conditional such that recognition of revenue should be delayed until conditions are substantially met. This ASU is effective for fiscal years beginning after December 15, 2018 for recipients of funds and for fiscal years beginning after December 15, 2019 for resource providers. Early adoption is permitted. Management is currently evaluating the impact of this ASU on its financial statements.

#### Subsequent Events

In preparing these financial statements, the Zoo Society has evaluated events and transactions for potential recognition or disclosure through April 24, 2019, the date the financial statements were available to be issued.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 2: Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Unrestricted – available for operating expenses	\$ 336,861	\$ 1,027,489
Donor-restricted for short-term purposes	512,964	156,515
Funds held for others	<u>73,050</u>	<u>31,309</u>
	<u>\$ 922,875</u>	<u>\$ 1,215,313</u>

### Note 3: Pledges Receivable

Pledges receivable, net of applicable discounts to estimated fair value and allowance for uncollectible pledges receivable, are comprised of the following at December 31:

	<u>2018</u>	<u>2017</u>
Unrestricted – available for operating expenses	\$ 394,107	\$ 38,664
Restricted for Scott Neotropical Fund	50,000	50,000
Restricted for education	200,000	312,500
Restricted for conservation	75,000	120,000
Restricted for comprehensive campaign	<u>804,600</u>	<u>1,190,003</u>
	<u>\$ 1,523,707</u>	<u>\$ 1,711,167</u>

Pledges were discounted to their estimated fair value assuming their respective terms and discount rates ranging from 3.25% to 5.50% dependent upon prevailing rates in the year in which a pledge was received. The pledges receivable are scheduled to be collected as follows:

	<u>2018</u>	<u>2017</u>
Payable within one year	\$ 1,312,709	\$ 974,099
Payable in two years	273,055	530,400
Payable in three years	64,500	295,500
Payable in four years	<u>10,750</u>	<u>162,000</u>
	1,661,014	1,961,999
Less: discounts to fair value	(94,025)	(193,308)
Less: allowance for uncollectible pledges receivable	<u>(43,282)</u>	<u>(57,524)</u>
Net pledges receivable	<u>\$ 1,523,707</u>	<u>\$ 1,711,167</u>

# **Cleveland Zoological Society**

## **Notes to Financial Statements**

**December 31, 2018 and 2017**

### **Note 3: Pledges Receivable (continued)**

#### **The Joan Rog Graduate Student Research Award**

During 2015, the Zoo Society received a conditional promise to give of \$25,000 for the Joan Rog Graduate Student Research Award. The funds are to be received in \$5,000 increments over a period of five years. The annual payments are conditioned upon the donor receiving student applications for the donor's review and approval. The Zoo Society recognized revenue related to this conditional promise to give of \$-0- and \$5,570 during the years ending December 31, 2018 and December 31, 2017, respectively, and has received a total of \$16,570 related to this conditional promise to give through December 31, 2018.

#### **Ohio Facilities Commission**

The State of Ohio awarded a \$200,000 commitment to the Zoo Society through the Ohio Facilities Commission in August 2016. The commitment was conditional upon the funds being utilized for an exhibit that is complete and open to the public. During 2018, the Zoo Society met the conditions of this award and recognized \$200,000 of contribution revenue.

#### **Kent H. Smith Charitable Trust**

The Kent H. Smith Charitable Trust awarded a \$750,000 commitment to the Zoo Society over a three-year period, beginning in 2017. The commitment is conditional upon the Zoo Society securing at least \$250,000 in matching capital contributions during the preceding year. During 2017, the Zoo Society recognized the first \$250,000 related to this promise as it had met the matching requirement. During 2018, the Zoo Society recognized an additional \$250,000, thus, leaving a \$250,000 remaining conditional promise to give at December 31, 2018.

