
The Chicago Zoological Society

Financial Report
March 31, 2024

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3-4
Statement of Activities	5-6
Statement of Functional Expenses	7-8
Statement of Cash Flows	9
Notes to Financial Statements	10-28

Independent Auditor's Report

To the Board of Trustees
The Chicago Zoological Society

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of The Chicago Zoological Society (the "Society"), which comprise the statement of financial position as of March 31, 2024 and 2023 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 accompanying financial statements present fairly, in all material respects, the financial position of the Society as of March 31, 2024 and 2023 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Audits of the Financial Statements* section of our report. We are required to be independent of the Society and to meet our 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 Society's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits 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 audits conducted in accordance with GAAS 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.

To the Board of Trustees
The Chicago Zoological Society

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 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 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2024 on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Society's internal control over financial reporting and compliance.



July 17, 2024

Statement of Financial Position

March 31, 2024
(in Thousands)

	Total Without Donor Restrictions	Total With Donor Restrictions	Total All Funds
Assets			
Cash	\$ 1,147	\$ -	\$ 1,147
Investments - General fund	28,609	-	28,609
Investments - Board designated and donor restricted	50,107	34,223	84,330
Pledges and grants receivable - Net	511	10,198	10,709
Park improvements and equipment - Net of accumulated depreciation	136,155	-	136,155
Other	4,283	7	4,290
	\$ 220,812	\$ 44,428	\$ 265,240
Liabilities and Net Assets			
Liabilities			
Accounts payable and other accrued expenses	\$ 10,138	\$ -	\$ 10,138
Payroll-related accrued expenses	3,569	-	3,569
Deferred revenue:			
Membership dues	9,613	-	9,613
Advanced tax collections and grants	5,869	-	5,869
Sponsorships and other	953	-	953
Accrued actuarial benefit obligations	1,965	-	1,965
Loan payable	9,426	-	9,426
Revenue bonds payable - Net of debt issuance costs	28,816	-	28,816
Other	288	-	288
	70,637	-	70,637
Net Assets			
Without donor restrictions			
Undesignated	\$ 8,732	\$ -	\$ 8,732
Board designated	141,443	-	141,443
Total without donor restrictions	150,175	-	150,175
With donor restrictions	-	44,428	44,428
Total net assets	150,175	44,428	194,603
Total liabilities and net assets	\$ 220,812	\$ 44,428	\$ 265,240

Statement of Financial Position

March 31, 2023
(in Thousands)

	Total Without Donor Restrictions	Total With Donor Restrictions	Total All Funds
Assets			
Cash	\$ 558	\$ -	\$ 558
Investments - General fund	20,096	-	20,096
Investments - Board designated and donor restricted	59,831	22,593	82,424
Pledges and grants receivable - Net	230	875	1,105
Employee Retention Credit receivable	4,945	-	4,945
Park improvements and equipment - Net of accumulated depreciation	111,104	-	111,104
Due from Forest Preserves of Cook County - Tax Collections	2,937	-	2,937
Other	2,825	36	2,861
	<u>202,526</u>	<u>23,504</u>	<u>226,030</u>
Total assets	\$ 202,526	\$ 23,504	\$ 226,030
Liabilities and Net Assets			
Liabilities			
Accounts payable and other accrued expenses	\$ 3,237	\$ -	\$ 3,237
Payroll-related accrued expenses	2,997	-	2,997
Deferred revenue:			
Membership dues	9,702	-	9,702
Advanced tax collections and grants	4,072	-	4,072
Sponsorships and other	898	-	898
Accrued actuarial benefit obligations	2,239	-	2,239
Revenue bonds payable - Net of debt issuance costs	28,809	-	28,809
Other	162	-	162
	<u>52,116</u>	<u>-</u>	<u>52,116</u>
Total liabilities	52,116	-	52,116
Net Assets			
Without donor restrictions			
Undesignated	\$ 8,374	\$ -	\$ 8,374
Board designated	142,036	-	142,036
Total without donor restrictions	<u>150,410</u>	<u>-</u>	<u>150,410</u>
With donor restrictions	-	23,504	23,504
Total net assets	<u>150,410</u>	<u>23,504</u>	<u>173,914</u>
Total liabilities and net assets	\$ 202,526	\$ 23,504	\$ 226,030

Statement of Activities

Year Ended March 31, 2024
(in Thousands)

