

**Cheyenne Mountain Zoological Society**

**Consolidated Financial Statements and  
Supplementary Information**

**April 30, 2019**

**(With Independent Auditor's Report Thereon)**

*Kundinger, Corder & Engle, P.C.*

*Certified Public Accountants*

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## **Independent Auditor's Report**

### **Board of Directors Cheyenne Mountain Zoological Society**

#### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Cheyenne Mountain Zoological Society (the Zoo), which comprise the consolidated statement of financial position as of April 30, 2019, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cheyenne Mountain Zoological Society as of April 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Directors  
Cheyenne Mountain Zoological Society**

**Emphasis of Matters**

As discussed in note 1, the Zoo adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended April 30, 2019. Our opinion is not modified with respect to this matter.

As discussed in note 9 to the consolidated financial statements, effective May 1, 2018, the Zoo reclassified certain amounts from net assets without donor restrictions to net assets with donor restrictions. Our opinion is not modified with respect to this matter.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating schedules on pages 18-20 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Kuendinger, Cochrane & Congle, P.C.*

June 27, 2019

**Cheyenne Mountain Zoological Society**  
**Consolidated Statement of Financial Position**  
**April 30, 2019**

<b>Assets</b>	
Cash and cash equivalents	\$ 22,214,743
Restricted cash	1,791,386
Contributions receivable, net (note 3)	4,524,446
Prepaid expenses and other assets	664,785
Investments (note 4 and 5)	7,591,824
Beneficial interest in perpetual trust (note 5)	144,134
Property and equipment, net (note 6)	43,950,007
Animal collection	
Total assets	<u>\$ 80,881,325</u>
<b>Liabilities and net assets</b>	
Accounts payable	\$ 2,307,388
Accrued compensation	1,210,814
Other accrued liabilities	1,190,676
Deferred membership revenue	1,161,046
Other deferred revenue	543,523
Total liabilities	<u>6,413,447</u>
Net assets	
Without donor restrictions	
Operating	18,690,826
Board-designated endowment fund (note 9)	3,391,977
Net assets in property and equipment	<u>43,894,237</u>
Total net assets without donor restrictions	65,977,040
With donor restrictions (note 8)	<u>8,490,838</u>
Total net assets	74,467,878
Commitments (notes 7 and 10)	
Total liabilities and net assets	<u>\$ 80,881,325</u>

See the accompanying notes to the consolidated financial statements.

**Cheyenne Mountain Zoological Society**  
**Consolidated Statement of Activities**  
**Year Ended April 30, 2019**

	Without donor restrictions	With donor restrictions	Total
<b>Operating revenue</b>			
Admissions	\$ 8,469,635	–	8,469,635
Memberships	2,656,917	–	2,656,917
Visitor services	2,025,908	–	2,025,908
Food and merchandise	1,397,581	–	1,397,581
Other auxiliary activities	1,165,197	–	1,165,197
Contributions	1,129,222	2,907,657	4,036,879
Total operating revenue	<u>16,844,460</u>	<u>2,907,657</u>	<u>19,752,117</u>
<b>Operating expenses</b>			
Program services			
Animal care and conservation	9,804,270	–	9,804,270
Educational activities	2,222,444	–	2,222,444
Total program services	<u>12,026,714</u>	<u>–</u>	<u>12,026,714</u>
Supporting services			
General and administrative	2,056,507	–	2,056,507
Fundraising	827,294	–	827,294
Total supporting services	<u>2,883,801</u>	<u>–</u>	<u>2,883,801</u>
Total operating expenses	<u>14,910,515</u>	<u>–</u>	<u>14,910,515</u>
Total operating net income	<u>1,933,945</u>	<u>2,907,657</u>	<u>4,841,602</u>
<b>Non-operating revenue and expenses</b>			
Investment return (note 4)	622,508	141,794	764,302
Change in value of perpetual trust (note 5)	–	197	197
Net gain on insurance proceeds (note 12)	3,393,548	–	3,393,548
Building repair costs (note 12)	(1,470,426)	–	(1,470,426)
Other non-operating revenue	20,183	–	20,183
Net assets released from restrictions (note 8)	8,087,836	(8,087,836)	–
Total non-operating revenue and expenses	<u>10,653,649</u>	<u>(7,945,845)</u>	<u>2,707,804</u>
<b>Change in net assets</b>	12,587,594	(5,038,188)	7,549,406
<b>Net assets at beginning of year as previously reported</b>	53,622,003	13,296,469	66,918,472
Reclassification of beginning net assets (note 9)	(232,557)	232,557	–
Net assets at beginning of year as restated	<u>53,389,446</u>	<u>13,529,026</u>	<u>66,918,472</u>
<b>Net assets at end of year</b>	<u>\$ 65,977,040</u>	<u>8,490,838</u>	<u>74,467,878</u>

