

# **Cleveland Zoological Society**

**Financial Statements  
December 31, 2020 and 2019**

## 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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2020 and 2019, 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.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule on page 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2021, 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.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
April 23, 2021

# Cleveland Zoological Society

## Statements of Financial Position

December 31, 2020 and 2019

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 799,673	\$ 828,526
Charitable gift annuities	241,982	232,908
Pledges receivable, net	3,105,616	1,052,092
Prepaid expenses and other assets	62,665	63,854
Total current assets	<u>4,209,936</u>	<u>2,177,380</u>
Office equipment, software, and network resources, at cost	774,268	692,447
Less: accumulated depreciation	<u>(641,521)</u>	<u>(590,349)</u>
	132,747	102,098
Other long-term assets:		
Pledges receivable, net	718,678	1,129,503
Marketable securities	16,908,673	15,498,488
Investments in pooled separate accounts	366,417	329,267
Beneficial interest in perpetual trusts	656,551	640,794
Total long-term assets	<u>18,650,319</u>	<u>17,598,052</u>
Total assets	<u>\$ 22,993,002</u>	<u>\$ 19,877,530</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable and accrued expenses	\$ 161,859	\$ 166,301
Other liabilities:		
Funds held for others	84,418	83,905
Amounts due to Cleveland Metropolitan Park District:		
Operating agreement	210,659	596,979
Operating agreement- Conservation funding	39,095	30,909
Rhino yard expansion	-	1,804,000
Office renovation	3,000,000	-
Zipline	500,000	-
RainForest renovation	545,753	-
Animal Care program	189,862	-
Total amounts due to Cleveland Metropolitan Park District	<u>4,485,369</u>	<u>2,431,888</u>
Deferred revenue	<u>297,748</u>	<u>473,735</u>
Total current liabilities	5,029,394	3,155,829
Long-term liabilities:		
Liability under split-interest agreements	64,108	68,838
Deferred compensation	366,417	329,267
Total long-term liabilities	<u>430,525</u>	<u>398,105</u>
Total liabilities	5,459,919	3,553,934
Net assets:		
Without donor restrictions:		
Undesignated	223,975	220,660
Board-designated	14,081,634	12,718,152
Total net assets without donor restrictions	<u>14,305,609</u>	<u>12,938,812</u>
With donor restrictions	<u>3,227,474</u>	<u>3,384,784</u>
Total net assets	<u>17,533,083</u>	<u>16,323,596</u>
Total liabilities and net assets	<u>\$ 22,993,002</u>	<u>\$ 19,877,530</u>

The accompanying notes are an integral part of these financial statements

# Cleveland Zoological Society

## Statement of Activities

**For the year ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, and gains:			
Contributions:			
Membership	\$ 907,926	\$ -	\$ 907,926
Individuals, corporations, and foundations	1,298,883	1,532,111	2,830,994
Capital projects	-	3,326,505	3,326,505
Paycheck Protection Program grant (Note 1)	285,960	-	285,960
Special events	121,684	-	121,684
Less: direct benefit to donor costs	(10,404)	-	(10,404)
Investment return, net	1,891,197	128,853	2,020,050
Change in value of split-interest agreements	(10,886)	15,757	4,871
Total support, revenues, and gains	4,484,360	5,003,226	9,487,586
Net assets released from restrictions	5,160,536	(5,160,536)	-
	9,644,896	(157,310)	9,487,586
Expenses:			
Program services	7,159,331	-	7,159,331
Management and general	424,877	-	424,877
Fundraising	693,891	-	693,891
Total expenses	8,278,099	-	8,278,099
Change in net assets	1,366,797	(157,310)	1,209,487
Net assets – beginning of year	12,938,812	3,384,784	16,323,596
Net assets – end of year	\$ 14,305,609	\$ 3,227,474	\$ 17,533,083

