

SEDGWICK COUNTY ZOO
INDEPENDENT AUDITOR'S REPORT
AND
COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018



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Independent Auditor's Report

Board of Trustees
Sedgwick County Zoological Foundation, Inc.

Board of Trustees
Sedgwick County Zoological Society, Inc.

Board of County Commissioners
Sedgwick County, Kansas

We have audited the accompanying combined financial statements of Sedgwick County Zoo (Note 1), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audits. We conducted our audits 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 combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Sedgwick County Zoo as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rejiv Carr & Monroe LLP

June 18, 2020
Wichita, Kansas

SEDGWICK COUNTY ZOO
Combined Statements of Financial Position
December 31, 2019 and 2018

	2019				2018			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 5,245,227	\$ -	5,245,227	\$ -	\$ 4,034,553	\$ -	\$ 4,034,553	\$ -
Investments	6,256,816	-	21,923	6,234,893	5,092,050	-	-	5,092,050
Accounts receivable	226,352	173,200	53,152	-	214,105	199,575	14,530	-
Pledges receivable, current	3,700,000	-	3,700,000	-	15,000	-	15,000	-
Inventories	116,409	-	116,409	-	149,730	-	149,730	-
Prepaid expenses	141,863	-	141,863	-	141,116	-	141,116	-
Total current assets	<u>15,686,667</u>	<u>173,200</u>	<u>9,278,574</u>	<u>6,234,893</u>	<u>9,646,554</u>	<u>199,575</u>	<u>4,354,929</u>	<u>5,092,050</u>
OTHER ASSETS								
Long-term pledges receivable	4,425,000	-	4,425,000	-	-	-	-	-
Certificate of deposit	250,000	-	250,000	-	-	-	-	-
Beneficial interest-remainder trust and estates	70,263	-	70,263	-	70,316	-	70,316	-
Total other assets	<u>4,745,263</u>	<u>-</u>	<u>4,745,263</u>	<u>-</u>	<u>70,316</u>	<u>-</u>	<u>70,316</u>	<u>-</u>
PROPERTY AND EQUIPMENT								
Land and site development	2,800,674	2,800,674	-	-	2,800,674	2,800,674	-	-
Buildings and improvements	59,135,365	59,135,365	-	-	60,198,129	60,198,129	-	-
Machinery and equipment	2,271,356	-	2,271,356	-	2,091,143	-	2,091,143	-
Other assets	14,937	14,937	-	-	14,937	14,937	-	-
Accumulated depreciation	(37,400,967)	(35,676,273)	(1,724,694)	-	(36,457,979)	(34,852,792)	(1,605,187)	-
Construction in progress	1,318,663	1,318,663	-	-	153,202	153,202	-	-
Net property and equipment	<u>28,140,028</u>	<u>27,593,366</u>	<u>546,662</u>	<u>-</u>	<u>28,800,106</u>	<u>28,314,150</u>	<u>485,956</u>	<u>-</u>
Total assets	<u>\$ 48,571,958</u>	<u>\$ 27,766,566</u>	<u>\$ 14,570,499</u>	<u>\$ 6,234,893</u>	<u>\$ 38,516,976</u>	<u>\$ 28,513,725</u>	<u>\$ 4,911,201</u>	<u>\$ 5,092,050</u>

The accompanying notes are an integral part of the financial statements.

SEDGWICK COUNTY ZOO
Combined Statements of Financial Position (Continued)
December 31, 2019 and 2018

	2019				2018			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable	\$ 772,385	\$ -	\$ 772,385	\$ -	\$ 478,464	\$ -	\$ 478,464	\$ -
Salaries and wages payable	215,209	173,200	42,009	-	234,459	199,575	34,884	-
Accrued compensated absences	226,937	180,568	46,369	-	239,705	194,861	44,844	-
Unearned income	19,776	-	19,776	-	15,890	-	15,890	-
Notes payable-Sedgwick County - current	-	-	-	-	234,011	-	234,011	-
Other liabilities	126,902	-	126,902	-	186,306	-	186,306	-
Capital lease payable - current	15,526	-	15,526	-	15,041	-	15,041	-
Total current liabilities	<u>1,376,735</u>	<u>353,768</u>	<u>1,022,967</u>	<u>-</u>	<u>1,403,876</u>	<u>394,436</u>	<u>1,009,440</u>	<u>-</u>
LONG TERM LIABILITIES								
Capital lease payable	2,633	-	2,633	-	18,158	-	18,158	-
Note payable-Sedgwick County	702,033	-	702,033	-	702,033	-	702,033	-
Total long term liabilities	<u>704,666</u>	<u>-</u>	<u>704,666</u>	<u>-</u>	<u>720,191</u>	<u>-</u>	<u>720,191</u>	<u>-</u>
Total liabilities	<u>2,081,401</u>	<u>353,768</u>	<u>1,727,633</u>	<u>-</u>	<u>2,124,067</u>	<u>394,436</u>	<u>1,729,631</u>	<u>-</u>
NET ASSETS								
Without donor restrictions								
Unrestricted	34,443,308	27,412,798	1,387,523	5,642,987	34,483,746	28,119,289	1,861,189	4,503,268
Unrestricted-board designated	593,363	-	593,363	-	759,081	-	759,081	-
Total without donor restrictions	<u>35,036,671</u>	<u>27,412,798</u>	<u>1,980,886</u>	<u>5,642,987</u>	<u>35,242,827</u>	<u>28,119,289</u>	<u>2,620,270</u>	<u>4,503,268</u>
With donor restrictions								
Total with donor restrictions	<u>11,453,886</u>	<u>-</u>	<u>10,861,980</u>	<u>591,906</u>	<u>1,150,082</u>	<u>-</u>	<u>561,300</u>	<u>588,782</u>
Total net assets	<u>46,490,557</u>	<u>27,412,798</u>	<u>12,842,866</u>	<u>6,234,893</u>	<u>36,392,909</u>	<u>28,119,289</u>	<u>3,181,570</u>	<u>5,092,050</u>
Total liabilities and net assets	<u>\$ 48,571,958</u>	<u>\$ 27,766,566</u>	<u>\$ 14,570,499</u>	<u>\$ 6,234,893</u>	<u>\$ 38,516,976</u>	<u>\$ 28,513,725</u>	<u>\$ 4,911,201</u>	<u>\$ 5,092,050</u>

The accompanying notes are an integral part of the financial statements.