See the accompanying notes to the consolidated financial statements.

**Cheyenne Mountain Zoological Society**  
**Consolidated Statement of Functional Expenses**  
**Year Ended April 30, 2019**

	Program services			Supporting services			Total
	Animal care and conservation	Educational activities	Total program services	General and administrative	Fund raising	Total supporting services	
Salaries	\$ 3,789,814	1,162,557	4,952,371	1,032,958	494,974	1,527,932	6,480,303
Payroll taxes and benefits	636,668	175,766	812,434	136,628	61,636	198,264	1,010,698
Professional fees	-	-	-	21,663	-	21,663	21,663
Advertising and promotion	-	6,117	6,117	442,868	-	442,868	448,985
Office expenses	12,332	8,046	20,378	13,787	4,458	18,245	38,623
Information technology	-	-	-	113,709	-	113,709	113,709
Occupancy	460,459	97,555	558,014	12,517	12,123	24,640	582,654
Conferences and meetings	34,240	8,124	42,364	25,296	2,656	27,952	70,316
Depreciation	2,391,594	-	2,391,594	-	-	-	2,391,594
Building repair costs	1,470,426	-	1,470,426	-	-	-	1,470,426
Insurance	115,332	72,082	187,414	18,935	6,178	25,113	212,527
Program and event expenses	1,255,120	663,110	1,918,230	155,403	244,531	399,934	2,318,164
Repairs and maintenance	719,157	16,243	735,400	10,751	225	10,976	746,376
Animal food	375,860	-	375,860	-	-	-	375,860
Membership dues	4,478	644	5,122	65,801	179	65,980	71,102
Miscellaneous	9,216	12,200	21,416	6,191	334	6,525	27,941
<b>Total expenses</b>	<b>\$ 11,274,696</b>	<b>2,222,444</b>	<b>13,497,140</b>	<b>2,056,507</b>	<b>827,294</b>	<b>2,883,801</b>	<b>16,380,941</b>

See the accompanying notes to the consolidated financial statements.

**Cheyenne Mountain Zoological Society**  
**Consolidated Statement of Cash Flows**  
**Year Ended April 30, 2019**

<b>Cash flows from operating activities</b>	
Change in net assets	\$ 7,549,406
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	2,391,594
Write-off of property and equipment	172,811
Amortization of discount on contributions receivable	(43,108)
Net realized and unrealized gains	(299,285)
Change in value of perpetual trust	(197)
Contributions restricted for long-term purposes	(2,569,620)
Insurance proceeds received	(3,566,359)
Change in operating assets and liabilities	
Prepaid expenses and other assets	(363,666)
Accounts payable	1,444,031
Accrued liabilities	1,371,904
Deferred revenue	123,780
Net cash provided by operating activities	<u>6,211,291</u>
<b>Cash flows from investing activities</b>	
Purchases of property and equipment	(14,531,702)
Insurance proceeds received	3,566,359
Net sales of investments	84,188
Net cash used in investing activities	<u>(10,881,155)</u>
<b>Cash flows from financing activities</b>	
Proceeds from contributions restricted for long-term purposes	<u>3,599,118</u>
Net cash provided by financing activities	<u>3,599,118</u>
<b>Net decrease in cash and cash equivalents and restricted cash</b>	<b>(1,070,746)</b>
<b>Cash and cash equivalents and restricted cash at beginning of year</b>	<b><u>25,076,875</u></b>
<b>Cash and cash equivalents and restricted cash at end of year</b>	<b><u><u>\$ 24,006,129</u></u></b>