#### **Corporate Matches**

The Zoo Society periodically receives gifts which include corporate matches that are conditioned upon the Zoo Society receiving payment from an individual donor. Total corporate matches potentially receivable at December 31, 2018 are approximately \$30,000.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 4: Investments

The following schedule summarizes investment return for the years ended December 31:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 328,714	\$ 14,376	\$ 343,090
Net realized and unrealized losses	<u>(811,474)</u>	<u>(53,789)</u>	<u>(865,263)</u>
Investment return	<u>\$ (482,760)</u>	<u>\$ (39,413)</u>	<u>\$ (522,173)</u>

  

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 304,078	\$ 11,504	\$ 315,582
Net realized and unrealized gains	<u>1,628,591</u>	<u>78,563</u>	<u>1,707,154</u>
Investment return	<u>\$ 1,932,669</u>	<u>\$ 90,067</u>	<u>\$ 2,022,736</u>

Included in marketable securities at December 31, 2018 and 2017, was \$10,437,962 and \$11,371,244, respectively, of board-designated net assets.

### Note 5: Fair Value Measurements

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the Zoo Society uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management’s judgment about the assumptions that a market participant would use in pricing the asset or liability and are based on the best available information, which has been internally developed.

# Cleveland Zoological Society

## Notes to Financial Statements

**December 31, 2018 and 2017**

**Note 5: Fair Value Measurements (continued)**

Financial assets (liabilities) measured at fair value on a recurring basis consisted of the following at December 31:

	Level 1	Level 2	Level 3	2018
Cash in money market and certificates of deposit	\$ 1,607,165	\$ -	\$ -	\$ 1,607,165
Mutual funds – equities	7,632,556	-	-	7,632,556
Mutual funds – fixed income	3,125,779	-	-	3,125,779
Mutual funds – blend	218,223	-	-	218,223
Mutual funds – real estate	2,191	-	-	2,191
Exchange traded funds – equities	26,342	-	-	26,342
Beneficial interests in perpetual trusts	-	542,750	-	542,750
Deferred compensation	(283,970)	-	-	(283,970)
	\$ 12,328,286	\$ 542,750	\$ -	\$ 12,871,036

	Level 1	Level 2	Level 3	2017
Cash in money market and certificates of deposit	\$ 777,651	\$ -	\$ -	\$ 777,651
Common stock	3,548	-	-	3,548
Mutual funds – equities	9,470,432	-	-	9,470,432
Mutual funds – fixed income	3,584,092	-	-	3,584,092
Mutual funds – blend	100,314	-	-	100,314
Mutual funds – real estate	12,400	-	-	12,400
Exchange traded funds – equities	32,950	-	-	32,950
Beneficial interests in perpetual trusts	-	642,203	-	642,203
Deferred compensation	(292,392)	-	-	(292,392)
	\$ 13,688,995	\$ 642,203	\$ -	\$ 14,331,198

The fair value of the beneficial interests in perpetual trusts is based upon the value of the underlying assets within the trusts multiplied by the Zoo Society's proportionate share of said trusts. As the underlying assets within these trusts are primarily Level 1 investments, the value of the Zoo Society's interests in the perpetual trusts is shown as a Level 2 measurement as the trusts themselves are not actively traded (Level 1) instruments.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 6: Board-Designated Net Assets

The Board of Directors establishes and maintains Board-designated funds. The Sustaining Fund and the ZooFutures Fund comprise a significant majority of the Board-designated net assets of the Zoo Society. Additionally, the Zoo Society has designated funds to support the Animal Care and Conservation Funds.

The Sustaining Fund was established in 1991 with the express purpose of ensuring the Zoo Society's continuing existence by providing a source of operating funds to the Zoo Society in the event of economic hardship. The Sustaining Fund, in year 2011 and beyond, may be used to fund discretionary annual distributions to the Zoo Society and fund short-term loans to the Zoo Society to supplement capital campaign or other cash flow management issues; so long as the Sustaining Fund balance remains above 50% of the Zoo Society's current budgeted annual operating expenses. There were no approved discretionary annual distributions at both December 31, 2018 and 2017. However, the Zoo Society expended \$-0- and \$2,992, for the years ended December 31, 2018 and 2017, respectively, from previously approved discretionary distributions.

The ZooFutures Fund, a quasi-endowment fund, was established in 1998 with the express purpose of receiving planned gifts and other contributions, and is administered and operated in support of Zoo Society activities.