The accompanying notes are an integral part of these financial statements

# Cleveland Zoological Society

## Statement of Activities

**For the year ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, and gains:			
Contributions:			
Membership	\$ 1,119,424	\$ -	\$ 1,119,424
Individuals, corporations, and foundations	956,930	600,790	1,557,720
Capital projects	-	2,356,113	2,356,113
Special events	1,314,387	-	1,314,387
Less: direct benefit to donor costs	(694,976)	-	(694,976)
Investment return, net	2,516,040	140,895	2,656,935
Change in value of split-interest agreements	31,762	98,044	129,806
Total support, revenues, and gains	5,243,567	3,195,842	8,439,409
Net assets released from restrictions	3,324,218	(3,324,218)	-
	8,567,785	(128,376)	8,439,409
Expenses:			
Program services	5,064,412	-	5,064,412
Management and general	550,427	-	550,427
Fundraising	1,052,113	-	1,052,113
Total expenses	6,666,952	-	6,666,952
Change in net assets	1,900,833	(128,376)	1,772,457
Net assets – beginning of year	11,037,979	3,513,160	14,551,139
Net assets – end of year	\$ 12,938,812	\$ 3,384,784	\$ 16,323,596

The accompanying notes are an integral part of these financial statements

# Cleveland Zoological Society

## Statement of Functional Expenses

For the year ended December 31, 2020

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries and wages	\$ 603,622	\$ 153,303	\$ 477,326	\$ 1,234,251
Pension and employee fringe benefits	59,472	7,059	11,238	77,769
Payroll taxes	43,157	14,510	34,680	92,347
Total personnel expenses	<u>706,251</u>	<u>174,872</u>	<u>523,244</u>	<u>1,404,367</u>
Insurance	57,019	27,932	47,900	132,851
Professional Fees	-	84,330	1,100	85,430
Computer	14,905	55,267	14,086	84,258
Postage and shipping	222,437	517	17,740	240,694
Office supplies	48,196	11,000	8,288	67,484
Conference and meeting	3,847	526	2,894	7,267
Printing and publications	12,948	-	9,403	22,351
Special events	-	-	11,348	11,348
Grants	5,895,505	-	-	5,895,505
Dues and subscriptions	22,204	4,769	16,128	43,101
Advertising	30,237	-	9,755	39,992
Other	145,782	14,492	42,409	202,683
Total expenses before depreciation	7,159,331	373,705	704,295	8,237,331
Depreciation	<u>-</u>	<u>51,172</u>	<u>-</u>	<u>51,172</u>
Total expenses	7,159,331	424,877	704,295	8,288,503
Less: expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(10,404)</u>	<u>(10,404)</u>
Total	<u>\$ 7,159,331</u>	<u>\$ 424,877</u>	<u>\$ 693,891</u>	<u>\$ 8,278,099</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, 2019