See the accompanying notes to the consolidated financial statements.

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements**  
**April 30, 2019**

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**(1) Summary of Significant Accounting Policies**

**(a) Organization**

The Cheyenne Mountain Zoological Society (the “Society”) owns and operates the Cheyenne Mountain Zoo which is located in Colorado Springs, Colorado. The Society is a not-for-profit organization that is dedicated to conservation, captive breeding and animal care, and connecting people with wildlife and wild places through experiences that inspire action. As a leader in the community, its purpose is to educate people and provide first-class animal experiences that bring people into the awe and wonder of animals and the natural world resulting in action toward the environment.

The Cheyenne Mountain Zoo Endowment Fund (the “Foundation”) is a separately incorporated supporting organization, operated exclusively for the benefit of the Society.

The Society’s programs are described as follows:

*Animal care and conservation:* To house and display an animal collection for the cultural and recreational benefit of the general public, and to provide assistance for species in peril by lost habitat.

*Educational activities:* Provide educational programs designed to foster an appreciation and respect for animals and to educate the community on the ecosystems of the world.

**(b) Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Society and the Foundation, collectively referred to as “the Zoo”. All significant inter-organization balances and transactions have been eliminated in consolidation.

**(c) Basis of Accounting**

The accompanying consolidated financial statements of the Zoo have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

**(d) Financial Statement Presentation**

The Zoo is required to present information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Zoo. These net assets may be used at the discretion of the Zoo’s management and the board of directors.

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

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(e) Measure of Operations**

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items directly attributable to the Zoo's ongoing program activities. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

**(f) Cash and Cash Equivalents and Restricted Cash**

The Zoo considers all unrestricted highly liquid investments (i.e. money market accounts) with an original maturity of three months or less, and not held as part of the investment portfolio, to be cash equivalents.

Restricted cash consists of cash received from contributors restricted for specific purposes. Restricted cash is combined with cash and cash equivalents for purposes of the consolidated statement of cash flows.

**(g) Concentrations of Credit Risk**

Financial instruments which potentially subject the Zoo to concentrations of credit risk consist principally of cash and cash equivalents, investments and contributions receivable. The Zoo places its cash and cash equivalents with creditworthy, high-quality financial institutions. At times, a portion of these cash balances is not insured by the Federal Deposit Insurance Corporation or related entity.

The Zoo has significant investments in marketable securities and is, therefore, subject to concentrations of credit risk. Investments are made and monitored by the management of the Zoo pursuant to an investment policy established by the board of directors. Though the market values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent to the long-term welfare of the Zoo.

Credit risk with respect to contributions receivable is limited due to the credit worthiness of the entities that comprise the contributor base.

**(h) Investments**

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the consolidated statement of financial position, and changes in fair value are reported as investment return in the consolidated statement of activities. Fair value is more fully described in note 5. The Zoo's management is responsible for the fair value measurement of investments reported in the consolidated financial statements and believes that the reported values are reasonable.

Investment return consists of the Zoo's share of any interest, dividends, and capital gains and losses generated from its investments. Realized gains and losses attributable to the Zoo's investments are reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the consolidated statement of activities.

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(i) Contributions Receivable and Contributions**

Contributions are recognized when cash, securities or other assets, and an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

All donor restricted support, including pledges, is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from donor restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be received in more than one year. The Zoo uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis.