	Total Without Donor Restrictions	With Donor Restrictions	Total All Funds
Revenue, Gains, and Other Support			
Forest Preserve District - Tax collections	\$ 20,048	\$ -	\$ 20,048
Visitor related revenues	19,315	-	19,315
Contributions and grants - General operations	8,508	-	8,508
Contributions and grants - Board designated and donor restricted	4,562	20,799	25,361
Donated goods and services	237	-	237
Membership dues	15,580	-	15,580
Investment income, net of investment expenses - General operations	2,455	-	2,455
Investment income, net of investment expenses - Board designated and donor restricted	3,718	2,954	6,672
Other income	1,512	18	1,530
Net assets released	2,509	(2,509)	-
Total revenue, gains, and other support	<u>78,444</u>	<u>21,262</u>	<u>99,706</u>
Expenses			
Program services:			
Animal Health, Welfare, Care and Programs	30,017	-	30,017
Education and Community Engagement	4,053	-	4,053
Park operations	26,536	-	26,536
Support services:			
Management and general	11,237	-	11,237
Fundraising	4,375	-	4,375
Total expenses	<u>76,218</u>	<u>-</u>	<u>76,218</u>
Change in Net Assets Before Change in Postretirement Benefits Not Yet Recognized in Operations and Change in Reserve on Pledges and Grants Receivable	2,226	21,262	23,488
Change in Postretirement Benefits Not Yet Recognized in Operations	(96)	-	(96)
Change in Reserve on Pledges and Grants Receivable	(2,365)	(338)	(2,703)
Changes in Net Assets	(235)	20,924	20,689
Net Assets - Beginning of year	150,410	23,504	173,914
Net Assets - End of year	<u>\$ 150,175</u>	<u>\$ 44,428</u>	<u>\$ 194,603</u>

Statement of Activities

Year Ended March 31, 2023
(in Thousands)

	Total Without Donor Restrictions	With Donor Restrictions	Total All Funds
Revenue, Gains, and Other Support			
Forest Preserve District - Tax collections	\$ 14,157	\$ -	\$ 14,157
Visitor related revenues	18,772	-	18,772
Contributions and grants - General operations	7,643	-	7,643
Contributions and grants - Board designated and donor restricted	2,536	1,896	4,432
Donated goods and services	671	-	671
Membership dues	15,874	-	15,874
Investment income, net of investment expenses - General operations	1,145	-	1,145
Investment losses, net of investment expenses - Board designated and donor restricted	(1,754)	(1,095)	(2,849)
Other income	1,527	15	1,542
Net assets released	2,098	(2,098)	-
Total revenue, gains, and other support	62,669	(1,282)	61,387
Expenses			
Program services:			
Animal Health, Welfare, Care and Programs	26,362	-	26,362
Education and Community Engagement	3,138	-	3,138
Park operations	23,324	-	23,324
Support services:			
Management and general	10,140	-	10,140
Fundraising	3,683	-	3,683
Total expenses	66,647	-	66,647
Changes in Net Assets Before Change in Postretirement Benefits Not Yet Recognized in Operations	(3,978)	(1,282)	(5,260)
Change in Postretirement Benefits Not Yet Recognized in Operations	(177)	-	(177)
Changes in Net Assets	(4,155)	(1,282)	(5,437)
Net Assets - Beginning of year	154,565	24,786	179,351
Net Assets - End of year	\$ 150,410	\$ 23,504	\$ 173,914

Statement of Functional Expenses

Year Ended March 31, 2024

(in Thousands)

	Program Services				Support Services			
	Animal Health, Welfare, Care, and Programs	Education and Community Engagement	Park Operations	Total	Management and General	Fundraising	Total	Total
Salaries and benefits	\$ 15,202	\$ 2,708	\$ 13,201	\$ 31,111	\$ 5,485	\$ 2,653	\$ 8,138	\$ 39,249
Supplies	2,252	107	1,434	3,793	153	126	279	4,072
Operating expenses	4,002	133	2,244	6,379	2,261	254	2,515	8,894
Professional and outside services	1,629	211	3,897	5,737	1,977	1,233	3,210	8,947
Depreciation	4,803	725	2,689	8,217	344	46	390	8,607
Equipment expenses	586	119	1,994	2,699	997	61	1,058	3,757
Utilities	1,543	50	1,077	2,670	20	2	22	2,692
Total functional expenses	\$ 30,017	\$ 4,053	\$ 26,536	\$ 60,606	\$ 11,237	\$ 4,375	\$ 15,612	\$ 76,218

Statement of Functional Expenses

Year Ended March 31, 2023

(in Thousands)

	Program Services				Support Services			
	Animal Health, Welfare, Care, and Programs	Education and Community Engagement	Park Operations	Total	Management and General	Fundraising	Total	Total
Salaries and benefits	\$ 14,330	\$ 2,050	\$ 11,906	\$ 28,286	\$ 4,920	\$ 2,195	\$ 7,115	\$ 35,401
Supplies	2,206	95	1,348	3,649	101	101	202	3,851
Operating expenses	1,147	103	2,140	3,390	2,380	169	2,549	5,939
Professional and outside services	1,400	67	3,117	4,584	1,602	1,110	2,712	7,296
Depreciation	4,794	733	2,526	8,053	379	42	421	8,474
Equipment expenses	567	44	1,397	2,008	739	64	803	2,811
Utilities	1,918	46	890	2,854	19	2	21	2,875
Total functional expenses	<u>\$ 26,362</u>	<u>\$ 3,138</u>	<u>\$ 23,324</u>	<u>\$ 52,824</u>	<u>\$ 10,140</u>	<u>\$ 3,683</u>	<u>\$ 13,823</u>	<u>\$ 66,647</u>

Statement of Cash Flows

Years Ended March 31, 2024 and 2023
(in Thousands)