In December 2016, the Board of Directors established three funds for the purpose of receiving donor-restricted endowed gifts – the Animal Care Fund, the Conservation Fund, and the Education Fund. The Board of Directors also acted to allocate a portion of its Board-designated net assets into the Animal Care Fund and the Conservation Fund. These Board-designated net assets, in combination with donor-restricted net assets, provide targeted support for three of the Zoo Society's primary mission foci. The first distributions from the Animal Care and Conservation Funds were made in 2018 based on applicable investment performance criteria.

Board-designated net assets were as follows at December 31:

	<u>2018</u>	<u>2017</u>
Sustaining Fund	\$ 5,410,317	\$ 5,995,494
ZooFutures Fund	3,396,925	3,596,482
Conservation Fund	1,099,256	1,189,980
Animal Care Fund	531,464	589,288
	<u>\$ 10,437,962</u>	<u>\$ 11,371,244</u>

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 7: Net Asset Classification of Endowment and Quasi-Endowment Funds

The Zoo Society maintains several funds consisting of both Board-designated and donor-restricted assets established to support a variety of programs. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Zoo Society has interpreted the State of Ohio enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Zoo Society classifies within net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Zoo Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the funds.
- (2) The purposes of the Zoo Society and the donor-restricted endowment funds.
- (3) General economic conditions.
- (4) The investment policies of the Zoo Society.

Endowment Net Asset Composition by type of fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 504,793	\$ 504,793
Board-designated quasi-endowment funds	5,027,645	-	5,027,645
Total funds	\$ <u>5,027,645</u>	\$ <u>504,793</u>	\$ <u>5,532,438</u>

# Cleveland Zoological Society

## Notes to Financial Statements

**December 31, 2018 and 2017**

**Note 7: Net Asset Classification of Endowment and Quasi-Endowment Funds (continued)**

Endowment Net Asset Composition by type of fund as of December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 546,908	\$ 546,908
Board-designated quasi-endowment funds	<u>5,375,750</u>	<u>-</u>	<u>5,375,750</u>
Total funds	<u>\$ 5,375,750</u>	<u>\$ 546,908</u>	<u>\$ 5,922,658</u>

Changes in Endowment Net Assets for the fiscal year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,375,750	\$ 546,908	\$ 5,922,658
Investment return:			
Interest and dividends	122,665	14,376	137,041
Net realized and unrealized losses	<u>(447,132)</u>	<u>(53,789)</u>	<u>(500,921)</u>
Total investment return	(324,467)	(39,413)	(363,880)
Contributions to perpetual endowment	141,923	2,250	144,173
Appropriation of endowment assets for expenditure	<u>(165,561)</u>	<u>(4,952)</u>	<u>(170,513)</u>
Endowment net assets, end of year	<u>\$ 5,027,645</u>	<u>\$ 504,793</u>	<u>\$ 5,532,438</u>

Changes in Endowment Net Assets for the fiscal year ended December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,408,221	\$ 477,032	\$ 4,885,253
Investment return:			
Interest and dividends	111,435	11,504	122,939
Net realized and unrealized gains	<u>771,705</u>	<u>78,563</u>	<u>850,268</u>
Total investment return	883,140	90,067	973,207
Contributions to perpetual endowment	220,710	49,050	269,760
Net assets released from restrictions	51,679	(51,679)	-
Appropriation of endowment assets for expenditure	<u>(188,000)</u>	<u>(17,562)</u>	<u>(205,562)</u>
Endowment net assets, end of year	<u>\$ 5,375,750</u>	<u>\$ 546,908</u>	<u>\$ 5,922,658</u>

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 7: Net Asset Classification of Endowment and Quasi-Endowment Funds (continued)