**(j) Property and Equipment**

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. The Zoo capitalizes all property and equipment with a cost or fair value at the date of donation in excess of \$5,000 with a useful life of more than one year. Depreciation on property and equipment is calculated on the straight-line method over estimated useful lives of the assets ranging from three to thirty years.

**(k) Animal Collections**

In accordance with industry practice, no amounts have been recorded for the animal collections as there is no objective basis for establishing value. Additionally, animal collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Accordingly, acquisitions are recorded as expenditures in the period of acquisition.

**(l) Asset Retirement Obligations**

Asset retirement obligations generally apply to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction or development and the normal operation of a long-lived asset. Accounting principles generally accepted in the United States of America ("U.S. GAAP") require the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred or a change in estimate occurs if a reasonable estimate of fair value can be made. Certain of the Zoo's facilities may contain asbestos that would have to be removed if such facilities were to be demolished or undergo a major renovation. The Zoo cannot reasonably estimate the fair value of the liability for asbestos removal and accordingly has no recorded an asset retirement obligation for these matters.

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(m) Deferred Revenue**

Membership payments are recognized as revenue ratably over the term of the membership period. Amounts received but not yet earned are reported as deferred revenue. Income from advance admissions and fees is deferred and recognized when used or earned.

**(n) Donated Goods and Services**

Donated goods and services are recorded as contributions and corresponding expenses (or capitalized) at their estimated fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Zoo. Donated goods and services received for the year ended April 30, 2019 are as follows:

Donated goods	\$ 68,435
Donated services	46,300
Donated property and equipment, capitalized	<u>28,532</u>
	<u>\$ 143,267</u>

Many individuals volunteer their time and perform a variety of tasks that assist the Zoo in its programs and general operations. The value of this contributed time is not reflected in the accompanying consolidated financial statements as it does not meet the criteria for recognition under accounting principles.

**(o) Advertising**

The Zoo uses advertising to promote its programs among the audience it serves. The production costs of advertising are expensed as incurred. During the year ended April 30, 2019, advertising expenses totaled \$448,985.

**(p) Functional Expense Allocation**

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. The Zoo incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Zoo also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fund raising and general and administrative activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(q) 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, 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.

**(r) Income Taxes**

Both the Society and the Foundation are exempt from income taxes under Internal Revenue Code Section 501(c)(3) and qualify for the charitable contribution deduction. Income from activities not directly related to their tax-exempt purpose is subject to taxation as unrelated business taxable income. There was no unrelated business taxable income during the year ended April 30, 2019 for the Society and the Foundation.

Management is required to evaluate tax positions taken by the Zoo, and to recognize a tax liability if the Zoo has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. The Zoo believes it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. The Zoo is subject to routine audits by tax jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Zoo is no longer subject to income tax examinations for years prior to April 30, 2016.

**(s) Subsequent Events**

The Zoo has evaluated subsequent events through June 27, 2019, the date the consolidated financial statements were available to be issued.

**(t) Not-for-Profit Financial Statement Presentation**

During the year ended April 30, 2019, the Zoo adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets previously presented on the statements of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The Zoo has adjusted the presentation of these statements accordingly.

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements, Continued**

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**(2) Liquidity and Availability of Financial Assets**

The following represents the Zoo's financial assets as of December 31, 2018:

Financial assets at year-end	
Cash and cash equivalents	\$ 22,214,743
Restricted cash	1,791,386
Contributions receivable	4,524,446
Investments	7,591,824
Beneficial interest in perpetual trust	<u>144,134</u>
Total financial assets	36,266,533
Less net assets with donor restrictions, including restricted cash received from contributions restricted for long-term purposes	(8,490,838)
Less unspent insurance proceeds	(1,923,122)
Plus contributions receivable to be collected within one year	824,311
Plus endowment funds expected to be appropriated within one year	<u>260,000</u>
Financial assets available to meet expenditures over the next twelve months	\$ <u>26,936,884</u>

As part of the Zoo's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Zoo insures cash is readily available in an amount exceeding 25% of projected annual operating expenses. To help manage liquidity, the Zoo has a \$750,000 line of credit agreement with a bank that will be drawn upon as needed to manage cash flows (see note 7). No amounts have been drawn on this line of credit. As part of the agreement, the Zoo is required to maintain liquid assets having a value of at least \$3,000,000 at all times.