	2024	2023
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 20,689	\$ (5,437)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	8,607	8,474
Loss on retirement of capital assets	1,869	54
Unrealized loss (gain) on interest rate swap	48	(203)
Net unrealized and realized (gain) loss on investments	(5,209)	4,026
Donated stock	(995)	(869)
Donated capital equipment	-	(22)
Contributions restricted for long-term purposes	(22,757)	(376)
Amortization of bond issuance costs	7	33
Reserve on pledges and grants receivable	2,703	-
Changes in operating assets and liabilities that provided (used) cash:		
Pledges and grants receivable	3,888	299
Employee Retention Credit receivable	2,580	(253)
Due to (from) Forest Preserves of Cook County - Tax collections	6,561	(2,937)
Other assets	(1,477)	(193)
Accounts payable and other accrued expenses	1,268	(464)
Payroll-related accrued expenses	572	464
Deferred revenue	(1,861)	(2,496)
Accrued sick pay and postretirement benefits	(274)	(206)
Other liabilities	126	3
Net cash provided by (used in) operating activities	16,345	(103)
Cash Flows from Investing Activities		
Purchase of capital assets	(29,894)	(6,320)
Purchase of investments	(24,009)	(13,135)
Proceeds from sales of investments	19,794	18,319
Net cash used in investing activities	(34,109)	(1,136)
Cash Flows from Financing Activities		
Payments of long-term debt	-	(520)
Proceeds from contributions restricted for long-term purposes	8,927	1,716
Proceeds from issuance of new debt	9,426	-
Net cash provided by financing activities	18,353	1,196
Net Increase (Decrease) in Cash	589	(43)
Cash - Beginning of year	558	601
Cash - End of year	\$ 1,147	\$ 558
Supplemental Cash Flow Information		
Cash payments for interest	\$ 883	\$ 510
Property and equipment purchases included in accounts payable	6,681	1,048

March 31, 2024 and 2023
(in Thousands)

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Basis of Presentation

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

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

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

Revenue Recognition

The following revenue streams are applicable under ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, for the years ended March 31, 2024 and 2023:

- Visitor-related revenue
- Membership dues
- Other income

March 31, 2024 and 2023

(in Thousands)

Note 2 - Significant Accounting Policies (Continued)

Performance Obligations

The following explains the performance obligations related to each revenue stream and how those are recognized:

Visitor-related Revenue

The Society generates revenue from transaction-based fees, which include general admission, parking, special attractions, animal feedings, motor safari, and transportation rentals. These fees are recognized at the time the transaction is executed, as that is the point in time the Society satisfies the performance obligation. Payment is due at the point of sale.

The Society generates revenue from commissions on merchandise, restaurant services, and catering at the Zoo, which is outsourced to SSA Group, LLC. The Society entered into an agreement to receive a monthly commission applicable to the gross receipts for items sold during the month based on an agreed-upon commission/category matrix. SSA Group, LLC in turn has exclusive operations of all food service and retail merchandise facilities only for the purpose of selling food and retail items. The commission revenue received by the Society from SSA Group, LLC is recognized in the month the items are sold or services are provided. The agreement with SSA Group, LLC expires on February 4, 2032. Commission revenue is included with visitor-related revenue on the statement of activities.

Membership Dues

The Society earns membership dues from its members. Membership dues are earned over the course of one or two years, representing the period over which the Society satisfies the performance obligation of providing access to the Zoo, parking benefits, and internal attractions to members. Payment is due at the point of sale. Cash payments received in advance of the Society satisfying its performance obligations are recorded as deferred revenue on the statement of financial position. Total deferred revenue from membership dues as of March 31, 2024, 2023, and 2022 was \$9,613, \$9,702, and \$9,417, respectively.

Other Income

The Society generates revenue from other activities, including sponsorships, educational programs, marketing events, radiology services, advertising, and rental. The Society recognizes revenue at the point in time the services are rendered to its customers, except for certain sponsorships that are recognized over the sponsorship period. Payment is due when invoiced. Cash payments received in advance of the Society satisfying its performance obligations are recorded as deferred revenue on the statement of financial position. Total deferred revenue from customers with contracts as of March 31, 2024, 2023, and 2022 was \$953, \$898, and \$571, respectively.

March 31, 2024 and 2023

(in Thousands)

Note 2 - Significant Accounting Policies (Continued)

Contributions, Grants, and Other Support

Tax revenue collected by the District partially supports the services provided by the Society under its contract with the District to operate the Zoo. The District appropriates the amounts on a calendar year basis based on a calendar budget submitted to and approved by the District. The District remits the Society's share of the District's net tax collections to the Society periodically throughout the calendar year to support the budgeted expenses. The amounts recognized as revenue by the Society for fiscal year 2024 represent the Society's share of the actual cash collected by the District for the calendar year 2023 plus a prorated three-month portion of the 2024 calendar year approved appropriation. A receivable or a liability is recorded at fiscal year end for any revenue recorded by the Society but not yet remitted by the District or any amounts reported as collected by the Society but not yet spent in accordance with the calendar year budgeted costs. Any remittances related to prior year tax recoupments, net of refunds, or other amounts not part of the annual approved appropriation are recognized as revenue as cash is received from the District. As of March 31, 2024, the Society had \$3,624 of advanced tax collections that had not yet met the conditions of the incurrence of qualifying expenses. As of March 31, 2023, the Society recognized \$2,937 as a receivable for tax collections, which has been earned but not yet remitted by the District.