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries and wages	\$ 566,176	\$ 262,145	\$ 408,550	\$ 1,236,871
Pension and employee fringe benefits	77,675	15,514	28,838	122,027
Payroll taxes	40,286	23,509	28,475	92,270
Total personnel expenses	<u>684,137</u>	<u>301,168</u>	<u>465,863</u>	<u>1,451,168</u>
Insurance	51,969	39,942	41,756	133,667
Professional Fees	-	65,489	12,670	78,159
Computer	10,092	58,447	13,818	82,357
Postage and shipping	243,691	3,251	23,855	270,797
Office supplies	61,565	5,354	2,207	69,126
Conference and meeting	12,544	1,888	5,862	20,294
Printing and publications	74,095	-	2,604	76,699
Special events	-	-	1,042,613	1,042,613
Grants	3,726,790	-	58,588	3,785,378
Dues and subscriptions	18,549	6,510	16,361	41,420
Advertising	17,254	-	13,014	30,268
Other	163,726	19,168	47,878	230,772
Total expenses before depreciation	5,064,412	501,217	1,747,089	7,312,718
Depreciation	<u>-</u>	<u>49,210</u>	<u>-</u>	<u>49,210</u>
Total expenses	5,064,412	550,427	1,747,089	7,361,928
Less: expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(694,976)</u>	<u>(694,976)</u>
Total	<u>\$ 5,064,412</u>	<u>\$ 550,427</u>	<u>\$ 1,052,113</u>	<u>\$ 6,666,952</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, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,209,487	\$ 1,772,457
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	51,172	49,210
Provision for doubtful accounts	(34,814)	76,589
Discount on pledges receivable	21,354	298,122
Net unrealized and realized gains on investments	(1,716,724)	(2,268,676)
Change in value of split-interest agreements	10,886	(31,762)
Change in value of beneficial interest in trusts	(15,757)	(98,044)
Contributions restricted to perpetual endowment	-	(14,274)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(1,629,239)	(1,032,599)
Prepaid expenses and other assets	1,189	(13,292)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(4,442)	(17,434)
Deferred compensation	37,150	45,297
Funds held for others	513	10,855
Amounts due to Cleveland Metropolitan Park District	2,053,481	2,277,070
Deferred revenue	(175,987)	74,601
Net cash (used) provided by operating activities	(191,731)	1,128,120
Cash flows from investing activities:		
Purchases of office equipment	(81,821)	(43,189)
Purchases of investments	(3,702,146)	(4,678,145)
Proceeds from sales of investments	3,962,461	3,498,414
Net cash provided (used) by investing activities	178,494	(1,222,920)
Cash flows from financing activities:		
Contributions received for perpetual endowment	-	14,274
Payments on annuity obligations	(15,616)	(13,823)
Net cash (used) provided by financing activities	(15,616)	451
Net decrease in cash and cash equivalents	(28,853)	(94,349)
Cash and cash equivalents, beginning of year	828,526	922,875
Cash and cash equivalents, end of year	\$ 799,673	\$ 828,526

The accompanying notes are an integral part of these financial statements

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### 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 million visitors and 38,000 household members, the Zoo and Zoo Society work together to provide a top visitor experience in Northeast Ohio while also advancing the Zoo’s longstanding education and conservation goals.

The Zoo Society is governed by a Board of Directors (the “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, 2020 and 2019

### 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 6.)

#### COVID-19 Impact

The Zoo Society was impacted by the COVID-19 pandemic. The pandemic resulted in the temporary shutdown of the Zoo between March and June 2020 and reduced the ability of the Zoo Society to provide some services to its members and donors. Once the Zoo was able to re-open, the Zoo Society extended the membership expiration dates of all those who were unable to use their membership during the Zoo's shutdown to compensate them for their lost time. The Zoo Society cancelled all summer events planned for 2020 and all donors who had either sponsored an event or purchased tickets to an event were contacted and given the option of a refund or to re-designate their gift to operating support. Additionally, the Zoo Society received several gifts donor restricted for COVID-19 relief.

In April 2020, the Zoo Society received a forgivable loan of \$285,960 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act. Under terms of the PPP, the loan may be forgiven if used for qualifying expenses as described in the CARES Act. The Zoo Society has evaluated this agreement as a conditional contribution under ASC Topic 958, Not-for-Profit Entities. The Zoo Society received forgiveness for the full amount of the loan in fiscal 2020. Accordingly, the funding has been recorded as contribution revenue without donor restrictions during the year ended December 31, 2020.

The quantitative impact of COVID-19 cannot be reasonably estimated at December 31, 2020.

#### Adopted Accounting Pronouncements

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of this ASU is to improve the effectiveness of disclosures in the notes to the financial statements. On January 1, 2020, the Zoo Society adopted this ASU. There was no impact on beginning net assets as a result of this implementation.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

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

#### Adopted Accounting Pronouncements (continued)

Effective January 1, 2020, the Zoo Society adopted the provisions of ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, related to contributions made. There was no effect on the financial statements as a result of this adoption.