**(3) Contributions Receivable**

Contributions receivable consist of amounts due from individuals and foundations for certain capital campaigns and other specified purposes. Contributions receivable consist of the following at April 30, 2019:

Amounts due in	
Less than one year	\$ 824,311
One to five years	3,789,977
More than five years	<u>500,000</u>
Total contributions receivable	5,114,288
Less discount to present value	(485,842)
Less allowance for uncollectible pledges	<u>(104,000)</u>
Net contributions receivable	\$ <u>4,524,446</u>

Amounts due in the future have been discounted at their present values using a discount rate of 3%. There were no conditional grants outstanding at April 30, 2019.

At April 30, 2019, contributions receivable from related parties total \$687,246.

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements, Continued**

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**(4) Investments**

Investments are comprised of the following:

Cash and cash equivalents	\$ 293,601
Mutual funds invested in domestic equities	3,369,228
Mutual funds invested in international equities	613,126
Mutual funds invested in fixed income	1,555,585
Corporate bonds	250,276
U.S. treasuries	<u>1,510,008</u>
Total investments	<u>\$ 7,591,824</u>

Investment return is as follows:

Interest and dividend income	\$ 465,017
Net realized and unrealized gains	<u>299,285</u>
Investment return	<u>\$ 764,302</u>

Investment return includes interest of \$336,156 earned under cash and cash equivalents classified in the statement of financial position.

**(5) Fair Value Measurements**

The Zoo reports its required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also requires the Zoo to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange, listed derivatives, cash and cash equivalents.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt.

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements, Continued**

**(5) Fair Value Measurements, Continued**

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of financial instruments and are not necessarily an indication of risk or liquidity.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these financial instruments will occur in the near term and that such changes could materially affect amounts reported in the Zoo's consolidated financial statements.

The carrying amounts reported in the consolidated statement of financial position for cash and cash equivalents and other assets approximate fair value because of the immediate or short-term maturities of these financial instruments.

The following table summarizes the Zoo's financial instruments measured at fair value by the above fair value hierarchy levels as of April 30, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, measured at fair value				
Mutual funds-domestic equities	\$ 3,369,228	3,369,228	–	–
Mutual funds-international equities	613,126	613,126	–	–
Mutual funds-fixed income	1,555,585	1,555,585	–	–
Corporate bonds	250,276	250,276	–	–
U.S. treasuries	1,510,008	1,510,008	–	–
Cash and cash equivalents	<u>293,601</u>	<u>293,601</u>	–	–
Total investments	7,591,824	7,591,824	–	–
Beneficial interest in perpetual trust	<u>144,134</u>	–	<u>144,134</u>	–
Total	<u>\$ 7,735,958</u>	<u>7,591,824</u>	<u>144,134</u>	<u>–</u>

Level 1 assets have been valued using a market approach. The fair value of the beneficial interest is determined by calculating the Zoo's proportionate share of the fair value of the assets contributed to the trust.

The Zoo is a beneficiary of a perpetual trust administered by a third-party trustee. A perpetual trust is an arrangement in which a donor establishes and funds a trust which grants the not-for-profit organization the irrevocable right to receive income earned on the trust assets in perpetuity, but never receive the assets held by the trust. The Zoo's interest in the perpetual trust was \$144,134 at April 30, 2019 and the change in the value of the trust was \$197 in 2019.

