

Cleveland Zoological Society

**Financial Statements
December 31, 2023 and 2022**

Independent Auditor's Report

To the Board of Directors of
Cleveland Zoological Society

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements sections of our report. We are required to be independent of the Zoo Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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To the Board of Directors of
Cleveland Zoological Society

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Zoo Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Zoo Society's ability to continue as a going concern for a reasonable period of time.

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

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 27 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.

To the Board of Directors of
Cleveland Zoological Society

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Zoo Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Zoo Society's internal control over financial reporting and compliance.

Ciuni + Panichi, Inc.

Cleveland, Ohio
April 18, 2024

Cleveland Zoological Society

Statements of Financial Position

December 31, 2023 and 2022

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 581,337	\$ 567,458
Charitable gift annuities	246,526	237,045
Pledges receivable, net	1,747,660	2,526,328
Prepaid expenses and other assets	93,050	45,537
Total current assets	<u>2,668,573</u>	<u>3,376,368</u>
Office equipment, software, and network resources, at cost	508,444	508,444
Less: accumulated depreciation	<u>(435,740)</u>	<u>(386,258)</u>
	72,704	122,186
Other long-term assets:		
Pledges receivable, net	2,740,995	1,731,421
Marketable securities	28,862,012	24,439,754
Cash restricted for endowment	2,250	-
Cash surrender value of life insurance	2,984	-
Investments in pooled separate accounts	380,631	337,824
Beneficial interest in perpetual trusts	718,291	695,572
Total long-term assets	<u>32,707,163</u>	<u>27,204,571</u>
Total assets	<u>\$ 35,448,440</u>	<u>\$ 30,703,125</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable and accrued expenses	\$ 464,507	\$ 285,373
Other liabilities:		
Funds held for others	1,030	100,724
Amounts due to Cleveland Metropolitan Park District:		
Operating agreement	848,790	756,890
Operating agreement - Conservation funding	457,937	391,572
Tropical bears	-	2,380,483
Primate forest	3,372,492	3,372,492
Other	282,696	1,227,237
Total amounts due to Cleveland Metropolitan Park District	<u>4,961,915</u>	<u>8,128,674</u>
Deferred revenue	916,249	703,720
Total current liabilities	<u>6,343,701</u>	<u>9,218,491</u>
Long-term liabilities:		
Liability under split-interest agreements	82,597	88,945
Deferred compensation	380,631	337,824
Total long-term liabilities	<u>463,228</u>	<u>426,769</u>
Total liabilities	<u>6,806,929</u>	<u>9,645,260</u>
Net assets:		
Without donor restrictions:		
Undesignated	2,233,135	1,344,128
Board-designated	14,372,931	12,273,164
Total net assets without donor restrictions	<u>16,606,066</u>	<u>13,617,292</u>
With donor restrictions	12,035,445	7,440,573
Total net assets	<u>28,641,511</u>	<u>21,057,865</u>
Total liabilities and net assets	<u>\$ 35,448,440</u>	<u>\$ 30,703,125</u>

The accompanying notes are an integral part of these financial statements

Cleveland Zoological Society

Statement of Activities

For the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues, and gains:			
Contributions:			
Membership	\$ 1,986,161	\$ -	\$ 1,986,161
Individuals, corporations, and foundations	1,184,766	688,489	1,873,255
Capital projects	-	5,199,012	5,199,012
Special events	828,218	-	828,218
Less: direct benefit to donor costs	(475,305)	-	(475,305)
Investment return, net	2,810,304	116,223	2,926,527
Change in value of split-interest agreements	(12,173)	22,720	10,547
Total support, revenues, and gains	6,321,971	6,026,444	12,348,415
Net assets released from restrictions	1,431,572	(1,431,572)	-
	7,753,543	4,594,872	12,348,415
Expenses and losses:			
Program services	2,559,624	-	2,559,624
Management and general	671,397	-	671,397
Fundraising	1,501,108	-	1,501,108
Total expenses	4,732,129	-	4,732,129
Provision for bad debts	32,640	-	32,640
Total expenses and losses	4,764,769	-	4,764,769
Change in net assets	2,988,774	4,594,872	7,583,646
Net assets – beginning of year	13,617,292	7,440,573	21,057,865
Net assets – end of year	\$ 16,606,066	\$ 12,035,445	\$ 28,641,511