Cash contributions are recognized in the period received. Pledges are recognized in the period pledged. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met. Contributions of cash and other assets, including unconditional promises to give in the future, are reported at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. An allowance for uncollectible pledges receivable is provided based on management's judgment considering factors such as prior collection history, the type of contribution, and the nature of fundraising activity. As of March 31, 2024, an allowance of \$338 was recorded on the pledges and grants receivable balance. No allowance was deemed necessary as of March 31, 2023.

A portion of the Society's revenue is derived from cost-reimbursable federal and state contracts and grants. These contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Society has incurred expenditures in compliance with specific contract or grant provisions. Amounts recognized for which cash has not been received in advance are recorded as receivables. As of March 31, 2024, an allowance of \$2,365 was recorded on grants receivable of this nature, see Note 20 for further information.

Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Society has \$2,246 and \$4,072 of refundable advances as of March 31, 2024 and 2023, respectively. Conditional contributions that have been awarded but not yet recognized as revenue total \$7,119 and \$7,955 as of March 31, 2024 and 2023, respectively.

Donated Goods and Services

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

March 31, 2024 and 2023
(in Thousands)

Note 2 - Significant Accounting Policies (Continued)

The Society's donated goods and services consist of veterinary services, legal services, advertising services, and miscellaneous supplies. During the years ended March 31, 2024 and 2023, total donated goods and supplies amounted to \$65 and \$380, respectively, and total services amounted to \$172 and \$291, respectively. The values of professional services and goods and supplies are determined based on their estimated fair value using market rates for similar services or prices from vendors or similar market places.

Cash

The Society maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Society has not experienced any losses in such accounts.

Investments

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

The Society's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near future and will materially affect the amounts reported in the financial statements.

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

Park Improvements and Equipment

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

	Depreciable Life - Years
Park improvements	10-40
Equipment	5

The Society capitalizes individual equipment and park expenditures over \$15 and a useful life greater than one year. The land site of the Zoo is owned by the District and, accordingly, is not recorded in the Society's financial statements. All park improvements acquired by the Society are legally owned by the District. All exhibit buildings, facilities, and equipment are recorded as park improvements on the books of the Society and are depreciated over their estimated useful lives. This depreciation expense for park improvements is not funded by the District's tax collections.

Tax Status

The Society is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3) except for taxes on unrelated business income.

March 31, 2024 and 2023

(in Thousands)

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Animal Collection

Animal collections, which were acquired through breeding loans, purchases, and contributions, are not recognized as assets on the statement of financial position. Costs to acquire collection items are recorded as a decrease in net assets without donor restrictions in the year in which the animals are acquired. Proceeds from deaccessions are reflected as an increase in net assets with donor restrictions or without donor restrictions. Any non-donor-restricted proceeds from deaccessions are not restricted for use by the Society.

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

Interest Rate Swap

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

Functional Allocation of Expenses

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

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

- CEO and CFO salaries and benefits - Estimates of time and effort
- Certain IT salaries and benefits - Percentage of historical work orders
- Electric, water, and gas - Square footage and estimate of building time usage
- General insurance - Based on coverage type
- Phone - Percentage of historical call duration
- Benefits - Salary as a percentage of the whole
- Depreciation - Building or equipment function

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 17, 2024, which is the date the financial statements were available to be issued.

Notes to Financial Statements

March 31, 2024 and 2023

(in Thousands)

Note 3 - Liquidity and Availability of Resources

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

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

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

	2024	2023
Cash	\$ 1,147	\$ 558
Investments	112,939	102,520
Pledges and grants receivable - Net	10,709	1,105
Employee Retention Credit receivable	-	4,945
Other receivables - Net	1,913	3,610
Other	169	151
Financial assets - At year end	126,877	112,889
Less those unavailable for general expenditures within one year due to:		
Receivables:		
Contributions receivable - For restricted gifts - Net	10,465	752
Employee Retention Credit receivable	-	4,945
Investments:		
Quasi endowment (less current year appropriation)*	5,848	5,203
Board designated for capital improvements and other (less current year appropriation)*	42,054	52,680
Restricted by donor or time	13,399	4,045
Term endowment funds	793	663
Endowment investments held in perpetuity	10,305	10,311
Unappropriated earnings on endowment (less current year appropriation)*	8,597	6,381
Investments restricted for debt covenants*	12,000	-
Other receivables - Net	251	-
Other	169	151
Financial assets available to meet cash needs for general expenditures within one year	\$ 22,996	\$ 27,758

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

March 31, 2024 and 2023
(in Thousands)

Note 3 - Liquidity and Availability of Resources (Continued)

The Society manages its cash available to meet general expenditures following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations that support mission fulfillment will continue to be met, and ensuring the sustainability of the Society. As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Society regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. In the event of an unanticipated liquidity need, the Society also could draw upon its \$10,000 line of credit, as described in Note 7.

Note 4 - Unconditional Pledges and Grants Receivable

Unconditional pledges and grants receivable as of March 31, 2024 and 2023 are due to be received as follows:

	2024	2023
Within one year	\$ 3,124	\$ 1,012
One to five years	9,190	102
Less discounts to net present value	(1,267)	(9)
Less reserve	(338)	-
Net receivable	<u>\$ 10,709</u>	<u>\$ 1,105</u>

The discount rate used in determining the net present value of unconditional pledges and grants receivable ranged from 1.62 to 4.40 percent as of March 31, 2024 and 2023.