SEDGWICK COUNTY ZOO
Combined Statements of Activities
For the Years Ending December 31, 2019 and 2018

	2019				2018			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS								
Support								
Sedgwick County	\$ 6,532,630	\$ 6,131,730	\$ 400,900	\$ -	\$ 6,503,005	\$ 6,104,012	\$ 398,993	\$ -
Donations and grants	462,197	-	312,197	150,000	334,462	-	334,462	-
Zoobilee donations	472,955	-	472,955	-	539,383	-	539,383	-
Promotional contributions	133,619	-	133,619	-	143,065	-	143,065	-
Animal adoptions	12,656	-	12,656	-	9,692	-	9,692	-
Total unrestricted support	<u>7,614,057</u>	<u>6,131,730</u>	<u>1,332,327</u>	<u>150,000</u>	<u>7,529,607</u>	<u>6,104,012</u>	<u>1,425,595</u>	<u>-</u>
Revenues, gains and losses								
Concessions	1,641,638	-	1,641,638	-	1,716,025	-	1,716,025	-
Less cost of goods sold	616,204	-	616,204	-	612,517	-	612,517	-
Gross profit-concession sales	1,025,434	-	1,025,434	-	1,103,508	-	1,103,508	-
Admissions	1,895,529	-	1,895,529	-	1,841,981	-	1,841,981	-
Memberships	1,938,564	-	1,938,564	-	1,870,003	-	1,870,003	-
Zoobilee	792,495	-	792,495	-	787,670	-	787,670	-
Net investment income/(loss)	1,029,287	-	39,568	989,719	(309,209)	-	28	(309,237)
Other income	358,613	-	358,613	-	449,677	-	449,677	-
Gain/(Loss) on disposition of property assets	(329,751)	(329,751)	-	-	(199,125)	(191,373)	(7,752)	-
Total unrestricted revenue	<u>6,710,171</u>	<u>(329,751)</u>	<u>6,050,203</u>	<u>989,719</u>	<u>5,544,505</u>	<u>(191,373)</u>	<u>6,045,115</u>	<u>(309,237)</u>
Total unrestricted support and revenue	<u>14,324,228</u>	<u>5,801,979</u>	<u>7,382,530</u>	<u>1,139,719</u>	<u>13,074,112</u>	<u>5,912,639</u>	<u>7,470,710</u>	<u>(309,237)</u>
Assets transferred to County	<u>\$ -</u>	<u>\$ 2,172,524</u>	<u>\$ (2,172,524)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,006,094</u>	<u>\$ (1,006,094)</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

SEDGWICK COUNTY ZOO
Combined Statements of Activities (Continued)
For the Years Ending December 31, 2019 and 2018

	2019				2018			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS (Continued)								
Satisfaction of restrictions								
Bequests - timing restrictions	\$ 389	\$ -	\$ 389	\$ -	\$ 1,810	\$ -	\$ 1,810	\$ -
Disney grant	1,482	-	1,482	-	-	-	-	-
Elephant exhibit	13,729	-	13,729	-	64,140	-	64,140	-
Winter fund	51,534	-	51,534	-	27,841	-	27,841	-
Zookeeper training	14,535	-	14,535	-	5,049	-	5,049	-
New entry	1,203,032	-	1,203,032	-	75,000	-	75,000	-
Leopard exhibit	1,257	-	1,257	-	7,500	-	7,500	-
Total satisfaction of restrictions	1,285,958	-	1,285,958	-	181,340	-	181,340	-
Expenses								
Operations	12,959,375	8,519,644	4,439,731	-	12,855,760	8,584,003	4,271,757	-
Guest services	1,309,989	-	1,309,989	-	1,348,188	-	1,348,188	-
Administrative	489,511	110,574	378,937	-	459,526	110,610	348,916	-
Fundraising	1,057,467	50,776	1,006,691	-	1,032,821	48,677	984,144	-
Total expenses	15,816,342	8,680,994	7,135,348	-	15,696,295	8,743,290	6,953,005	-
Increase (Decrease) in net assets without donor restrictions	(206,156)	(706,491)	(639,384)	1,139,719	(2,440,843)	(1,824,557)	(307,049)	(309,237)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS								
Donations and grants	11,586,638	-	11,586,638	-	200,890	-	200,890	-
Net investment income/(loss)	3,124	-	-	3,124	(1,128)	-	-	(1,128)
Satisfaction of restrictions	(1,285,958)	-	(1,285,958)	-	(181,340)	-	(181,340)	-
Increase (decrease) in donor restricted net assets	10,303,804	-	10,300,680	3,124	18,422	-	19,550	(1,128)
Increase (Decrease) in net assets	10,097,648	(706,491)	9,661,296	1,142,843	(2,422,421)	(1,824,557)	(287,499)	(310,365)
Net assets - beginning of year	36,392,909	28,119,289	3,181,570	5,092,050	38,815,330	29,943,846	3,469,069	5,402,415
Net assets - end of year	\$46,490,557	\$ 27,412,798	\$12,842,866	\$ 6,234,893	\$36,392,909	\$ 28,119,289	\$ 3,181,570	\$ 5,092,050

The accompanying notes are an integral part of the financial statements.