The accompanying notes are an integral part of these financial statements

Cleveland Zoological Society

Statement of Activities

For the year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenues, and gains:			
Contributions:			
Membership	\$ 1,987,159	\$ -	\$ 1,987,159
Individuals, corporations, and foundations	1,290,741	543,316	1,834,057
Capital projects	-	6,552,784	6,552,784
Special events	815,955	-	815,955
Less: direct benefit to donor costs	(437,850)	-	(437,850)
Investment return, net	(2,335,100)	(128,379)	(2,463,479)
Change in value of split-interest agreements	<u>(13,003)</u>	<u>(65,980)</u>	<u>(78,983)</u>
Total support, revenues, and gains	1,307,902	6,901,741	8,209,643
Net assets released from restrictions	<u>3,693,882</u>	<u>(3,693,882)</u>	<u>-</u>
	5,001,784	3,207,859	8,209,643
Expenses:			
Program services	5,588,614	-	5,588,614
Management and general	745,613	-	745,613
Fundraising	<u>1,053,708</u>	<u>-</u>	<u>1,053,708</u>
Total expenses	7,387,935	-	7,387,935
Provision for bad debts	<u>131,326</u>	<u>-</u>	<u>131,326</u>
Total expenses and losses	<u>7,519,261</u>	<u>-</u>	<u>7,519,261</u>
Change in net assets	(2,517,477)	3,207,859	690,382
Net assets – beginning of year	<u>16,134,769</u>	<u>4,232,714</u>	<u>20,367,483</u>
Net assets – end of year	<u>\$ 13,617,292</u>	<u>\$ 7,440,573</u>	<u>\$ 21,057,865</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, 2023

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries and wages	\$ 551,265	\$ 297,893	\$ 778,673	\$ 1,627,831
Pension and employee fringe benefits	23,132	45,758	37,805	106,695
Payroll taxes	40,660	23,092	66,653	130,405
Total personnel expenses	<u>615,057</u>	<u>366,743</u>	<u>883,131</u>	<u>1,864,931</u>
Insurance	26,649	61,342	88,794	176,785
Professional Fees	1,581	53,504	219	55,304
Information technology	98,798	100,152	41,055	240,005
Postage and shipping	70,413	1,888	3,532	75,833
Office supplies	5,766	1,873	8,483	16,122
Conference and meeting	3,360	1,876	13,726	18,962
Printing and publications	149,477	-	31,608	181,085
Special events	-	-	554,781	554,781
Grants (Note 9)	1,371,408	-	247,618	1,619,026
Dues and subscriptions	44,203	4,986	10,143	59,332
Advertising	12,543	-	13,083	25,626
Other	160,369	29,551	80,240	270,160
Total expenses before depreciation	<u>2,559,624</u>	<u>621,915</u>	<u>1,976,413</u>	<u>5,157,952</u>
Depreciation	<u>-</u>	<u>49,482</u>	<u>-</u>	<u>49,482</u>
Total expenses	<u>2,559,624</u>	<u>671,397</u>	<u>1,976,413</u>	<u>5,207,434</u>
Less: expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(475,305)</u>	<u>(475,305)</u>
Total	<u>\$ 2,559,624</u>	<u>\$ 671,397</u>	<u>\$ 1,501,108</u>	<u>\$ 4,732,129</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, 2022