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements, Continued**

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**(6) Property and Equipment**

Property and equipment consists of the following:

Buildings and exhibits	\$ 54,981,053
Land improvements	3,381,510
Furniture and equipment	1,414,130
Vehicles	489,959
Land	1,111,849
Construction in progress	<u>14,751,319</u>
	76,129,820
Less accumulated depreciation	<u>(32,179,813)</u>
Net property and equipment	<u>\$ 43,950,007</u>

**(7) Line of Credit Agreement**

The Zoo has a \$750,000 unsecured line of credit agreement with a bank that expires October 1, 2019. Under the agreement, interest is payable monthly at the prime rate minus 1%. All interest and principal is due at maturity. The line of credit is secured by a separate loan agreement. No draws were made on the line of credit during the year ended April 30, 2019 and there is no outstanding balance at April 30, 2019.

**(8) Net Assets with Donor Restrictions**

The Zoo's net assets with donor restrictions consisted of the following at April 30, 2019:

Contributions receivable (note 3)	\$ 4,524,446
Unspent contribution proceeds received for capital projects	1,438,139
Unspent contribution proceeds received for specific programs	352,264
Donor-restricted endowment (note 9)	1,752,318
Unspent donor-restricted endowment earnings (note 9)	279,537
Beneficial interest in perpetual trust (note 5)	<u>144,134</u>
Total net assets with donor restrictions	<u>\$ 8,490,838</u>

Net assets were released from donor restrictions for the following purposes for the year ended April 30, 2019:

Purpose restrictions accomplished – capital projects	\$ 7,665,550
Purpose restrictions accomplished – specific programs	327,472
Endowment funds appropriated for expenditure (note 9)	<u>94,814</u>
Total net assets released from donor restrictions	<u>\$ 8,087,836</u>

**(9) Endowments**

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Zoo's board has interpreted 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 classifies as nets assets with donor restrictions: (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the donor gift instrument.

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements, Continued**

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**(9) Endowments, Continued**

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

- (1) The duration and preservation of the fund
- (2) The purpose of the Zoo and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Zoo
- (7) The investment policies of the Zoo

The Zoo's endowment funds consist of the following at April 30, 2019:

Donor-restricted endowment fund	\$ 2,031,855
Board-designated endowment fund	<u>3,391,977</u>
Total endowment funds	<u>\$ 5,423,832</u>

The endowment funds were established to provide funding for the ongoing operations of the Zoo. The board-designated endowment fund consists of funds that have been appropriated by the board for the long-term benefit of the Zoo. Contributions to and earnings on the board-designated endowment fund are recorded as increases in net assets without donor restrictions.

Meanwhile, donor-restricted contributions and earnings on the donor-restricted endowment fund are recorded as increases in net assets with donor restrictions, until the earnings are appropriated for expenditure in accordance with the distribution policy. It is intended that any contributions to the donor-restricted endowment fund be held in perpetuity.

Following are the changes in the endowment net assets for the year ended April 30, 2019:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment net assets at April 30, 2018	\$ 3,544,481	1,713,895	5,258,376
Net asset reclassification*	<u>(232,557)</u>	<u>232,557</u>	<u>—</u>
Endowment net assets after reclassifications	3,311,924	1,946,452	5,258,376
Investment return	236,710	141,794	378,504
Contributions	—	38,423	38,423
Appropriated for expenditure	<u>(156,657)</u>	<u>(94,814)</u>	<u>(251,471)</u>
Endowment net assets at April 30, 2019	<u>\$ 3,391,977</u>	<u>2,031,855</u>	<u>5,423,832</u>

*Return Objectives and Strategies for Achieving Objectives*

The Zoo 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. Under this policy, endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk. The Zoo expects its endowment funds, over time, to provide an average rate of return of 5% over the inflation rate annually. Actual returns in any given year may vary from this amount.