Note 5 - Fair Value Measurements

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

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Society's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Notes to Financial Statements

March 31, 2024 and 2023

(in Thousands)

Note 5 - Fair Value Measurements (Continued)

The Society has the following recurring fair value measurements as of March 31, 2024 and 2023:

Assets Measured at Fair Value on a Recurring Basis at March 31, 2024				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2024
Assets - Investments				
Mutual funds:				
Equity - Emerging markets	\$ 2,761	\$ -	\$ -	\$ 2,761
Equity - International	6,224	-	-	6,224
Equity - U.S. large cap	13,417	-	-	13,417
Equity - U.S. small cap	2,773	-	-	2,773
Fixed - High-yield bonds	1,331	-	-	1,331
Fixed - U.S. intermediate bonds	18,033	-	-	18,033
Fixed - U.S. short-term bonds	8,581	-	-	8,581
U.S. real estate	4,033	-	-	4,033
Total mutual funds	57,153	-	-	57,153
Interest rate swap	-	172	-	172
Total assets	\$ 57,153	\$ 172	\$ -	\$ 57,325
Assets Measured at Fair Value on a Recurring Basis at March 31, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2023
Assets - Investments				
Mutual funds:				
Equity - Emerging markets	\$ 2,839	\$ -	\$ -	\$ 2,839
Equity - International	6,158	-	-	6,158
Equity - U.S. large cap	9,880	-	-	9,880
Equity - U.S. small cap	3,531	-	-	3,531
Fixed - High-yield bonds	1,258	-	-	1,258
Fixed - U.S. intermediate bonds	16,686	-	-	16,686
Fixed - U.S. short-term bonds	8,631	-	-	8,631
U.S. real estate	3,272	-	-	3,272
Total mutual funds	52,255	-	-	52,255
Interest rate swap	-	220	-	220
Total assets	\$ 52,255	\$ 220	\$ -	\$ 52,475

March 31, 2024 and 2023
(in Thousands)

Note 5 - Fair Value Measurements (Continued)

Not included in the table above is \$55,786 and \$50,265 of cash and cash equivalents in brokerage accounts as of March 31, 2024 and 2023, respectively.

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

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

There were no Level 3 investments as of March 31, 2024 and 2023.

Note 6 - Park Improvements and Equipment

Park improvements and equipment are summarized as of March 31, 2024 and 2023 as follows:

	2024	2023
Park improvements	\$ 283,515	\$ 281,841
Equipment	10,494	9,806
Construction in progress	29,718	3,546
Total cost	323,727	295,193
Less accumulated depreciation	187,572	184,089
Net property and equipment	<u>\$ 136,155</u>	<u>\$ 111,104</u>

Depreciation expense for 2024 and 2023 was \$8,607 and \$8,474, respectively.

Construction in progress as of March 31, 2024 and 2023 consists of expenditures associated with the construction and renovation of The Tropical Forest. The Society expects to incur expenditures of approximately \$65,000, of which \$36,600 is committed to one contractor to complete the renovation project, which is expected to finalize in June 2025.

Note 7 - Line of Credit

During the years ended March 31, 2024 and 2023, the Society had an available \$10,000 line of credit demand note that is effective through October 20, 2024. The Society has the option to select a prime-based interest rate with a floor of 2 percent or the Secured Overnight Financing Rate (SOFR) plus 1.5 percent, with a floor of 1.5 percent. Any borrowings are secured against the assets of the Society. There were no borrowings outstanding on this line of credit at any time during 2024 and 2023. The Society intends to extend or renew the line of credit.

Note 8 - Revenue Bonds

Revenue bonds outstanding as of March 31, 2024 and 2023 are as follows:

	2024	2023
Village of Brookfield, Illinois - Series 2008	\$ 28,920	\$ 28,920
Less debt issuance costs - Net of accumulated amortization	(104)	(111)
Total	<u>\$ 28,816</u>	<u>\$ 28,809</u>

March 31, 2024 and 2023

(in Thousands)

Note 8 - Revenue Bonds (Continued)

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

Expenses of \$297 incurred in connection with the Series 2008 Bonds offerings were deferred and are being amortized on a straight-line basis over the period the bonds are to be outstanding. The debt issuance costs are reported net of the revenue bonds payable on the statement of financial position. The Series 2008 Bonds are secured by a letter of credit that is effective through October 31, 2025. In the event the agent is unable to remarket the bonds, the bonds become a demand note under an irrevocable letter of credit issued by The Northern Trust Company. Should the irrevocable letter of credit not be renewed, an alternative credit facility must be obtained, or the bonds require repayment in 12 equal quarterly installments.

On July 10, 2015, the Society entered into a 10-year interest rate swap agreement for \$10,000 of the Series 2008 Bonds with The Northern Trust Company to exchange a variable-rate interest payment equal to the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) for a fixed-interest payment of 1.966 percent. The SIFMA variable interest rate approximates the weekly remarketing variable rate. The swap exposes the Society to basis risk should the relationship between the weekly remarketing rate and SIFMA rate change significantly. The fair value asset for the obligation under this instrument was \$172 and \$220 as of March 31, 2024 and 2023, respectively. This swap agreement will mature on July 10, 2025.