SEDGWICK COUNTY ZOO
Combined Statement of Functional Expenses
For the Year Ended December 31, 2019

	Sedgwick County					Sedgwick County Zoological Society, Inc.					Sedgwick County Zoological Foundation
	Combined Total	Program			Fund- Raising	Total	Program			Fund- Raising	
		Total	Operations	Admin- istrative			Guest Services	Admin- istrative			
Salaries	\$ 6,010,052	\$ 4,297,008	\$ 4,172,658	\$ 84,493	\$ 39,857	\$ 1,713,044	\$ 289,878	\$ 1,004,841	\$ 191,560	\$ 226,765	\$ -
Employee benefits	1,318,032	1,080,477	1,065,423	11,187	3,867	237,555	40,199	139,346	26,564	31,446	-
Payroll taxes	452,916	325,038	315,374	6,554	3,110	127,878	21,639	75,011	14,300	16,928	-
Retirement expense	442,391	414,913	402,631	8,340	3,942	27,478	4,650	16,118	3,073	3,637	-
Total payroll expenses	8,223,391	6,117,436	5,956,086	110,574	50,776	2,105,955	356,366	1,235,316	235,497	278,776	-
Utilities	575,455	-	-	-	-	575,455	546,683	-	14,386	14,386	-
Telephone	29,935	-	-	-	-	29,935	21,553	-	4,191	4,191	-
Repairs and maintenance	626,933	-	-	-	-	626,933	588,953	6,982	15,499	15,499	-
Animal food	728,288	-	-	-	-	728,288	728,288	-	-	-	-
Promotions	631,224	-	-	-	-	631,224	631,224	-	-	-	-
Insurance	133,801	-	-	-	-	133,801	93,042	15,622	19,282	5,855	-
Animal and grounds supplies	470,964	-	-	-	-	470,964	470,964	-	-	-	-
Education and research supplies	19,272	-	-	-	-	19,272	19,272	-	-	-	-
Other supplies	239,754	-	-	-	-	239,754	174,456	7,146	29,076	29,076	-
Animal purchases	10,404	-	-	-	-	10,404	10,404	-	-	-	-
Professional fees	16,635	-	-	-	-	16,635	-	-	16,635	-	-
Contractual expenditures	498,537	-	-	-	-	498,537	464,286	-	34,251	-	-
Travel and training	80,833	-	-	-	-	80,833	79,950	560	24	299	-
Postage	45,281	-	-	-	-	45,281	33,961	-	5,660	5,660	-
Uniforms	27,062	-	-	-	-	27,062	27,062	-	-	-	-
Other	64,300	-	-	-	-	64,300	64,300	-	-	-	-
Direct costs of Zoobilee	648,513	-	-	-	-	648,513	-	-	-	648,513	-
Recruitment	4,752	-	-	-	-	4,752	4,752	-	-	-	-
Total expenses before depreciation	13,075,334	6,117,436	5,956,086	110,574	50,776	6,957,898	4,315,516	1,265,626	374,501	1,002,255	-
Depreciation	2,741,008	2,563,558	2,563,558	-	-	177,450	124,215	44,363	4,436	4,436	-
Total expenses	<u>\$ 15,816,342</u>	<u>\$ 8,680,994</u>	<u>\$ 8,519,644</u>	<u>\$ 110,574</u>	<u>\$ 50,776</u>	<u>\$ 7,135,348</u>	<u>\$ 4,439,731</u>	<u>\$ 1,309,989</u>	<u>\$ 378,937</u>	<u>\$ 1,006,691</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

SEDGWICK COUNTY ZOO
Combined Statement of Functional Expenses
For the Year Ended December 31, 2018

	Sedgwick County					Sedgwick County Zoological Society, Inc.					Sedgwick County Zoological Foundation
	Combined Total	Program			Fund- Raising	Total	Program			Fund- Raising	
		Total	Operations	Admin- istrative			Guest Services	Admin- istrative			
Salaries	\$ 6,011,034	\$ 4,298,045	\$ 4,174,268	\$ 85,358	\$ 38,419	\$ 1,712,989	\$ 292,633	\$ 1,026,565	\$ 178,890	\$ 214,901	\$ -
Employee benefits	1,303,322	1,101,223	1,086,888	10,669	3,666	202,099	34,525	121,114	21,106	25,354	-
Payroll taxes	445,543	315,504	305,930	6,590	2,984	130,039	22,215	77,930	13,580	16,314	-
Retirement expense	406,102	384,682	373,081	7,993	3,608	21,420	3,659	12,837	2,237	2,687	-
Total payroll expenses	8,166,001	6,099,454	5,940,167	110,610	48,677	2,066,547	353,032	1,238,446	215,813	259,256	-
Utilities	558,727	-	-	-	-	558,727	496,959	35,612	13,078	13,078	-
Telephone	31,174	-	-	-	-	31,174	22,446	-	4,364	4,364	-
Repairs and maintenance	474,238	-	-	-	-	474,238	447,884	2,782	11,786	11,786	-
Animal food	739,865	-	-	-	-	739,865	739,865	-	-	-	-
Promotions	530,494	-	-	-	-	530,494	530,494	-	-	-	-
Insurance	128,357	-	-	-	-	128,357	85,749	17,641	19,150	5,817	-
Animal and grounds supplies	500,660	-	-	-	-	500,660	500,660	-	-	-	-
Education and research supplies	21,997	-	-	-	-	21,997	21,997	-	-	-	-
Other supplies	247,816	-	-	-	-	247,816	174,040	15,762	29,007	29,007	-
Animal purchases	8,039	-	-	-	-	8,039	8,039	-	-	-	-
Professional fees	16,150	-	-	-	-	16,150	-	-	16,150	-	-
Contractual expenditures	490,256	-	-	-	-	490,256	459,606	-	30,650	-	-
Travel and training	61,045	-	-	-	-	61,045	59,530	1,117	-	398	-
Postage	41,880	-	-	-	-	41,880	31,410	-	5,235	5,235	-
Uniforms	42,948	-	-	-	-	42,948	42,948	-	-	-	-
Other	193,940	-	-	-	-	193,940	193,940	-	-	-	-
Direct costs of Zoobilee	651,520	-	-	-	-	651,520	-	-	-	651,520	-
Recruitment	41	-	-	-	-	41	41	-	-	-	-
Total expenses before depreciation	12,905,148	6,099,454	5,940,167	110,610	48,677	6,805,694	4,168,640	1,311,360	345,233	980,461	-
Depreciation	2,791,147	2,643,836	2,643,836	-	-	147,311	103,117	36,828	3,683	3,683	-
Total expenses	<u>\$ 15,696,295</u>	<u>\$ 8,743,290</u>	<u>\$ 8,584,003</u>	<u>\$ 110,610</u>	<u>\$ 48,677</u>	<u>\$ 6,953,005</u>	<u>\$ 4,271,757</u>	<u>\$ 1,348,188</u>	<u>\$ 348,916</u>	<u>\$ 984,144</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