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries and wages	\$ 549,563	\$ 316,696	\$ 657,848	\$ 1,524,107
Pension and employee fringe benefits	22,302	32,800	40,273	95,375
Payroll taxes	42,080	26,795	46,166	115,041
Total personnel expenses	<u>613,945</u>	<u>376,291</u>	<u>744,287</u>	<u>1,734,523</u>
Insurance	55,950	40,189	70,917	167,056
Professional Fees	-	87,969	100	88,069
Information technology	10,582	135,296	25,451	171,329
Postage and shipping	167,633	633	13,266	181,532
Office supplies	37,087	15,822	25,101	78,010
Conference and meeting	2,247	1,014	5,296	8,557
Printing and publications	5,307	-	9,688	14,995
Special events	-	-	515,404	515,404
Grants	4,509,538	-	4,927	4,514,465
Dues and subscriptions	21,148	12,765	15,246	49,159
Advertising	26,748	-	7,856	34,604
Other	138,429	20,682	54,019	213,130
Total expenses before depreciation	<u>5,588,614</u>	<u>690,661</u>	<u>1,491,558</u>	<u>7,770,833</u>
Depreciation	<u>-</u>	<u>54,952</u>	<u>-</u>	<u>54,952</u>
Total expenses	5,588,614	745,613	1,491,558	7,825,785
Less: expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(437,850)</u>	<u>(437,850)</u>
Total	<u>\$ 5,588,614</u>	<u>\$ 745,613</u>	<u>\$ 1,053,708</u>	<u>\$ 7,387,935</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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 7,583,646	\$ 690,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	49,482	54,952
Provision for doubtful accounts	32,460	131,326
Discount on pledges receivable	196,476	530,794
Contributions restricted for endowment	(2,250)	(44,105)
Net unrealized and realized (gain) loss on investments	(2,058,336)	2,846,838
Change in liability under split-interest agreements	-	(5,601)
Change in value of split-interest agreements	(10,547)	78,983
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	(459,842)	(1,342,901)
Prepaid expenses and other assets	(47,513)	16,739
Cash surrender value of life insurance	(2,984)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	179,134	40,150
Funds held for others	(99,694)	8,814
Amounts due to Cleveland Metropolitan Park District	(3,166,759)	426,105
Deferred revenue	212,529	2,716
Net cash provided by operating activities	2,405,802	3,435,192
Cash flows from investing activities:		
Purchases of office equipment	-	(70,936)
Purchases of investments	(6,551,887)	(9,706,703)
Proceeds from sales of investments	4,178,484	3,900,590
Net cash used by investing activities	(2,373,403)	(5,877,049)
Cash flows from financing activities:		
Contributions received from split-interest agreements	-	24,699
Collection of endowment contributions	2,250	44,105
Payments on annuity obligations	(18,520)	(16,186)
Net cash (used) provided by financing activities	(16,270)	52,618
Net increase (decrease) in cash and cash equivalents	16,129	(2,389,239)
Cash and cash equivalents, beginning of year	567,458	2,956,697
Cash and cash equivalents, end of year	\$ 583,587	\$ 567,458
Reconciliation to cash and cash equivalents on Statement of Financial Position		
Cash and cash equivalents	581,337	567,458
Cash restricted for endowment	2,250	-
	\$ 583,587	\$ 567,458

The accompanying notes are an integral part of these financial statements

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

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 1,300,000 visitors and 40,000 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, 2023 and 2022

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 (Note 6).

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 those functional areas. 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, 2023 and 2022

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 revenue 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.

Revenue Recognition

Membership revenue is recognized over time, over the membership period (output method). Membership normally spans one year from the date of purchase. 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.

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Gift memberships span one year from the date they are activated. Payment is obtained when a gift membership is purchased. Amounts received for gift memberships are initially recorded as deferred revenue and revenue is recognized evenly over the membership period once activated. Management also conducts a breakage analysis and calculates historical forfeiture rates on gift memberships and recognized revenue related to expected breakage.

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, 2023, 2022, or 2021. Contract liabilities were \$916,249, \$703,720, and \$701,004 at December 31, 2023, 2022, and 2021, 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.

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 four to seven years. The Zoo Society capitalizes purchases or donations of capital assets that exceed \$5,000. 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.

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (continued)

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 the accompanying statements of activities in accordance with the donor’s intent.

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. In-kind contributions were immaterial for the years ended December 31, 2023 and 2022.

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, 2023 and 2022, 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.