#### 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.

#### Cash Equivalents

For purposes of the statements of cash flows, the Zoo Society considers 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.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

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

#### 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.

The Zoo Society recognizes unconditional promises to give as revenue in the period in which the promise is received. If there are no donor-imposed restrictions on the use of funds, then those revenues are classified as without donor restrictions. If a donor-imposed restriction exists, then it must be determined if this restriction is with regard to time or purpose, or in perpetuity and classified in the financial statements as net assets with donor restrictions. A donor-imposed restriction is present when the contributor of funds designates a specific purpose or time period in which the funds may be used. At the time when this donor-imposed restriction has been satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

If donor-imposed conditions exist, revenue is recognized when the conditions are substantially met. A donor-imposed condition exists when (a) one or more barriers must be overcome before a recipient is entitled to the assets transferred or promised, and (b) a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets exists. When the conditions are substantially met, revenue is recognized as support without donor restrictions or revenue with donor restrictions if donor-imposed stipulations are present. Any advances of funds are included within the current liabilities section of the statements of financial position, as the failure to meet the donor-imposed conditions may result in the need to return the unused funding advances.

Pledges receivable 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 FASB ASC 958, Not-for-Profit Entities. 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 "Grants" in the accompanying statements of functional expenses.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

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

#### Revenue Recognition

Earned revenue sources include membership and special events.

Membership revenue is recognized over time, over the membership period (output method). Membership normally spans one year from the date of purchase. Due to the temporary closure of the Zoo because of COVID-19, memberships entered into between April 2019 and June 2020 were extended to 16-month contracts. Payment is obtained when a member registers. The membership contract contains multiple performance obligations, however, management has determined that recognizing revenue evenly over the membership period is materially equivalent to segregating each performance obligation and recognizing revenue as each is met. As a practical expedient, the Zoo Society may apply revenue recognition guidance to a portfolio of contracts with similar characteristics if the Zoo Society reasonably expects the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. The Zoo Society is taking the practical expedient approach, as membership contracts are very similar for each individual membership purchased. Management adjusted deferred revenues at December 31, 2020 to reflect the extended memberships. Management determined that the effect of the extended membership period did not have a material impact on revenue recognized during 2019.

Special event revenue includes sponsorships and ticket sales. Payment is obtained when a participant registers for an event. These revenues are a hybrid of contribution and exchange transaction. The contracts with sponsors include performance obligations related to name recognition and event entry, while ticket sales have one performance obligation, event entry. The exchange portion of the transaction is the fair value of benefits received by sponsor/ticket purchaser. The revenue allocated to the name recognition performance obligation qualifies for recognition over time, however, management has determined that the effect of recognizing such revenue at a point in time along with the revenue allocated to event entry results in no difference to revenue recognized, as all performance obligations began and ended within the same year. The practical expedient method was also used for special event revenues.

There were no material contract assets at December 31, 2020, 2019, or 2018. Contract liabilities were \$297,748, \$473,735, and \$399,134 at December 31, 2020, 2019, and 2018, respectively.

#### 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 return, net in the statements of activities, along with interest, dividends, and investment fees.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### 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. 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, 2020 and 2019

### 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, 2020 and 2019, 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 cash equivalents, 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 the Finance Committee. The Finance Committee is 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. At December 31, 2020, one contribution accounted for 69% of the gross contribution receivable balance. During 2020, 85% of the comprehensive campaign revenue was from one donor.



# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

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

#### Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

#### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and functional expenses. FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, that deferred the effective date for the Zoo Society until annual periods beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which clarifies the presentation of contributed nonfinancial assets as a separate line item in the statement of activities. This ASU is effective for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022.

Management is currently evaluating the impact of these ASUs 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 23, 2021, the date the financial statements were available to be issued.

### Note 2: Pledges Receivable

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>2020</u>	<u>2019</u>
Payable within one year	\$ 3,338,853	\$ 1,120,143
Payable in two to five years	<u>932,179</u>	<u>1,521,650</u>
	4,271,032	2,641,793
Less: discounts to fair value	(413,501)	(392,147)
Less: allowance for uncollectible pledges receivable	<u>(33,237)</u>	<u>(68,051)</u>
Net pledges receivable	\$ <u>3,824,294</u>	\$ <u>2,181,595</u>

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 2: Pledges Receivable (continued)

#### Conservation Community Engagement Study

During 2020, the Zoo Society received a conditional promise to give of \$75,000 for the Conservation Community Engagement Study. The payment is conditional upon the program going forward and the donors receiving regular updates that show program progress and outcomes. At December 31, 2020, \$75,000 was outstanding as a conditional promise. The Zoo Society will recognize revenue as the conditions are met, which is expected to occur in 2021.