SEDGWICK COUNTY ZOO
Combined Statements of Cash Flows
For the Years Ending December 31, 2019 and 2018

	2019				2018			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
Cash flows from operating activities								
Change in net assets	\$ 10,097,648	\$ (706,491)	\$ 9,661,296	\$ 1,142,843	\$ (2,422,421)	\$ (1,824,557)	\$ (287,499)	\$ (310,365)
Adjustments to reconcile change in net assets to net cash provided by operating activities								
Assets transferred to County	-	(2,172,524)	2,172,524	-	-	(1,006,094)	1,006,094	-
Depreciation	2,741,008	2,563,558	177,450	-	2,791,147	2,643,836	147,311	-
(Gain)/loss on sale of property assets	329,751	329,751	-	-	199,125	191,373	7,752	-
Realized and unrealized (gain)/loss on investments	(874,925)	-	(39,568)	(835,357)	500,831	-	(28)	500,859
Net change in beneficial interest in remainder trust and estates	53	-	53	-	(1,390)	-	(1,390)	-
Contributions restricted for property	(11,484,773)	-	(11,484,773)	-	(12,375)	-	(12,375)	-
(Increase) decrease in operating assets								
Accounts receivable	(12,247)	26,375	(38,622)	-	(30,967)	(60,749)	29,782	-
Inventories	33,321	-	33,321	-	6,747	-	6,747	-
Prepaid expenses	(747)	-	(747)	-	24,627	-	24,627	-
Increase (decrease) in operating liabilities								
Accounts payable	293,921	-	293,921	-	70,717	-	70,717	-
Salaries and wages payable	(19,250)	(26,375)	7,125	-	80,217	60,749	19,468	-
Accrued compensated absences payable	(12,769)	(14,294)	1,525	-	(4,115)	(4,558)	443	-
Unearned income	3,886	-	3,886	-	(6,180)	-	(6,180)	-
Other liabilities	(59,404)	-	(59,404)	-	35,605	-	35,605	-
Net cash provided from operating activities	\$ 1,035,473	\$ -	\$ 727,987	\$ 307,486	\$ 1,231,568	\$ -	\$ 1,041,074	\$ 190,494

The accompanying notes are an integral part of the financial statements.

SEDGWICK COUNTY ZOO
Combined Statements of Cash Flows (Continued)
For the Years Ending December 31, 2019 and 2018

	2019				2018			
	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.	Combined Total	Sedgwick County	Sedgwick County Zoological Society, Inc.	Sedgwick County Zoological Foundation, Inc.
Cash flows from investing activities								
Purchase of property and equipment	\$ (2,410,680)	\$ -	\$ (2,410,680)	\$ -	\$ (1,206,499)	\$ -	\$ (1,206,499)	\$ -
Purchase of investments	(1,226,418)	-	(232,355)	(994,063)	(1,366,380)	-	-	(1,366,380)
Proceeds from sales & maturities of investments	686,577	-	-	686,577	1,196,568	-	20,682	1,175,886
Net cash used from investing activities	<u>(2,950,521)</u>	<u>-</u>	<u>(2,643,035)</u>	<u>(307,486)</u>	<u>(1,376,311)</u>	<u>-</u>	<u>(1,185,817)</u>	<u>(190,494)</u>
Cash flows from financing activities								
Proceeds from contributions restricted for property and equipment	3,374,773	-	3,374,773	-	268,279	-	268,279	-
Payments on capital lease obligations	(15,040)	-	(15,040)	-	(14,570)	-	(14,570)	-
Net cash provided from financing activities	<u>3,125,722</u>	<u>-</u>	<u>3,125,722</u>	<u>-</u>	<u>253,709</u>	<u>-</u>	<u>253,709</u>	<u>-</u>
Net increase in cash and cash equivalents	1,210,674	-	1,210,674	-	108,966	-	108,966	-
Cash and cash equivalents-beginning of year	4,034,553	-	4,034,553	-	3,925,587	-	3,925,587	-
Cash and cash equivalents-end of year	<u>\$ 5,245,227</u>	<u>\$ -</u>	<u>\$ 5,245,227</u>	<u>\$ -</u>	<u>\$ 4,034,553</u>	<u>\$ -</u>	<u>\$ 4,034,553</u>	<u>\$ -</u>
Cash paid for interest expense	<u>\$ 18,680</u>	<u>\$ -</u>	<u>\$ 18,680</u>	<u>\$ -</u>	<u>\$ 12,611</u>	<u>\$ -</u>	<u>\$ 12,611</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