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncement

In June 2016, the FASB issued an amendment on the measurement of credit losses on the financial assets held by a reporting entity at each reporting date (ASU 2016-13, *Financial Instruments - Credit Losses*). The guidance requires the use of a new current expected credit loss (CECL) model in estimating an allowance for credit losses with respect to accounts receivable. The CECL model requires that the Zoo Society estimate its lifetime expected credit loss with respect to these receivables and record allowances that, when deducted from the balance of the receivables, represent the estimated amounts expected to be collected. On January 1, 2023, the Zoo Society adopted this standard. There was no material impact resulting from the adoption of this standard.

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, and 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, 2023, three donors accounted for 36% of the gross pledges receivable balance. During 2023, one donor accounted for 29% of the capital projects revenue. At December 31, 2022, three donors accounted for 32% of the gross pledges receivable balance. During 2022, one donor accounted for 31% of the capital projects revenue.

Reclassifications

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

Subsequent Events

In preparing these financial statements, the Zoo Society has evaluated events and transactions for potential recognition or disclosure through April 18, 2024, the date the financial statements were available to be issued.

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

Note 2: Pledges Receivable

Pledges were discounted to their estimated fair value assuming their respective terms and discount rates ranging from 3.25% to 8.50% dependent upon prevailing rates in the year in which a pledge was received. The pledges receivable are scheduled to be collected as follows:

	2023	2022
Payable within one year	\$ 1,920,984	\$ 2,682,169
Payable thereafter	<u>3,818,877</u>	<u>2,612,827</u>
	5,739,861	5,294,996
Less: discounts to fair value	(1,077,882)	(881,406)
Less: allowance for uncollectible pledges receivable	<u>(173,324)</u>	<u>(155,841)</u>
 Net pledges receivable	 \$ <u>4,488,655</u>	 \$ <u>4,257,749</u>

Note 3: Investments

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 853,564	\$ 14,627	\$ 868,191
Net realized and unrealized gains	<u>1,956,740</u>	<u>101,596</u>	<u>2,058,336</u>
 Investment return, net	 \$ <u>2,810,304</u>	 \$ <u>116,223</u>	 \$ <u>2,926,527</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 373,862	\$ 9,497	\$ 383,359
Net realized and unrealized losses	<u>(2,708,962)</u>	<u>(137,876)</u>	<u>(2,846,838)</u>
 Investment return, net	 \$ <u>(2,335,100)</u>	 \$ <u>(128,379)</u>	 \$ <u>(2,463,479)</u>

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

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>2023</u>
Cash in money market	\$ 14,289,093	\$ -	\$ -	\$ 14,289,093
Mutual funds – equities	11,222,387	-	-	11,222,387
Mutual funds – fixed income	3,504,279	-	-	3,504,279
Exchange traded funds – equities	76,974	-	-	76,974
Exchange traded funds – fixed income	15,805	-	-	15,805
Beneficial interests in				
perpetual trusts	-	718,291	-	718,291
Deferred compensation	-	(380,631)	-	(380,631)
Liability under				
split-interest agreement	-	(82,597)	-	(82,597)
	<u>\$ 29,108,538</u>	<u>\$ 255,063</u>	<u>\$ -</u>	<u>\$ 29,363,601</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2022</u>
Cash in money market	\$ 12,042,093	\$ -	\$ -	\$ 12,042,093
Mutual funds – equities	9,232,389	-	-	9,232,389
Mutual funds – fixed income	3,341,960	-	-	3,341,960
Exchange traded funds – equities	48,384	-	-	48,384
Exchange traded funds – fixed income	11,973	-	-	11,973
Beneficial interests in				
perpetual trusts	-	695,572	-	695,572
Deferred compensation	-	(337,824)	-	(337,824)
Liability under				
split-interest agreement	-	(88,945)	-	(88,945)
	<u>\$ 24,676,799</u>	<u>\$ 268,803</u>	<u>\$ -</u>	<u>\$ 24,945,602</u>

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

Note 4: Fair Value Measurements (continued)

The tables above do not include the investments in pooled separate accounts of \$380,631 and \$337,824 at December 31, 2023 and 2022, 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 8.5% discount rate for 2023 and a 7.50% discount rate for 2022. 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.