The remaining \$18,920 of the Series 2008 Bonds had an effective variable interest rate of 3.49 and 1.86 percent for the years ended March 31, 2024 and 2023, respectively.

In December 1995, the Society issued tax-exempt bonds through Illinois Educational Facilities Authority (IEFA). Series 1995B Bonds originally matured on December 15, 2025; bore interest at a variable rate based on weekly remarketing; and had adjustable methods of demand features, purchase features, redemption provisions, rate determination dates, rate change dates, and interest payment dates. The bonds were subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount to be redeemed plus accrued interest to the redemption date on December 15 of the following year. During the year ended March 31, 2023, the Society paid down the remaining \$520 of the Series 1995B Bonds.

Expenses of \$202 incurred in connection with the Series 1995B Bonds offerings were deferred and were amortized on a straight-line basis over the period the bonds were to be outstanding. The debt issuance costs were reported net of the revenue bonds payable on the statement of financial position and were written off in 2023 as a result of the debt paydown.

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

Total interest expense is \$863 and \$567 for the years ended March 31, 2024 and 2023, respectively.

March 31, 2024 and 2023
(in Thousands)

Note 8 - Revenue Bonds (Continued)

The following table represents the amounts and the locations of the amounts relating to the Society's interest rate swap included in the Society's financial statements as of and for the years ended March 31, 2024 and 2023:

	2024	2023
Statement of financial position information* - Interest rate swap	\$ 172	\$ 220
Statement of activities information**:		
Change in the fair value of interest rate swap agreements	(48)	203
Interest expense (recapture)	144	(10)
	<u>\$ 96</u>	<u>\$ 193</u>
Total gain on interest rate swap		

*Included in other assets on the statement of financial position.

**Both interest expense and the change in the fair value of the interest rate swap are classified in the statement of activities and recorded in the animal health, welfare, care, and programs expense line.

Note 9 - Long-term Debt

On December 8, 2023, the Society entered into a construction and term loan agreement with Wintrust Bank NA, The Northern Trust Company, and First Secure Bank and Trust Company to fund the costs associated with the construction of the Tropical Forest exhibit. The maximum aggregate principal amount allowed under the co-lender agreement is \$60,000. Maximum amount to be drawn from each bank is \$40,000 from Wintrust Bank NA, and \$10,000 from each Northern Trust Company and First Secure Bank, respectively.

As of March 31, 2024, the amount outstanding under the loan agreement was \$9,426. No principal payments are due on the loans prior to the conversion date, which is expected to be upon completion of construction. Pro rata mandatory repayments are due beginning upon conversion through March 2029. The remaining amount owed in March 2029 is payable in monthly installments over a 30-year amortization schedule. The following table reflects the loan payable amounts held by the Society at March 31 for each financial institution:

Wintrust Bank NA	\$ 6,284
The Northern Trust Company	1,571
First Secure Bank and Trust Company	<u>1,571</u>
Total	<u>\$ 9,426</u>

Monthly interest is due on the outstanding principal balance and is calculated using the term Secured Overnight Financing Rate (SOFR) plus applicable margin of 1.25 percent. Effective interest rate as of March 31, 2024 was 6.59 percent. Interest expense under these loan agreements amounted to \$71 for the year ended March 31, 2024 and was capitalized under the construction project disclosed in Note 6.

Under the agreement with Wintrust Bank, the Society is subject to certain financial covenants, including maintaining a debt service coverage ratio of at least 0.75 to 1 and a minimum deposit amount of \$12,000 with the bank. Under the agreements with Northern Trust and First Secure Bank, the Society is subject to maintaining a debt service coverage ratio of at least 0.75 to 1. As of March 31, 2024, the Society was in compliance with all financial covenants.

March 31, 2024 and 2023

(in Thousands)

Note 10 - Net Assets

The Society's governing board has designated, from net assets without donor restrictions, net assets for the following purposes as of March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Board-designated net assets:		
Programs and capital improvements	\$ 27,019	\$ 44,743
Quasi endowment	6,061	5,379
Other	10,450	9,619
Investment in property, plant, and equipment - Net of related debt	<u>97,913</u>	<u>82,295</u>
Total board-designated net assets	<u>\$ 141,443</u>	<u>\$ 142,036</u>

Net assets with donor restrictions are restricted for the following purposes or periods as of March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to expenditures for a specified purpose:		
Animal health, welfare, care, and programs	\$ 790	\$ 1,393
Education and community engagement	508	380
Capital improvements	22,748	3,656
Other	<u>88</u>	<u>129</u>
Total	24,134	5,558
Subject to the passage of time - Promises to give that are not restricted by donors but that are unavailable for expenditure until due	-	50
Subject to the Society's spending policy, appropriation, and satisfaction of purpose restriction, if applicable, the income of which is available to support:		
General operating expenditures	1,066	1,004
Animal health, welfare, care, and programs	11,479	10,099
Education and community engagement	6,853	6,144
Capital improvements	152	2
Other	<u>744</u>	<u>647</u>
Total	<u>20,294</u>	<u>17,896</u>
Total net assets with donor restrictions	<u>\$ 44,428</u>	<u>\$ 23,504</u>