1. History and Business Activity

The Sedgwick County Zoo (Zoo) is a public educational and recreational facility that is supported by three distinct entities as follows:

The Sedgwick County Zoological Society, Inc. (Society) was incorporated on February 20, 1963 as a tax-exempt not-for-profit corporation under Internal Revenue Code 501 (c)(3). The Society entered into an agreement with the Board of County Commissioners of Sedgwick County, Kansas, on August 18, 1967, which employs the Society as an agent of the County to plan, establish, manage, operate, and develop zoological gardens and exhibits. Monies secured by the Society from gifts, bequests, endowments, and the net income from the operation of the facility is to be expended by the Society in accordance with the objectives and purposes of the Society in the construction, operation, maintenance, and development of the Zoo. The Society updated its operating agreement with the County in April of 2017.

The Sedgwick County Zoological Foundation, Inc. (Foundation) is a not-for-profit organization that is exempt from income taxes under 501(c)(3) of the Internal Revenue Code. The Foundation was primarily formed to establish an endowment to support the operations of the Society.

Sedgwick County, Kansas (County), provided monies for the acquisition and construction of the initial physical facilities. Monies for the acquisition and construction were provided by the issuance of general obligation bonds of the County and contributions from the federal and state of Kansas governments. Further, the County provides monies annually for the maintenance and operation of the facility. Such expenditures are financed within the general fund, the capital reserve fund, and the park and recreation fund of Sedgwick County, Kansas. These financial statements only reflect assets, liabilities, net assets, revenues, and expenses attributed to operations of the Zoo.

2. Summary of Significant Accounting Policies

Principles of combined statements

The combined financial statements include the accounts of the Sedgwick County Zoological Society, Inc., the Sedgwick County Zoological Foundation, Inc., and applicable funds from Sedgwick County, Kansas.

Basis of accounting notes

The financial statements of the Zoo are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly, reflect all significant receivables, payables, and other liabilities.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Change in accounting principles

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Zoo have implemented Topic 606 as of January 1, 2019 and has adjusted the presentation in these basic financial statements accordingly. The amendments have been applied prospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Zoo has implemented the provisions of ASU 2018-08 as of January 1, 2019 applicable to both contributions received and to contributions made in the accompanying combined financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with implementation of ASU 2018-08.

Classification of net assets

For financial reporting purposes, the Zoo follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of memberships, contributions without donor restriction, fees for service and related expenses associated with core activities of the Zoo.
- With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Zoo or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Satisfaction or expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

For purposes of the statement of cash flows, the Zoo considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair market value and realized and unrealized gains and losses are recorded in the Statement of Activities.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for potentially uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. A valuation allowance for uncollectible amounts was not considered necessary at December 31, 2019 and 2018.

Pledges Receivable

When a donor has unconditionally promised to contribute funds to the Zoo in future periods, the Zoo recognizes a pledge receivable. Pledges expected to be collected within one year are recorded as support and a receivable at net realizable value. Pledges expected to be collected in future years are recorded as support and a receivable at the present value of expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The allowance for uncollectible pledges is based on management's assessment of the collectability of specific donors' pledges and the aging of pledges receivable. All pledges or portions thereof deemed to be uncollectible are written off to the allowance for uncollectible pledges. Changes to the allowance account are reflected as an adjustment to current year contributions.

Inventories

Retail inventories of the gift shop and restaurant are stated at the lower of cost or market, cost being determined by the first-in, first-out method. Food for Zoo animals is expensed during the year purchased.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Beneficial interest in remainder trusts and estates

The Zoo records the interest in remainder trusts and estates at fair value based upon fair value of the underlying assets and the estimated future cash receipts. Initial recognition and subsequent adjustments to the assets' carrying values are reported as contributions in the accompanying financial statements.

Property and equipment

Property and equipment are carried at cost at date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals or betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments. Donated property assets are valued at fair market value at date of donation with a corresponding recognition of donated revenue.

Ownership of building and attached improvements financed by the Society reverts to the County. Consequently, such purchases by the Society are recorded as transfers to the County and the assets are capitalized by the County.

Revenue and revenue recognition

Contributions, including sponsorships, are recognized when the donor makes a promise to give to the Zoo that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a 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 statement of activities as net assets released from restrictions.

Concessions and admissions are recognized as income in the period in which the sale occurred.

Membership dues are recognized as income in the period in which they are earned.

The Zoo reports gifts of equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Contributed goods and services

The Zoo receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied. Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Animals and other collections

The cost of animal acquisitions and income from sale of animals are included in operations. The other Zoo collections consist of statues and are acquired through purchases and contributions. The collection items are not recognized as assets on the statement of position.

Advertising costs

Advertising costs are expensed as they are incurred and are included in promotions expense. Advertising expense for the years ended December 31, 2019 and 2018 was \$332,948 and \$288,745, respectively.

Use of estimates

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

Income taxes

The Society and the Foundation are organized as Kansas nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The Society and the Foundation are qualified to receive deductible charitable contributions under Section 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under Sections 509(a)(1) and (3). The Society and the Foundation are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Society and the Foundation are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Society has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Income taxes (Continued)

Each entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. Each entity would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in operations if such interest and penalties are incurred.

The related County funds are exempt from income taxes as part of a governmental entity.

The Zoo adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Zoo may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. At December 31, 2019 and 2018, there were no unrecognized tax benefits identified or recorded as assets or liabilities.