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

	<u>2023</u>	<u>2022</u>
Sustaining Fund	\$ 6,758,092	\$ 5,661,562
ZooFutures Fund	5,267,462	4,598,286
Conservation Fund	1,548,108	1,357,247
Animal Care Fund	<u>799,269</u>	<u>656,069</u>
	\$ <u>14,372,931</u>	\$ <u>12,273,164</u>

Expenditures under the Board-approved spending policy were as follows for the year ended December 31:

	<u>2023</u>	<u>2022</u>
ZooFutures Fund	\$ -	\$ 95,000
Conservation Fund	-	67,200
Animal Care Fund	<u>-</u>	<u>48,000</u>
	\$ <u>-</u>	\$ <u>210,200</u>

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

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.

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, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 922,547	\$ 922,547
Board-designated quasi-endowment funds	<u>7,614,838</u>	<u>-</u>	<u>7,614,838</u>
Total funds	\$ <u>7,614,838</u>	\$ <u>922,547</u>	\$ <u>8,537,385</u>

Endowment Net Asset Composition by type of fund as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 804,074	\$ 804,074
Board-designated quasi-endowment funds	<u>6,611,602</u>	<u>-</u>	<u>6,611,602</u>
Total funds	\$ <u>6,611,602</u>	\$ <u>804,074</u>	\$ <u>7,415,676</u>

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

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

Changes in Endowment Net Assets for the fiscal year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,611,602	\$ 804,074	\$ 7,415,676
Investment return:			
Interest and dividends	162,051	14,627	176,678
Net realized and unrealized gains	<u>1,151,845</u>	<u>101,596</u>	<u>1,253,441</u>
Total investment return, net	1,313,896	116,223	1,430,119
Contributions to perpetual endowment	-	2,250	2,250
Appropriation of endowment assets for expenditure	<u>(310,660)</u>	<u>-</u>	<u>(310,660)</u>
Endowment net assets, end of year	\$ <u>7,614,838</u>	\$ <u>922,547</u>	\$ <u>8,537,385</u>

Changes in Endowment Net Assets for the fiscal year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,090,057	\$ 888,348	\$ 8,978,405
Investment return:			
Interest and dividends	108,473	9,497	117,970
Net realized and unrealized losses	<u>(1,586,928)</u>	<u>(137,876)</u>	<u>(1,724,804)</u>
Total investment return, net	(1,478,455)	(128,379)	(1,606,834)
Contributions to perpetual endowment	<u>-</u>	<u>44,105</u>	<u>44,105</u>
Endowment net assets, end of year	\$ <u>6,611,602</u>	\$ <u>804,074</u>	\$ <u>7,415,676</u>

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.

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

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

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.

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 an interest rate ranging of 8.50%. Using applicable mortality tables, quarterly payments are estimated to extend through 2041. Investments, primarily mutual funds, held in charitable gift annuities aggregated \$246,526 and \$237,045 at December 31, 2023 and 2022, 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 8.50% discount rate at December 31, 2023 and a 7.50% discount rate at December 31, 2022. The liability was \$82,597 and \$88,945 at December 31, 2023 and 2022, 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, 2023 and 2022 of \$718,291 and \$695,572, 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.

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

Note 8: Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose or period:		
Conservation and research	\$ 258,704	\$ 247,347
Education	257,318	257,951
Rhino exhibit	-	196,888
Animal Care Fund	868,502	971,563
Office renovation	-	140,145
Ambassador animal	1,396	1,396
Primate forest	8,662,504	3,752,397
Tropical bears	126,600	177,193
Sensory room	80,000	-
Restricted for time	139,583	196,047
Appreciation of specific donor-restricted endowments		
Animal Care Fund (time restricted)	<u>475,668</u>	<u>359,445</u>
	<u>10,870,275</u>	<u>6,300,372</u>
 Endowments subject to the Zoo Society's spending policy and appropriation:		
Animal Care Fund	446,879	444,629
Perpetual trusts	<u>718,291</u>	<u>695,572</u>
	<u>1,165,170</u>	<u>1,140,201</u>
 Total net assets with donor restrictions:	 \$ <u>12,035,445</u>	 \$ <u>7,440,573</u>