#### Corporate Matches

The Zoo Society periodically receives gifts which include corporate matches that are conditioned upon the Zoo Society receiving payment from individual donors. Total corporate matches potentially receivable at December 31, 2020, are approximately \$9,400.

### Note 3: Investments

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 288,007	\$ 15,319	\$ 303,326
Net realized and unrealized gains	<u>1,603,190</u>	<u>113,534</u>	<u>1,716,724</u>
Investment return, net	\$ <u>1,891,197</u>	\$ <u>128,853</u>	\$ <u>2,020,050</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 373,248	\$ 15,085	\$ 388,333
Net realized and unrealized gains	<u>2,142,792</u>	<u>125,810</u>	<u>2,268,602</u>
Investment return, net	\$ <u>2,516,040</u>	\$ <u>140,895</u>	\$ <u>2,656,935</u>

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 4: 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.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2020</u>
Cash in money market and certificates of deposit	\$ 3,060,885	\$ -	\$ -	\$ 3,060,885
Common stock	1,072	-	-	1,072
Mutual funds – equities	10,785,258	-	-	10,785,258
Mutual funds – fixed income	3,255,867	-	-	3,255,867
Exchange traded funds – equities	47,573	-	-	47,573
Beneficial interests in perpetual trusts	-	656,551	-	656,551
Deferred compensation	-	(366,417)	-	(366,417)
Liability under split-interest agreement	-	(64,108)	-	(64,108)
	<u>\$ 17,150,655</u>	<u>\$ 226,026</u>	<u>\$ -</u>	<u>\$ 17,376,681</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2019</u>
Cash in money market and certificates of deposit	\$ 2,346,133	\$ -	\$ -	\$ 2,346,133
Mutual funds – equities	10,030,354	-	-	10,030,354
Mutual funds – fixed income	3,312,667	-	-	3,312,667
Exchange traded funds – equities	42,242	-	-	42,242
Beneficial interests in perpetual trusts	-	640,794	-	640,794
Deferred compensation	-	(329,267)	-	(329,267)
Liability under split-interest agreement	-	(68,838)	-	(68,838)
	<u>\$ 15,731,396</u>	<u>\$ 242,689</u>	<u>\$ -</u>	<u>\$ 15,974,085</u>

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### **Note 4: Fair Value Measurements (continued)**

The tables above do not include the investments in pooled separate accounts of \$366,417 and \$329,267 at December 31, 2020 and 2019, respectively, as they are valued at net asset value provided by the administrator of the accounts as a practical expedient to estimate fair value.

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. The liabilities under the split-interest agreements were estimated by discounting the future estimated payments using a 3.25% and 4.75% discount rate in 2020 and 2019, respectively. The fair value of the deferred compensation liability is based upon the fair value of the investments within the pooled separate accounts.

### **Note 5: 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 approved discretionary annual distributions of \$292,000 and \$285,000 at December 31, 2020 and 2019, respectively. The Zoo Society expended \$-0- and \$50,000 for the years ended December 31, 2020 and 2019, respectively, from previously approved discretionary distributions. During 2019, the Board authorized a draw from the Sustaining Fund of up to \$1,400,000 to manage cash flow differences in timing between funding the Zoo Society's Rhino Exhibit commitment to the District and the collection of contributions from donors in support of the Exhibit. No draw was made for this purpose in 2019. During the year ended December 31, 2020, \$1,000,000 was drawn. This represents a receivable due from operations within the Board-designated Sustaining Fund. Based on a COVID-19 impact analysis performed by a working group subset of the Finance Committee, the Finance Committee recommended to the Executive Committee the approval of an additional draw from the Sustaining Fund of up to \$500,000 to help cover an anticipated net operating deficit. The Zoo Society expended \$-0- of the additionally approved draw for the year ended December 31, 2020, and the funding was reapproved for use as needed in 2021.

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.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 5: Board-Designated Net Assets (continued)

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. Distributions from the Animal Care and Conservation Funds were made in 2020 and 2019 based on applicable investment performance criteria.