Functional allocation of expenses

The cost of providing the Zoo's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified specifically to program or support services are charged directly to that function. Costs common to multiple functions have been allocated among the various functions benefited based on time and effort.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Zoo.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Zoo generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the newsletter or donor acknowledgements contain requests for contributions, costs have been allocated to fundraising, program, and management and general functions.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements

Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Zoo's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

3. Investments

Investments are stated at fair market value at December 31, 2019 and 2018, and consist of investments with a national brokerage firm. The fair values of individual investment securities were provided from the brokerage firm or financial institution which holds the security and are based upon quoted market prices in active markets and are publicly traded on national exchanges.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

3. Investments (Continued)

The amortized cost and estimated fair market value of investments at December 31, 2019 and 2018 are as follows:

	2019		
	Fair Value	Cost	Appreciation (Loss)
Money market accounts	\$ 287,357	\$ 287,357	\$ -
Common stocks	1,149,546	794,147	355,399
Mutual funds:			
Exchange traded funds	385,429	200,826	184,603
Domestic equities	1,242,075	1,019,792	222,283
International equities	871,658	760,930	110,728
Fixed income	2,024,205	1,920,481	103,724
Alternative investments	296,546	280,404	16,142
Total	<u>\$ 6,256,816</u>	<u>\$ 5,263,937</u>	<u>\$ 992,879</u>
	2018		
	Fair Value	Cost	Appreciation (Loss)
Money market accounts	\$ 160,460	\$ 160,460	\$ -
Common stocks	707,277	542,495	164,782
Mutual funds:			
Exchange traded funds	311,926	200,826	111,100
Domestic equities	858,535	864,581	(6,046)
International equities	668,786	704,837	(36,051)
Fixed income investments	2,145,524	2,169,067	(23,543)
Alternative investments	239,542	261,672	(22,130)
Total	<u>\$ 5,092,050</u>	<u>\$ 4,903,938</u>	<u>\$ 188,112</u>

Investment securities in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near-term and those changes could materially affect the amounts reported in the statement of financial position.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

3. Investments (Continued)

The following schedule summarizes the investment return on investments and its classification in the statement of activities for the year ended December 31, 2019 and 2018:

	2019	2018
Total interest and dividend income from all sources	\$ 165,867	\$ 123,765
Realized and unrealized gain/(loss) on investments	812,169	(523,969)
Capital gain distributions	54,375	89,867
Net investment income (loss) per Statements of Activities	1,032,411	(310,337)
Net investment income per Statements of Activities		
Without donor restrictions	\$ 1,029,287	\$ (309,209)
With donor restrictions	3,124	(1,128)
	\$ 1,032,411	\$ (310,337)

4. Fair Value Investments

Generally accepted accounting principles (GAAP) defines fair value as 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. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.

- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

4. Fair Value Investments (Continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2019				
Investments				
Money market accounts	\$ 287,357	\$ 287,357	\$ -	\$ -
Common stocks	1,149,546	1,149,546	-	-
Mutual funds:				
Exchange traded funds	385,429	385,429	-	-
Domestic equities	1,242,075	1,242,075	-	-
International equities	871,658	871,658	-	-
Fixed income investments	2,024,205	2,024,205	-	-
Alternative investments	296,546	296,546	-	-
	<u>6,256,816</u>	<u>\$ 6,256,816</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (NAV):				
Beneficial interest-remainder trust and estates	70,263			
	<u>\$ 6,327,079</u>			
December 31, 2018				
Investments				
Money market accounts	\$ 160,460	\$ 160,460	\$ -	\$ -
Common stocks	707,277	707,277	-	-
Mutual funds:				
Exchange traded funds	311,926	311,926	-	-
Domestic equities	858,535	858,535	-	-
International equities	668,786	668,786	-	-
Fixed income investments	2,145,524	2,145,524	-	-
Alternative investments	239,542	239,542	-	-
	<u>5,092,050</u>	<u>\$ 5,092,050</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (NAV):				
Beneficial interest-remainder trust and estates	70,316			
	<u>\$ 5,162,366</u>			

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

4. Fair Value Investments (Continued)

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of December 31, 2019 and 2018, respectively:

<u>December 31, 2019</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Beneficial interest-remainder trust and estates	\$ 70,263	\$ -	See Note 8	See Note 8
<u>December 31, 2018</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Beneficial interest-remainder trust and estates	\$ 70,316	\$ -	See Note 8	See Note 8

5. Pledges Receivable

Pledges receivable consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 3,700,000	\$ 25,000
Receivable in one to five years	4,425,000	-
Total pledges receivable	8,125,000	25,000
Less:		
Allowance for pledge receivable	-	(10,000)
Net pledges receivable	<u>\$ 8,125,000</u>	<u>\$ 15,000</u>

Pledges are reflected on the accompanying statement of financial position in the following categories at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Current assets	\$ 3,700,000	\$ 15,000
Other assets	4,425,000	-
Net pledges receivable	<u>\$ 8,125,000</u>	<u>\$ 15,000</u>

Pledges were restricted in use for costs associated with the new entrance complex and leopard exhibit at December 31, 2019 and 2018.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

6. Inventories

Inventories at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Gift shop	\$ 91,770	\$ 112,810
Restaurant	24,639	36,920
Total inventories	<u>\$ 116,409</u>	<u>\$ 149,730</u>

7. Funds Held by Foundation

The Wichita Community Foundation is holding funds designated for the Foundation, which are not controlled by the Foundation. The Wichita Community Foundation administers and manages the investment fund. The Zoo recognizes all distributions from the Wichita Community Foundation as contribution revenue. The total value of the funds held by the Foundation for the benefit of the Zoo were \$294,282 and \$265,877 as of December 31, 2019 and 2018, respectively.