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>2023</u>	<u>2022</u>
Conservation and research	\$ 220,128	\$ 162,547
Education	188,484	169,905
Rhino exhibit	196,888	32,000
Animal Care Fund	336,434	129,430
Primate forest	-	3,200,000
Office renovation	185,890	-
Giraffe barn	74,018	-
Tropical bears	173,266	-
Restricted for time	<u>56,464</u>	<u>-</u>
	 \$ <u>1,431,572</u>	 \$ <u>3,693,882</u>

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

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>2023</u>	<u>2022</u>
Animal care and research	\$ 232,452	\$ 165,542
Primate forest	-	3,200,000
Field conservation	732,041	744,381
Education	266,915	169,905
Other	<u>140,000</u>	<u>62,000</u>
	<u>\$ 1,371,408</u>	<u>\$ 4,341,828</u>

The Zoo Society receives donated office facilities, including office space, common space, utilities, computer and telephonic services from the District. 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, 2023 or 2022.

Operating Agreement

Since 1998, the Zoo Society and the District have worked together under an operating agreement that has provided operating support to the District varying between 65% and 72% of the revenue generated from sales of the general membership program, specifically, membership categories where dues are \$125 or less. The agreement has an ongoing annual renewal clause that grants the parties the ability to request renegotiation or cancellation. For fiscal 2023 and 2022, the guaranteed amounts were 70% of membership revenue returned to the District as commission, with 60% of that revenue being credited to the District general fund and 10% of that revenue being held in a restricted fund for conservation support.

The Zoo Society is acting as an agent for the Zoo and collected \$3,043,343 and \$2,900,276 in membership funds that were remitted to the District during the years ended December 31, 2023 and 2022, 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 \$848,790 and \$756,890 which is owed to the District under the above agreements at December 31, 2023 and 2022, respectively. Included in “amounts due to Cleveland Metropolitan Park District – operating agreement – Conservation funding” on the statements of financial position is \$457,937 and \$391,572 under the above agreements at December 31, 2023 and 2022, respectively. Included in “accounts payable and accrued expenses” on the statements of financial position is \$200,921 and \$34,952, which is owed to the District and not related to the above agreements at December 31, 2023 and 2022, respectively.

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

Note 9: Cleveland Metropolitan Park District (continued)

Tropical Bears

In 2021, the Zoo Society committed \$3,500,000 to the District for the tropical bears habitat, of which \$1,119,517 was remitted to the District during 2022 and \$2,380,483 was remitted to the District during 2023. Amounts due to the District at December 31, 2023 and 2022 included \$-0- and \$2,380,483, respectively, for the tropical bears habitat.

Primate Forest

The Zoo Society committed \$3,372,492 to the District for the primate forest during 2022, of which \$-0- was remitted to the District during 2023 and 2022, and \$3,372,492 is included in amounts due to the District at December 31, 2023 and 2022. The Zoo Society continued to fundraise for the project in 2023 as signified by the change of Net Assets with Donor Restrictions related to the Primate Forest project of \$4,910,107 (Note 8). This multi-year, multi-faceted project is slated to break ground in fall of 2024. Throughout the duration of the project the Zoo Society will make additional commitments in support of the different phases of the project.

Other Capital Projects

Amounts due to the District at December 31, 2023 and 2022 included \$282,696 and \$1,227,237, respectively, related to other capital projects.

Note 10: Allocation of Joint Costs

For the years ended December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Fundraising	\$ 45,185	\$ 44,069
Program services	<u>325,565</u>	<u>291,692</u>
	<u>\$ 370,750</u>	<u>\$ 335,761</u>

Note 11: Defined Contribution Plans

The Zoo Society has 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 2023 and 2022, the amount of expense related to this Plan was \$85,299 and \$69,539, respectively.