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

	<u>2020</u>	<u>2019</u>
Sustaining Fund	\$ 7,074,329	\$ 6,473,746
ZooFutures Fund	4,834,584	4,257,765
Conservation Fund	1,456,925	1,345,070
Animal Care Fund	<u>715,796</u>	<u>641,571</u>
	\$ <u>14,081,634</u>	\$ <u>12,718,152</u>

### Note 6: 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. 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.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 6: Net Asset Classification of Endowment and Quasi-Endowment Funds (continued)

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, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 788,815	\$ 788,815
Board-designated quasi-endowment funds	<u>7,007,305</u>	<u>-</u>	<u>7,007,305</u>
Total funds	\$ <u>7,007,305</u>	\$ <u>788,815</u>	\$ <u>7,796,120</u>

Endowment Net Asset Composition by type of fund as of December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 659,962	\$ 659,962
Board-designated quasi-endowment funds	<u>6,244,406</u>	<u>-</u>	<u>6,244,406</u>
Total funds	\$ <u>6,244,406</u>	\$ <u>659,962</u>	\$ <u>6,904,368</u>

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 6: Net Asset Classification of Endowment and Quasi-Endowment Funds (continued)

Changes in Endowment Net Assets for the fiscal year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,244,406	\$ 659,962	\$ 6,904,368
Investment return:			
Interest and dividends	119,082	15,319	134,401
Net realized and unrealized gains	<u>882,618</u>	<u>113,534</u>	<u>996,152</u>
Total investment return, net	1,001,700	128,853	1,130,553
Appropriation of endowment assets for expenditure	<u>(238,801)</u>	<u>-</u>	<u>(238,801)</u>
Endowment net assets, end of year	\$ <u><u>7,007,305</u></u>	\$ <u><u>788,815</u></u>	\$ <u><u>7,796,120</u></u>

Changes in Endowment Net Assets for the fiscal year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,027,645	\$ 504,793	\$ 5,532,438
Investment return:			
Interest and dividends	140,264	15,085	155,349
Net realized and unrealized gains	<u>1,113,253</u>	<u>125,810</u>	<u>1,239,063</u>
Total investment return, net	1,253,517	140,895	1,394,412
Contributions to perpetual endowment	50,902	14,274	65,176
Appropriation of endowment assets for expenditure	<u>(87,658)</u>	<u>-</u>	<u>(87,658)</u>
Endowment net assets, end of year	\$ <u><u>6,244,406</u></u>	\$ <u><u>659,962</u></u>	\$ <u><u>6,904,368</u></u>

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 6: 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, 2020, the Board authorized \$115,691 and \$132,575 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, 2020 and 2019

### Note 7: 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, using a 4.7% interest rate. Using applicable mortality tables, quarterly payments are estimated to extend through 2038. Investments, primarily mutual funds, held in charitable gift annuities aggregated \$241,982 and \$232,908 at December 31, 2020 and 2019, respectively, and are reported at fair value in the statements of financial position. Management estimated its liability under split-interest agreements by discounting future estimated payments using a 3.25% and 4.75% discount rate at December 31, 2020 and 2019, respectively. The liability was \$64,108 and \$68,838 at December 31, 2020 and 2019, respectively.

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, 2020 and 2019 of \$656,551 and \$640,794, 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 8: Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose or period:		
Conservation and research	\$ 319,479	\$ 253,527
Education	102,409	230,671
Comprehensive campaign	293,931	778,182
Rhino exhibit	126,587	-
Animal Care Fund	789,702	671,648
Donor-restricted for capital project	150,000	150,000
Appreciation of specific donor-restricted endowments (time restricted)	<u>388,291</u>	<u>259,438</u>
	<u>2,170,399</u>	<u>2,343,466</u>
Endowments subject to the Zoo Society's spending policy and appropriation:		
Animal Care Fund	400,524	400,524
Perpetual trusts	<u>656,551</u>	<u>640,794</u>
	<u>1,057,075</u>	<u>1,041,318</u>
Total net assets with donor restrictions:	\$ <u>3,227,474</u>	\$ <u>3,384,784</u>