#### Return Objectives and Risk Parameters

The Zoo Society has adopted investment and spending policies for long-term invested assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. Assets include those assets of donor-restricted funds that the Zoo Society must hold in perpetuity or for a donor-specified period(s), as well as Board-designated funds. Under this policy, as approved by the Board of Directors, investments of all Zoo Society assets are directed by the Finance Committee of the Zoo Society utilizing professional fund managers. The standard for the Finance Committee with regard to Board-designated and donor-restricted assets shall be the preservation of corpus while prudently maximizing real growth. The Zoo Society will conduct a quarterly monitoring of the portfolio. Investment performance will be measured against comparative market indices including the Standard & Poor 500 Index, as well as other comparable indices. The performance of the overall portfolio will also be monitored quarterly and compared against appropriate benchmarks.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Zoo 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 Zoo 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

Recommendations for the use of ZooFutures, Animal Care, and Conservation Fund assets free of donor restriction shall be the responsibility of the Finance Committee as part of the annual budget process. Appropriations from both donor-restricted funds and Board-designated funds without donor restrictions shall not, in any calendar year, exceed a sum equal to 5% of the twelve-quarter rolling average of the Fund assets. Amounts that have been approved for expenditure, in any given year, but not expended by the end of year, are carried over to subsequent years. As of December 31, 2018 the Board authorized \$18,951 and \$14,906 more for appropriation than was actually expended from the ZooFutures Fund and Animal Care Fund, respectively. These amounts can be spent in subsequent years in addition to the amount authorized for those subsequent years.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 8: Split-Interest Agreements

The Zoo Society administers various charitable gift annuities. Under these agreements, the Zoo Society remits fixed payments to the donors on a quarterly basis. Interest rates range from 4.7% to 8.9%. Using applicable mortality tables, quarterly payments are estimated to extend through 2036. Investments, primarily mutual funds, held in charitable gift annuities aggregated \$215,902 and \$240,390 at December 31, 2018 and 2017, respectively, and are reported at fair value in the statements of financial position. Included in liability under split-interest agreements is \$114,423 and \$121,339 at December 31, 2018 and 2017, respectively, related to these agreements.

Beneficial interest in perpetual trusts include two separate trust funds that have been instructed to provide the Zoo Society with the unrestricted use of the Zoo Society's respective portion of the trusts' income in accordance with the trusts' documents. The Zoo Society has an irrevocable right to receive the income from the trusts' assets in perpetuity. The Zoo Society's share of the trusts' assets, which had a market value on December 31, 2018 and 2017 of \$542,750 and \$642,203, respectively, are included in the accompanying statements of financial position. The trusts' investments are managed by external Directors designated by the donors. As such, the Zoo Society does not control the allocation of the trusts' investments.

### Note 9: Net Assets with Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose or period:		
Conservation and research	\$ 428,948	\$ 396,955
Education	397,988	577,516
Comprehensive campaign	951,318	-
Animal Care Fund	537,363	199,495
ZooFutures	150,000	-
Appreciation of specific donor-restricted endowments (time restricted)	<u>118,543</u>	<u>162,908</u>
	<u>2,584,160</u>	<u>1,336,874</u>
Endowments subject to the Zoo Society's spending policy and appropriation:		
Animal Care Fund	386,250	384,000
Perpetual trusts	<u>542,750</u>	<u>642,203</u>
	<u>929,000</u>	<u>1,026,203</u>
Total net assets with donor restrictions:	\$ <u>3,513,160</u>	\$ <u>2,363,077</u>

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 9: Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions were released from donor restrictions by incurring expenditures satisfying the purpose and/or time restrictions specified by donors as follows during the years ended December 31:

	<u>2018</u>	<u>2017</u>
Conservation and research	\$ 215,094	\$ 304,329
Education	281,353	330,377
Comprehensive campaign	1,224,798	4,091,710
Animal Care Fund	60,605	28,845
ZooFutures	<u>4,952</u>	<u>17,562</u>
	<u>\$ 1,786,802</u>	<u>\$ 4,772,823</u>

### Note 10: Cleveland Metropolitan Park District

The Zoo Society provides support to the Cleveland Metropolitan Park District for a variety of Zoo programs and functions. Support is summarized below for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Operating agreement	\$ 2,069,106	\$ 2,039,499
Levy support and lobbying	15,000	15,000
Animal care and research	116,003	156,552
Capital projects	875,081	3,493,621
Field conservation	571,755	544,768
Education	<u>281,353</u>	<u>330,377</u>
	<u>\$ 3,928,298</u>	<u>\$ 6,579,817</u>