8. Beneficial interest in remainder trusts and estates

Under the terms of various remainder trusts and estates, the Zoo has been designated as a beneficiary. Certain trusts provide for annual distributions to the Zoo based upon the annual income within the trust while others provide for a percentage of the trust to be remitted to the Zoo upon the donor's death. The Zoo has also been periodically identified as a beneficiary in a donor's estate.

The balance of beneficial interest in remainder trusts and estates at December 31, 2019 and 2018 was \$70,263 and \$70,316, respectively.

9. Capital lease payable

In March 2016, the Society leased a cash recycler under a capital lease for a term of 60 months. Interest has been imputed on the lease at a rate of 3.18%.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

9. Capital lease payable (Continued)

Future payments related to the capital lease due during the years ended December 31 are as follows:

	2019
Year ending December 31	
2020	\$ 15,879
2021	2,646
	18,525
Total	18,525
Less: Imputed interest	(366)
Total capital leases	18,159
Less: Current portion	(15,526)
Long term capital leases payable	\$ 2,633

At December 31, 2019 and 2018, the carrying value of the equipment being leased, net of accumulated depreciation was \$15,402 and \$28,603, respectively. Depreciation expense reported in the statement of activities related to the equipment was \$13,201 for both the years ended December 31, 2019 and 2018.

10. Note payable-Sedgwick County

In 2007, the Society entered into a loan agreement with Sedgwick County whereby the Society could borrow up to \$2,400,000 to finance the construction of a restaurant. Construction of the restaurant was completed in 2008.

The original loan agreement had an initial interest rate of 5.23% and was adjusted annually to the 1-year U.S. Treasury bill rate, plus 25 basis points. The Society was required to repay 10% of the original loan amount, plus interest on an annual basis in April of each year.

In 2013, the Society renegotiated the repayment terms of the loan with Sedgwick County. The payments were deferred until April 1, 2019. No interest was accrued on the outstanding principal amount of the loan between April 1, 2013 and April 1, 2018.

Subsequent to December 31, 2019, the Society renegotiated the repayment terms of the loan with Sedgwick County. The payments were deferred by one year. The note payable is reflected on the accompanying statements of financial position in the following categories at December 31, 2019 and 2018:

	2019	2018
Current liabilities	\$ -	\$ 234,011
Long term liabilities	702,033	702,033
Note payable-Sedgwick County	\$ 702,033	\$ 936,044

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

10. Note payable-Sedgwick County (Continued)

Payments to Sedgwick County on the note payable are due as follows:

Year ending December 31	
2020	\$ -
2021	234,011
2022	234,011
2023	234,011
	<u>234,011</u>
	<u>\$ 702,033</u>

11. Net assets without donor restrictions

During the year ended December 31, 2019 and 2018, net assets without restrictions are for the following purposes:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 34,443,308	\$ 34,483,746
Board designated - Infrastructure & capital	593,363	759,081
Total net assets without donor restrictions	<u>\$ 35,036,671</u>	<u>\$ 35,242,827</u>

12. Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 are designated for the following purposes:

	<u>2019</u>	<u>2018</u>
Endowment	\$ 591,906	\$ 588,782
Elephant exhibit	333,817	336,471
Winter fund	203,564	183,233
Bequests - timing restrictions	27,260	27,649
Zookeeper training	25,329	9,864
Entrance complex	6,873,166	2,500
Leopard exhibit	3,398,743	-
Disney grant	101	1,583
Total net assets with donor restrictions	<u>\$ 11,453,886</u>	<u>\$ 1,150,082</u>

Based upon various original donor designations, earnings from the invested principal of \$385,196 are not donor restricted.

SEDGWICK COUNTY ZOO
Notes to Combined Financial Statements
December 31, 2019 and 2018

12. Net assets with donor restrictions (Continued)

Based upon the donor designation of one particular contribution with an original amount of \$200,000, 90% of the earnings on the invested principal are restricted for the use of zoo animal exhibits that do not bear the name of an organization or an individual. The remaining 10% of earnings associated with this gift are accumulated as part of the donor-restricted endowment fund. Accumulated donor restricted net assets associated with this contribution are \$206,710 and \$203,586 at December 31, 2019 and 2018, respectively.

13. Endowment

The Zoo established the Foundation to assist in the management of donor restricted net assets, and to provide an opportunity to internally designate funds to provide for long term benefit of the Zoo. The Zoo follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA. As noted in Note 12, the Foundation's donors have placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that provide for periodic funding of operating activities supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The Foundation targets a diversified asset allocation that places an emphasis on equity and fixed income funds to achieve its long-term return objectives within prudent risk parameters. Withdrawals from the endowment fund to support operating activities are based upon the discretion of the Board of Trustees. The Foundation is separately stated on the Statements of Financial Position and Statements of Activities.

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13. Endowment (Continued)

The changes in the endowment net assets, which comprise the Foundation are as follows, for the years ended December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2017	\$ 4,812,505	\$ 589,910	\$ 5,402,415
Investment return:			
Interest and dividends	123,765	-	123,765
Realized and unrealized gain/(loss) on investments	(522,869)	(1,128)	(523,997)
Capital gain distributions	89,867	-	89,867
Total investment return	<u>(309,237)</u>	<u>(1,128)</u>	<u>(310,365)</u>
Endowment net assets, December 31, 2018	\$ 4,503,268	\$ 588,782	\$ 5,092,050
Contributions	150,000	-	150,000
Investment return:			
Interest and dividends	126,844	-	126,844
Realized and unrealized gain/(loss) on investments	808,500	3,124	811,624
Capital gain distributions	54,375	-	54,375
Total investment return	<u>989,719</u>	<u>3,124</u>	<u>992,843</u>
Endowment net assets, December 31, 2019	<u>\$ 5,642,987</u>	<u>\$ 591,906</u>	<u>\$ 6,234,893</u>