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 8: 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>2020</u>	<u>2019</u>
Conservation and research	\$ 189,226	\$ 288,012
Education	250,487	331,842
Comprehensive campaign	830,211	259,499
Rhino exhibit	39,848	2,269,750
Animal Care Fund	586,654	175,115
COVID-19 Emergency Relief	200,000	-
Office Renovation	2,814,110	-
Zipline	<u>250,000</u>	<u>-</u>
	\$ <u>5,160,536</u>	\$ <u>3,342,218</u>

### Note 9: 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>2020</u>	<u>2019</u>
Marketing and promotions	\$ 22,925	\$ 2,070
Levy support and lobbying	15,000	15,000
Animal care and research	544,503	102,334
Rhino yard expansion	-	2,508,500
Office renovation	3,000,000	-
Zipline	500,000	-
RainForest renovation	828,000	-
COVID-19 Emergency Relief	200,000	-
Field conservation	490,836	778,071
Education	<u>177,136</u>	<u>209,105</u>
	\$ <u>5,778,400</u>	\$ <u>3,615,080</u>

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 9: Cleveland Metropolitan Park District (continued)

#### 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. Subsequent to December 31, 2020, the agreement was amended. Effective January 1, 2021 the guaranteed amounts are equivalent to 60% and 7% of gross membership revenues. The Zoo Society is acting as an agent for the Zoo and collected \$1,474,719 and \$2,485,616 in membership funds that were remitted to the District during the years ended December 31, 2020 and 2019, respectively. These funds were not included as revenue and expense in these financial statements.

Included in "amounts due to Cleveland Metropolitan Park District – operating agreement" on the statements of financial position is \$210,659 and \$596,979 which is owed to the District under the above agreements at December 31, 2020 and 2019, respectively. Included in "accounts payable and accrued expenses" on the statements of financial position is \$-0- and \$17,505, which is owed to the District not related to the above agreements at December 31, 2020 and 2019, 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.

In 2020, the Zoo Society committed \$800,000 to the District for RainForest renovation planning, of which \$254,247 was remitted to the District during 2020 and \$545,753 is included in amounts due to the District at December 31, 2020.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 9: Cleveland Metropolitan Park District (continued)

#### Rhino Exhibit

In 2019, the Zoo Society committed \$2,500,000 to the District, of which \$696,000 was remitted to the District during 2019 and \$1,804,000 is included in amounts due to the District at December 31, 2019. During 2020, \$1,804,000 was remitted to the District and \$-0- is included in amounts due to the District at December 31, 2020.

#### Office Renovation

In 2020, the Zoo Society committed \$3,000,000 to the District for an office renovation, of which \$-0- was remitted to the District during 2020 and \$3,000,000 is included in amounts due to the District at December 31, 2020.

#### Zipline

In 2020, the Zoo Society committed \$500,000 to the District for construction of a zipline, of which \$-0- was remitted to the District during 2020 and \$500,000 is included in amounts due to the District at December 31, 2020.

### Note 10: Allocation of Joint Costs

For the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Fundraising	\$ 49,567	\$ 86,076
Program services	<u>279,630</u>	<u>319,895</u>
	\$ <u>329,197</u>	\$ <u>405,971</u>

### Note 11: In-Kind Contributions

For the years ended December 31, 2020 and 2019, \$20,631 and \$254,460, was included as contribution revenue and fundraising expense on the statements of activities, respectively. During both years ending December 31, 2020 and 2019, in-kind contributions primarily consisted of donated advertising/donor incentives.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 12: 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 2020 and 2019, the amount of expense related to this Plan was \$29,487 and \$63,596, 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 \$-0- and \$5,000 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the total assets under the plan recorded in the accompanying statements of financial position were \$366,417 and \$329,267, 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, 2020 and 2019, the total liability under the plan recorded in the accompanying statements of financial position was \$366,417 and \$329,267, 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 at December 31, 2020 and 2019.