### Operating Agreement

In September 1997, the Zoo Society entered into an agreement with the District whereby the Zoo Society guarantees the District a specific dollar amount equivalent to aggregate annual membership contributions for membership categories where the dues are \$125 or less. This percentage began at 55% in 1998 and progressively increased to a maximum level of 70% for 2002 and thereafter. The agreement has an ongoing annual renewal clause that grants the parties the ability to request renegotiation or cancellation. The District recognizes the Society's annual operating support to the Zoo's operating budget to help finance key areas including, but not limited to: Zoo education; outreach programs; animal health, care, and welfare; horticultural and Zoo grounds beautification; and quality Zoo guest services.

Effective January 1, 2013, the Zoo Society and the District amended the agreement. The terms of this amended agreement guarantee amounts equivalent to 65% and 7% of gross membership revenues as described in the previous agreement noted with the 65% target towards the Zoo's operating budget and the 7% targeted towards mutually agreeable Zoo priorities that are mission-relevant, have donor appeal, and advance the joint strategic plan. Under this agreement, the Zoo Society has recorded aggregate Zoo support of \$2,069,106 and \$2,039,499 for 2018 and 2017, respectively. Upon its expiration on December 31, 2018, the amended agreement was extended through December 31, 2019.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 10: Cleveland Metropolitan Park District (continued)

Included in “amounts due to Cleveland Metropolitan Park District – operating agreement” on the statements of financial position is \$136,082 and \$120,258 which is owed to the District under the above agreements at December 31, 2018 and 2017, respectively. Included in “accounts payable and accrued expenses” on the statements of financial position is \$19,046 and \$14,527 which is owed to the District not related to the above agreements at December 31, 2018 and 2017, respectively.

### Comprehensive Campaign – Passport to the Wild

In December 2014, the Zoo Society formally accepted a statement of intent for a comprehensive campaign with a total fundraising goal of \$30 million. This statement of intent outlined certain roles and responsibilities involving the Zoo Society. The funds raised in the campaign will come in the form of grants and other restricted gifts and will be used to support various campaign initiatives, including animal habitats, capital improvements, endowment funds, programming for education, conservation and research, fundraising, and marketing and communications expenses incurred related to the campaign. One major contingency related to the Zoo Society’s intention is the Zoo Society’s ability to raise and collect funds for the campaign.

During 2017, the Zoo Society committed approximately \$3,400,000 to the District, of which \$1 million was remitted to the District during 2017. The remaining \$2,480,821, which was included in amounts due to Cleveland Metropolitan Park District at December 31, 2017, were remitted to the District during 2018. In addition, the Zoo Society approved and paid an additional grant of approximately \$819,000 to the District during 2018.

### Note 11: Allocation of Joint Costs

For the years ended December 31, 2018 and 2017, the Zoo Society incurred costs for producing and distributing membership publications. These publications included – information, materials, and activities that included fundraising appeals. These costs were allocated to fundraising and program services as follows:

	<u>2018</u>	<u>2017</u>
Fundraising	\$ 118,960	\$ 91,846
Program services	<u>466,688</u>	<u>397,997</u>
	<u>\$ 585,648</u>	<u>\$ 489,843</u>

### Note 12: In-Kind Contributions

For the years ended December 31, 2018 and 2017, \$243,470 and \$267,945, was included as unrestricted special events support and revenues (without donor restrictions) and expenses on the statements of activities, respectively. During both years ending December 31, 2018 and 2017, in-kind contributions primarily consisted of donated advertising/media gifts.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 13: Defined Contribution Plans

Effective January 1, 1999, the Zoo Society adopted a 403(b) defined contribution plan (the “Plan”). The Plan covers all employees who work 1,000 hours or more during a calendar year. Each participant may elect to defer a portion of their annual compensation and the Zoo Society will make a matching contribution up to 3% of the participant’s compensation. During 2018 and 2017, the amount of expense related to this Plan was \$66,706 and \$60,218, respectively.