Note 11 - Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended March 31, 2024 and 2023 by passage of time or incurring expenses satisfying the following restricted purposes:

	<u>2024</u>	<u>2023</u>
Animal health, welfare, care, and programs	\$ 1,498	\$ 1,226
Education and community engagement	761	564
Capital improvements	41	111
Time restricted	50	185
Other	<u>159</u>	<u>12</u>
Total	<u>\$ 2,509</u>	<u>\$ 2,098</u>

March 31, 2024 and 2023

(in Thousands)

Note 12 - Donor-restricted and Board-designated Endowments

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

Interpretation of Relevant Law

The Society is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Society has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Society considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Society has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Society and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Society
- The investment policies of the Society

Endowment Net Asset Composition by Type of Fund
as of March 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 6,061	\$ -	\$ 6,061
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	10,311	10,311
Original gift of term endowment	-	793	793
Accumulated investment gains	-	9,190	9,190
Total donor-restricted endowment funds	-	20,294	20,294
Total	\$ 6,061	\$ 20,294	\$ 26,355

Notes to Financial Statements

March 31, 2024 and 2023

(in Thousands)

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

	Changes in Endowment Net Assets as of March 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 5,379	\$ 17,896	\$ 23,275
Investment return - Net	884	2,901	3,785
Contributions	12	122	134
Appropriation of endowment assets for expenditure	(214)	(625)	(839)
Endowment net assets - End of year	<u>\$ 6,061</u>	<u>\$ 20,294</u>	<u>\$ 26,355</u>
	Endowment Net Asset Composition by Type of Fund as of March 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,379	\$ -	\$ 5,379
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	10,311	10,311
Original gift of term endowment	-	663	663
Accumulated investment gains	-	6,922	6,922
Total donor-restricted endowment funds	-	17,896	17,896
Total	<u>\$ 5,379</u>	<u>\$ 17,896</u>	<u>\$ 23,275</u>
	Changes in Endowment Net Assets for the Fiscal Year Ended March 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 5,726	\$ 19,014	\$ 24,740
Investment loss - Net	(345)	(1,118)	(1,463)
Contributions	3	-	3
Appropriation of endowment assets for expenditure	(5)	-	(5)
Endowment net assets - End of year	<u>\$ 5,379</u>	<u>\$ 17,896</u>	<u>\$ 23,275</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Society to retain a fund of perpetual duration. As of March 31, 2024, there were no funds with deficiencies. As of March 31, 2023, deficiencies of this nature existed in two endowment funds. The funds have an original gift value of \$1,220, a current fair value of \$1,154, and a deficiency of \$66. The deficiency resulted from unfavorable market fluctuations. There was no spending from these funds during the year ended March 31, 2023.

March 31, 2024 and 2023

(in Thousands)

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

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period and board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the respective benchmarks for the different asset classes provided for in the Society's investment policy. These asset classes include domestic and international equities, high-grade corporate and government bonds, and cash equivalents but specifically exclude any direct investment in real estate and commodities (i.e., gold). Any investments in hedge funds or derivatives require separate approval by the board of trustees. The Society expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually, net of management fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the prior 12 quarters though the calendar year end two years preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of 2 percent annually. The Society has a policy that permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. For the fiscal year ended March 31, 2024, the Society had appropriated \$839. For the year ended March 31, 2023, the Society had no appropriations from the donor-restricted funds due to investment market performance.

Note 13 - Retiree Medical Benefits

The Society has a postretirement medical and dental plan available to all nonunion employees hired prior to January 1, 2016 at age 62 with 10 or more years of service. As of April 2, 2012, all active union participants are eligible at age 62 with 15 or more years of service and are covered under a union health plan for a 3-year period commencing at age 62 and ending at age 65.

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

March 31, 2024 and 2023
(in Thousands)

Note 13 - Retiree Medical Benefits (Continued)

The following tables provide information about the Society's postretirement medical and dental benefit plan as of March 31, 2024 and 2023:

Obligations and Funded Status

	2024	2023
Change in benefit obligation:		
Benefit obligation at beginning of period	\$ 1,209	\$ 1,312
Service cost	42	56
Interest cost	54	42
Actuarial loss	(171)	(91)
Benefits paid	(138)	(110)
	<u>996</u>	<u>1,209</u>
Benefit obligation at end of period	996	1,209
Fair value of plan assets at end of period	-	-
	<u>\$ (996)</u>	<u>\$ (1,209)</u>

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

	2024	2023
Accrued postretirement benefits	\$ (996)	\$ (1,209)

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

	2024	2023
Actuarial losses - Net	\$ (1,760)	\$ (1,749)
Prior service credit	(273)	(381)
	<u>\$ (2,033)</u>	<u>\$ (2,130)</u>

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

	2024	2023
Change in amounts not yet recognized in postretirement benefits:		
Arising	\$ (171)	\$ (91)
Recognized	159	161
Prior year service credit (recognized)	107	107
	<u>\$ 95</u>	<u>\$ 177</u>