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

Note 11: Defined Contribution Plans (continued)

The Zoo Society has a 457(b) executive deferred compensation plan (the “Executive Plan”). Participation in the Executive Plan was limited to those determined eligible by the Human Resources Committee of Zoo Society’s Board of Directors. The Executive Plan was frozen in fiscal 2023. There was no expense related to this Executive Plan for the years ended December 31, 2023 and 2022.

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, 2023 and 2022, the total assets under the plan recorded in the accompanying statements of financial position were \$380,631 and \$337,824, 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, 2023 and 2022, the total liability under the plan recorded in the accompanying statements of financial position was \$380,631 and \$337,824, 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, 2023 and 2022.

Note 12: Related-Party Transactions

At December 31, 2023 and 2022, \$609,205 and \$1,851,000 of pledges receivable and \$1,760,999 and \$1,586,196 of support and revenue, respectively, were from Directors, Director-related organizations, and employees. Additionally, transactions with the District are disclosed in Note 9.

Note 13: 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.

Cleveland Zoological Society

Notes to Financial Statements

December 31, 2023 and 2022

Note 13: Liquidity and Availability of Resources (continued)

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 581,337	\$ 567,458
Cash restricted for endowment	2,250	-
Charitable gift annuities	246,526	237,045
Pledges receivable, net	4,488,655	4,257,749
Marketable securities	<u>28,862,012</u>	<u>24,439,754</u>
	34,180,780	29,502,006
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Funds held for others included in cash and cash equivalents	1,030	100,724
Restricted by donors – purpose restrictions	10,255,024	5,744,880
Restricted by donors – implied time restrictions	615,251	555,492
Restricted by donors – held in perpetuity	<u>446,879</u>	<u>444,629</u>
	<u>11,318,184</u>	<u>6,845,725</u>
Amounts unavailable to management without Board's approval:		
Board-designated – ZooFutures, Animal Care & Conservation funds	7,614,839	6,611,602
Board-designated – Sustaining Fund	6,758,092	5,661,562
Board-designated – approved distribution from Sustaining Fund for following year operations	(314,106)	(314,000)
Board-designated – approved distribution from ZooFutures Fund for following year operations	(246,870)	(234,000)
Board-designated – approved distribution from Animal Care Fund for following year operations	(69,761)	(80,000)
Board-designated – approved distribution from Conservation Fund for following year operations	<u>(65,429)</u>	<u>(71,000)</u>
	<u>13,676,765</u>	<u>11,574,164</u>
Total funds unavailable for general expenditure within one year	<u>24,994,949</u>	<u>18,419,889</u>
Total financial assets available to management for general expenditures within one year	\$ <u>9,185,831</u>	\$ <u>11,082,117</u>

Cleveland Zoological Society

Supplementary Schedule of Effects of ASC 606

For the year ended December 31, 2023

	As reported Pre-ASC 606	ASC 606 Effects	As reported Post-ASC 606
Support, revenues, and gains:			
Contributions:			
Membership	\$ 5,101,846	\$ (3,115,685)	\$ 1,986,161
Individuals, corporations, and foundations	1,873,255	-	1,873,255
Comprehensive campaign	5,199,012	-	5,199,012
Special events	828,218	-	828,218
Less: direct benefit to donor costs	(475,305)	-	(475,305)
Investment return, net	2,926,527	-	2,926,527
Change in value of split-interest agreements	10,547	-	10,547
Total support, revenues, and gains	15,464,100	(3,115,685)	12,348,415
Net assets released from restrictions	-	-	-
	15,464,100	(3,115,685)	12,348,415
Expenses:			
Program services	5,602,967	(3,043,343)	2,559,624
Management and general	671,397	-	671,397
Fundraising	1,501,108	-	1,501,108
Total expenses	7,775,472	(3,043,343)	4,732,129
Provision for bad debts	32,640	-	32,640
Total expenses and losses	7,808,112	(3,043,343)	4,764,769
Change in net assets	7,655,988	(72,342)	7,583,646
Net assets – beginning of year	21,740,585	(682,720)	21,057,865
Net assets – end of year	\$ 29,396,573	\$ (755,062)	\$ 28,641,511