Effective January 1, 2005, the Zoo Society adopted a 457(b) executive deferred compensation plan (the “Executive Plan”). Participation in the Executive Plan is limited to those determined eligible by the Human Resources Committee of Zoo Society’s Board of Directors. Participants may elect annually to defer a portion of their compensation. The Human Resources Committee may annually elect to provide employer contributions to the Executive Plan. Participants are immediately vested in their elected deferral amounts and vested in the employer contributions over a three-year service period or upon their death or permanent disability. The amount of expense related to this Executive Plan was \$5,000 and \$25,000 for the years ended December 31, 2018 and 2017, respectively.

The assets of the Executive Plan are included in the “investments in pooled separate accounts” on the accompanying statements of financial position. At December 31, 2018 and 2017, the total assets under the plan recorded in the accompanying statements of financial position were \$278,970 and \$267,392, respectively. The fair value of the assets under the Executive Plan is based upon the net asset value (NAV) of units held by the Zoo Society at year-end, which is provided by the administrator of the pooled separate accounts. The NAV, as provided by the administrator of the accounts, is used as a practical expedient to estimate fair value. The NAV is based on the value of the underlying investments held in the accounts, minus its liabilities, and then divided by the number of units outstanding.

The liability under the Executive Plan is included in “deferred compensation” on the accompanying statements of financial position. At December 31, 2018 and 2017, the total liability under the plan recorded in the accompanying statements of financial position was \$283,970 and \$292,392, respectively. The fair value of the deferred compensation liability is based upon the value of the total benefit available to the participants of the Executive Plan. The benefit available to the participants of the Executive Plan is equal to the underlying assets in the participants’ book accounts. As such, the value of liability is equal to the assets under the Executive Plan, plus \$5,000 and \$25,000 at December 31, 2018 and 2017, respectively, for amounts accrued but not yet invested in the pooled separate accounts.

### Note 14: Related-Party Transactions

At December 31, 2018 and 2017, \$499,741 and \$745,061 of pledges receivable and \$893,015 and \$562,307 of support and revenue, respectively, were from Directors, trustee-related organizations, and employees.

The Zoo Society receives donated office facilities, including office space, common space, utilities, computer and telephonic services from Cleveland Metroparks. The amount of such services cannot be reasonably estimated due to the unique nature of the space. Therefore, no amounts are recorded on the statements of activities for the years ended December 31, 2018 or 2017.

# Cleveland Zoological Society

## Notes to Financial Statements

**December 31, 2018 and 2017**

**Note 15: Liquidity and Availability of Resources**

The Zoo Society maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Zoo Society maintains Board Designated funds (net assets without donor restrictions) that the Zoo Society intends to hold for purposes as outlined in the *Long-Term Asset Management and Investment Policy* which could be made available for current operations, if necessary.

The Zoo Society's financial assets available within one year of December 31 for general expenditures are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 922,875	\$ 1,215,313
Pledges receivable, net	1,523,707	1,711,167
Marketable securities	12,117,384	13,473,605
Charitable gift annuities	<u>215,902</u>	<u>240,390</u>
	14,779,868	16,640,475
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Funds held for others included in cash and cash equivalents	73,050	31,309
Restricted by donors – purpose restrictions	2,465,617	1,173,966
Restricted by donors – implied time restrictions	118,543	162,908
Restricted by donors – held in perpetuity	<u>386,250</u>	<u>384,000</u>
	<u>3,043,460</u>	<u>1,752,183</u>
 Amounts unavailable to management without Board's approval:		
Board designated- ZooFutures, Animal Care & Conservation funds	5,027,645	5,375,750
Board designated – Sustaining Fund	5,410,317	5,995,494
Board designated – approved distribution from Sustaining Fund for following year operations	<u>(285,000)</u>	<u>-</u>
	<u>10,152,962</u>	<u>11,371,244</u>
 Total financial assets available to management for general expenditures within one year	 \$ <u>1,583,446</u>	 \$ <u>3,517,048</u>