Weighted-average assumptions used to determine benefit obligations at March 31, 2024 and 2023 are as follows:

	2024	2023
Weighted-average assumption as of end of period (benefit obligation) - Discount rate	4.95 %	4.50 %
Weighted-average assumption as of beginning of period (net benefit cost) - Discount rate	4.50 %	3.21 %

March 31, 2024 and 2023
(in Thousands)

Note 13 - Retiree Medical Benefits (Continued)

Assumed Health Care Cost Trend Rates at March 31, 2024 and 2023

	Other Postretirement Benefits	
	2024	2023
Health care cost trend rate assumed for next year	7.50 %	7.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50 %	5.00 %
Year that the rate reaches the ultimate trend rate	2037	2032

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

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on total service and interest cost for 2024	\$ 9	\$ (8)
Effect on 2024 year end postretirement benefit obligation	61	(55)
Effect on total service and interest cost for 2023	11	(9)
Effect on 2023 year end postretirement benefit obligation	82	(74)

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for each of the fiscal years as of March 31, 2024:

Years Ending	Amount
2025	\$ 176
2026	157
2027	124
2028	85
2029	94
2030-2034	343

Note 14 - Employee Benefit Plan

The Society sponsors a defined contribution plan available to all regular employees who are 21 years of age and have completed one hour of service. Participants may contribute a portion of their compensation, which is then partially matched by the Society. Only employees who have completed one year of service and met certain minimum hours worked requirements are eligible for the company match. The Society's expense for the years ended March 31, 2024 and 2023 was approximately \$664 and \$629, respectively.

Effective January 2024, the Society adopted a nonqualified 457(f) deferred compensation plan. The Society provides a discretionary employer contribution under Internal Revenue Code Section 457(f). The amounts will be maintained on the Society's books in a designated account and will remain the sole property of the Society and be available to satisfy the claims of all general creditors of the Society. The participants have a fully vested interest in employer matching contributions.

As of March 31, 2024, the assets of the 457(f) plan in the amount of \$114 are recorded in investments - general fund in the statement of financial position. As of March 31, 2024, the liabilities of the 457(f) plan in the amount of \$114 are recorded in other liabilities in the statement of financial position. Contributions under the 457(f) plan for the year ended March 31, 2024 were \$110.

March 31, 2024 and 2023

(in Thousands)

Note 15 - Sick Leave Benefits

The Society has a sick leave policy where eligible employees may accumulate sick leave days. Upon resignation, retirement, or death, employees are paid 50 percent of their accumulated sick leave days up to 120 days. Retirees age 62 or older are paid 100 percent of their accumulated sick leave days up to 120 days. Beginning on January 1, 2001, new employees continue to accumulate sick leave days according to the current schedule but are not eligible for payment of their accumulated and unused sick leave days upon resignation or retirement. This change did not affect employees hired prior to January 1, 2001. Additionally, effective in 2010, employees hired prior to January 1, 2001 who have current balances of greater than 120 days each December 31 are required to cash out their amount over 120 days, up to 10 days, 5 of which may permanently reduce their future resignation, retirement, or death payout. The actuarially determined present value of the Society's liability for accumulated sick leave was \$969 and \$1,030 as of March 31, 2024 and 2023, respectively, included in accrued actuarial benefit obligations on the statement of financial position. The assumed increase in salary rates was 3 percent per annum, compounded annually using a 2024 discount rate of 4.88 percent for the 2024 actuarial valuation. The assumed increase in salary rates was 3 percent per annum, compounded annually using a 2023 discount rate of 4.47 percent for the 2023 actuarial valuation.

Note 16 - Charitable Gift Annuity

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

The total assets and total liabilities related to this program as of March 31, 2024 were \$321 and \$144, respectively. The total assets and total liabilities related to this program as of March 31, 2023 were \$327 and \$151, respectively. Charitable gift annuity assets and liabilities are included in investments and other liabilities in the statement of financial position.

Note 17 - Beneficial Interest in Trust

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

Note 18 - Contingencies

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

Note 19 - Related Party Transactions

Certain utility, banking, legal, and investment services are provided by companies with which members of the board of trustees are affiliated. These services are approved by the board of trustees and are provided at rates consistent with the market rates for not-for-profit organizations. Additionally, the board of trustees contributed \$3,002 and \$3,271 to the Society during the 2024 and 2023 fiscal years, respectively.

A board trustee of the Society has a relationship with First Secure Bank, which the Society entered into a debt agreement with during the year ended March 31, 2024 (see Note 9).

March 31, 2024 and 2023
(in Thousands)

Note 20 - COVID-19-related Federal Programs

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act of 2020 introduced the Employee Retention Credit as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credit based on having operations suspended to comply with a government order related to COVID-19, meeting the threshold for gross receipts decline in 2021 compared to 2019, and incurring eligible payroll expenses. The Society recorded \$4,945 in the years ended March 31, 2023 and 2022, after determining these conditions have been met and the amount was a receivable balance as of March 31, 2023. During July 2023, the Society received payment of \$2,580 of their ERC claim. The Society placed a reserve on the remaining receivable of approximately \$2,365 as of March 31, 2024.

The Society's ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the Society would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.