**Cheyenne Mountain Zoological Society**  
**Notes to Consolidated Financial Statements, Continued**

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**(9) Endowments, Continued**

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

Pursuant to the terms created for the endowment funds, the Zoo receives an annual distribution of 5% of the twelve-quarter trailing average of the market value of the endowment assets calculated on March 31<sup>st</sup> of each year. The distribution is then made by April 30<sup>th</sup> of each year. The distribution made in 2019 totaled \$251,471, which consisted of \$156,657 from the board-designated endowment fund and \$94,814 from the donor-restricted endowment fund.

\* Reclassification of beginning net assets

During the year ended April 30, 2019, the Zoo determined that earnings on the donor-restricted endowment fund should be classified in net assets with donor restrictions, until appropriated for expenditure in accordance with the distribution policy. Previously, these earnings were recorded as increases in net assets without donor restrictions. As a result, accumulated earnings on the donor-restricted endowment fund at May 1, 2018, totaling \$232,557, were reclassified from net assets without donor restrictions to net assets with donor restrictions. This reclassification had no effect on the previously reported aggregate net assets of the Zoo's endowment fund.

**(10) Retirement Plan**

The Zoo established a 403(b) plan (the Plan) which covers all employees who are expected to work 20 or more hours per week. Covered employees are eligible for employer contributions after completing one year of employment. During the year ended April 30, 2019, the Zoo made no contributions to the Plan.

**(11) Other**

The Society performs certain management and administrative services for the Foundation at no charge. The value of these services is not reflected in the accompanying financial statements because the effect would not be material.

**(12) Insurance Proceeds**

During 2018, a hailstorm caused significant damage to several of the Zoo's buildings. As a result, the Zoo received \$3,566,359 in insurance proceeds and wrote off property and equipment of \$172,811 during the year ended April 30, 2019. Also, the Zoo incurred repair costs of \$1,470,426 on its buildings as a result of the hailstorm. Due to the uncertainty in future amounts to be received, the Zoo is recognizing revenue from insurance proceeds at the time insurance proceeds are received.

**Cheyenne Mountain Zoological Society**  
**Supplemental Consolidating Schedule of Financial Position**  
**April 30, 2019**

	Cheyenne Mountain Zoological Society	Cheyenne Mountain Zoo Endowment Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 22,214,743	–	22,214,743
Restricted cash	1,791,386	–	1,791,386
Contributions receivable, net	4,524,446	–	4,524,446
Prepaid expenses and other assets	664,785	–	664,785
Investments	2,167,992	5,423,832	7,591,824
Beneficial interest in perpetual trust	144,134	–	144,134
Property and equipment, net	43,950,007	–	43,950,007
Animal collection			
Total assets	<u>\$ 75,457,493</u>	<u>5,423,832</u>	<u>80,881,325</u>
<b>Liabilities and net assets</b>			
Accounts payable	\$ 2,307,388	–	2,307,388
Accrued compensation	1,210,814	–	1,210,814
Other accrued liabilities	1,190,676	–	1,190,676
Deferred membership revenue	1,161,046	–	1,161,046
Other deferred revenue	543,523	–	543,523
Total liabilities	<u>6,413,447</u>	<u>–</u>	<u>6,413,447</u>
<b>Net assets</b>			
Without donor restrictions			
Operating	18,690,826	–	18,690,826
Board-designated endowment fund	–	3,391,977	3,391,977
Net assets in property and equipment	43,894,237	–	43,894,237
Total net assets without donor restrictions	62,585,063	3,391,977	65,977,040
With donor restrictions			
	6,458,983	2,031,855	8,490,838
Total net assets	<u>69,044,046</u>	<u>5,423,832</u>	<u>74,467,878</u>
Total liabilities and net assets	<u>\$ 75,457,493</u>	<u>5,423,832</u>	<u>80,881,325</u>

See the accompanying independent auditor's report.