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14. Financial assets and liquidity resources

The following schedule reflects the Zoo's financial assets available for general expenditure as of December 31, 2019 and 2018, reduced by amounts that are not available for general use due to donor-imposed and board designated restrictions within one year of the statement of financial position date:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 5,245,227	\$ 4,034,553
Investments	6,256,816	5,092,050
Accounts receivable	226,352	214,105
Pledges receivable, current	3,700,000	15,000
	15,428,395	9,355,708
Less those unavailable for general expenditures		
within one year, due to:		
Board designated for infrastructure & capital	593,363	759,081
Restricted by donor with purpose restrictions		
Endowment	591,906	588,782
Elephant exhibit	333,817	336,471
Winter fund	203,564	183,233
Bequests - timing restrictions	27,260	27,649
Zookeeper training	25,329	9,864
New entry	6,873,166	2,500
Leopard Exhibit	3,398,743	-
Disney grant	101	1,583
Total financial assets with donor restrictions	11,453,886	1,150,082
Total financial assets available to meet cash needs for general purpose expenditures within one year	\$ 3,381,146	\$ 7,446,545

As part of the Zoo's liquidity plan, the financial assets are structured to be available as general expenditures, liabilities, and other obligations become due. The accounts receivable is expected to be collected within the year and pledges receivable are expected to be collected over a period of time as described in Note 10. In the event of liquidity need, the Zoo may utilize its investment reserves.

15. Donated services

A substantial number of volunteers have made significant contributions of their time to various functions of the Zoo. During 2019 and 2018, respectively, these volunteers contributed 27,761 and 30,715 hours of time valued at \$371,443 and \$410,964, which is equivalent to 13 and 15 full time employees for each year, respectively. The Zoo used an internally generated value of \$13.38 per hour for both the years ended December 31, 2019 and 2018. The value of these services has not been recorded in the financial statements.

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15. Donated services (Continued)

Board members also contribute a significant amount of time in fundraising activities. The value of these services has not been determined and has not been recorded in the financial statements.

16. Retirement plans

Society

The Society offers a SIMPLE (savings incentive match plans for employees) plan under Section 408(p) of the Internal Revenue Code. The plan covers all employees who are currently receiving compensation and have received at least \$5,000 in compensation during any two preceding calendar years. The Society is required to match the employees' elective contribution in an amount not to exceed 3% of the employees' compensation. However, the Society may elect to limit the match, for all eligible employees, to a smaller percentage of compensation, but not less than 1%. The Society's contribution for the years ended December 31, 2019 and 2018 was \$27,478 and \$21,420, respectively.

County

Plan Description

The County participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financials statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Contributions

K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

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16. Retirement plans (Continued)

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.0% contribution rate for Death and Disability Program for the years ended December 31, 2019 and 2018, respectively) and the statutory contribution rate was 8.89% and 8.39% for the years ended December 31, 2019 and 2018, respectively. Contributions to the pension plan from County were \$414,913 and \$384,682 for the years ended December 31, 2019 and 2018, respectively.

17. Concentration of credit risk

The Zoo maintains cash accounts at local banks, some of which retains a balance of more than the maximum federally insured amount of \$250,000. The Zoo has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash accounts.

18. Entrance complex

In December of 2019, the Zoo commenced the entrance complex. The complex includes the entryway, administrative building and expanded gift shop in addition to an enhanced Amur Leopard exhibit, and a kennel area for pets. Construction is anticipated to be completed by 2021. As of December 31, 2019, construction costs of \$1,303,417 had been incurred and the County had capitalized as construction in progress. The demolition of the old facilities began in January 2020. Commitments on open contracts associated with the entrance complex were \$536,600 as December 31, 2019.

19. Subsequent events

Subsequent events were evaluated through June 18, 2020, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2019, the concessionaire agreement outsources all the restaurants on the Zoo's premises to a third party supplier. This agreement commences on January 12, 2020 and expires on December 31, 2026. The term may be extended in five-year increments by mutual written consent. The Zoo will receive a monthly commission ranging from 12% - 25%, depending on sales for the period. The Zoo will receive a guaranteed minimum annual commission of \$260,000 if particular attendance levels are reached.

SEDGWICK COUNTY ZOO
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19. Subsequent events (Continued)

Subsequent to December 31, 2019, the COVID-19 outbreak in the United States caused the Zoo to close to visitors temporarily. The Zoo reopened to a limited number of daily visitors in May 2020. Events during the closure have been postponed or cancelled. The registration fees for the events were refunded. The Zoo received funding through the CARES Act. While the disruption is currently expected to be temporary, there is considerable uncertainty around the attendance subsequent to reopening. Therefore, the Zoo expects this matter to negatively impact its future operating results. The Zoo has also experienced a significant decline in the investment portfolio. However, the related financial impact and duration cannot be reasonably estimated at this time. As a result, the note payable to Sedgwick County (discussed in Note 10) was amended and the disclosures have been updated to reflect the amendment. The Sedgwick County funding agreement was amended, allowing the Society additional time to spend the funds from the County for 2020.

EL DORADO	PO BOX 847	EL DORADO, KS 67042-0847	316-321-1150
McALESTER	101 S. 2ND. STE. B	McALESTER, OK 74501-5345	918-426-1234
TUCSON	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
TULSA	4200 E. SKELLY DR., STE. 560	TULSA, OK 74135-3209	918-494-8700
WAGONER	611-D W. CHEROKEE ST.	WAGONER, OK 74467-4618	918-485-5531
WICHITA	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335