### Note 13: Related-Party Transactions

At December 31, 2020 and 2019, \$600,241 and \$296,697 of pledges receivable and \$505,233 and \$1,112,987 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, 2020 or 2019.

# Cleveland Zoological Society

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 14: 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.

Marketable securities are shown as long-term as the Zoo Society intends to hold them as such, though a portion of the balance is not Board-designated or donor-restricted. The portion of marketable securities that is not Board-designated or donor-restricted is available to management within one year and included in the table below.

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 799,673	\$ 828,526
Pledges receivable, net	3,824,294	2,181,595
Marketable securities	16,908,673	15,498,488
Charitable gift annuities	<u>241,982</u>	<u>232,908</u>
	21,774,622	18,741,517
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Funds held for others included in cash and cash equivalents	84,418	83,905
Restricted by donors – purpose restrictions	1,782,108	2,084,028
Restricted by donors – implied time restrictions	388,291	259,438
Restricted by donors – held in perpetuity	<u>400,524</u>	<u>400,524</u>
	2,655,341	2,827,895
Amounts unavailable to management without Board's approval:		
Board designated – ZooFutures, Animal Care & Conservation funds	7,007,305	6,244,406
Board designated – Sustaining Fund	7,074,329	6,473,746
Board designated – approved distribution from Sustaining Fund for following year operations	<u>(295,000)</u>	<u>(292,500)</u>
	13,786,634	12,425,652
Total funds unavailable for general expenditure within one year	<u>16,441,975</u>	<u>15,253,547</u>
Total financial assets available to management for general expenditures within one year	\$ <u>5,332,647</u>	\$ <u>3,487,970</u>

# **Cleveland Zoological Society**

## **Notes to Financial Statements**

**December 31, 2020 and 2019**

### **Note 15: Subsequent Event**

On February 9, 2021, the Zoo Society applied for and received a second PPP loan for \$285,960. The terms of the funding agreement indicate that the Zoo Society must utilize the proceeds to fund/offset qualifying expenses over an 8 to 24-week period and that they maintain their full-time equivalent employment as specified in the terms of the agreement. The terms of the agreement specify that the Zoo Society must repay any unforgiven principal of the loan plus interest, which accrues at 1% annually. The loan matures on February 9, 2026. The loan and interest may be forgiven if the Zoo Society meets the conditions for such forgiveness outlined in the PPP.

In March 2021, the Zoo Society applied for Employee Retention Credits (ERC) related to 2020 payroll taxes under the Coronavirus Response and Relief Supplemental Appropriations Act. The application is pending as of the date of the report.

# Cleveland Zoological Society

## Supplementary Schedule of Effects of ASC 606

**For the year ended December 31, 2020**

	<u>As reported Pre-ASC 606</u>	<u>ASC 606 Effects</u>	<u>As reported Post-ASC 606</u>
Support, revenues, and gains:			
Contributions:			
Membership	\$ 2,201,658	\$ (1,293,732)	\$ 907,926
Individuals, corporations, and foundations	2,830,994	-	2,830,994
Comprehensive campaign	3,326,505	-	3,326,505
Paycheck Protection Program grant (Note 1)	285,960	-	285,960
Special events	121,684	-	121,684
Less: direct benefit to donor costs	(10,404)	-	(10,404)
Investment return, net	2,020,050	-	2,020,050
Change in value of split-interest agreements	4,871	-	4,871
Total support, revenues, and gains	<u>10,781,318</u>	<u>(1,293,732)</u>	<u>9,487,586</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
	10,781,318	(1,293,732)	9,487,586
Expenses:			
Program services	8,634,050	(1,474,719)	7,159,331
Management and general	424,877	-	424,877
Fundraising	693,891	-	693,891
Total expenses	<u>9,752,818</u>	<u>(1,474,719)</u>	<u>8,278,099</u>
Change in net assets	1,028,500	180,987	1,209,487
Net assets – beginning of year	<u>16,797,331</u>	<u>(473,735)</u>	<u>16,323,596</u>
Net assets – end of year	<u>\$ 17,825,831</u>	<u>\$ (292,748)</u>	<u>\$ 17,533,083</u>