**Cheyenne Mountain Zoological Society**  
**Supplemental Consolidating Schedule of Activities**  
**Year Ended April 30, 2019**

	<u>Cheyenne Mountain Zoological Society</u>			<u>Cheyenne Mountain Zoo Endowment Fund</u>			Consolidated total
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Zoo total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Endowment total</u>	
<b>Operating revenue</b>							
Admissions	\$ 8,469,635	–	8,469,635	–	–	–	8,469,635
Memberships	2,656,917	–	2,656,917	–	–	–	2,656,917
Visitor services	2,025,908	–	2,025,908	–	–	–	2,025,908
Food and merchandise	1,397,581	–	1,397,581	–	–	–	1,397,581
Other auxiliary activities	1,165,197	–	1,165,197	–	–	–	1,165,197
Contributions	1,129,222	2,869,234	3,998,456	–	38,423	38,423	4,036,879
Total operating revenue	<u>16,844,460</u>	<u>2,869,234</u>	<u>19,713,694</u>	<u>–</u>	<u>38,423</u>	<u>38,423</u>	<u>19,752,117</u>
<b>Operating expenses</b>							
Program services							
Animal care and conservation	9,804,270	–	9,804,270	–	–	–	9,804,270
Educational activities	2,222,444	–	2,222,444	–	–	–	2,222,444
Total program services	<u>12,026,714</u>	<u>–</u>	<u>12,026,714</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,026,714</u>
Supporting services							
General and administrative	2,056,507	–	2,056,507	–	–	–	2,056,507
Fund raising	827,294	–	827,294	–	–	–	827,294
Total supporting services	<u>2,883,801</u>	<u>–</u>	<u>2,883,801</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,883,801</u>
Total operating expenses	<u>14,910,515</u>	<u>–</u>	<u>14,910,515</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,910,515</u>
Total operating net income	<u>\$ 1,933,945</u>	<u>2,869,234</u>	<u>4,803,179</u>	<u>–</u>	<u>38,423</u>	<u>38,423</u>	<u>4,841,602</u>

**Cheyenne Mountain Zoological Society**  
**Supplemental Consolidating Schedule of Activities (Continued)**  
**Year Ended April 30, 2019**

	<u>Cheyenne Mountain Zoological Society</u>			<u>Cheyenne Mountain Zoo Endowment Fund</u>			Consolidated total
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Zoo total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Endowment total</u>	
<b>Non-operating revenue and expenses</b>							
Investment return	\$ 385,798	–	385,798	236,710	141,794	378,504	764,302
Change in value of perpetual trust	–	197	197	–	–	–	197
Net gain on insurance proceeds	3,393,548	–	3,393,548	–	–	–	3,393,548
Building repair costs	(1,470,426)	–	(1,470,426)	–	–	–	(1,470,426)
Other non-operating revenue	20,183	–	20,183	–	–	–	20,183
Distribution from endowment	251,471	–	251,471	(156,657)	(94,814)	(251,471)	–
Net assets released from restrictions	7,993,022	(7,993,022)	–	–	–	–	–
Total non-operating revenue and expenses	<u>10,573,596</u>	<u>(7,992,825)</u>	<u>2,580,771</u>	<u>80,053</u>	<u>46,980</u>	<u>127,033</u>	<u>2,707,804</u>
<b>Change in net assets</b>	12,507,541	(5,123,591)	7,383,950	80,053	85,403	165,456	7,549,406
<b>Net assets at beginning of year as previously reported</b>	50,077,522	11,582,574	61,660,096	3,544,481	1,713,895	5,258,376	66,918,472
Reclassification of beginning net assets	–	–	–	(232,557)	232,557	–	–
Net assets at beginning of year as restated	<u>50,077,522</u>	<u>11,582,574</u>	<u>61,660,096</u>	<u>3,311,924</u>	<u>1,946,452</u>	<u>5,258,376</u>	<u>66,918,472</u>
<b>Net assets at end of year</b>	<u>\$ 62,585,063</u>	<u>6,458,983</u>	<u>69,044,046</u>	<u>3,391,977</u>	<u>2,031,855</u>	<u>5,423,832</u>	<u>74,467,878</u>

See the accompanying independent auditor's report.