



FORT WAYNE ZOOLOGICAL SOCIETY, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

FORT WAYNE ZOOLOGICAL SOCIETY, INC.

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Independent Auditors' Report

Board of Directors
Fort Wayne Zoological Society, Inc.

We have audited the accompanying financial statements of Fort Wayne Zoological Society, Inc. d/b/a Fort Wayne Children's Zoo, a not-for-profit organization, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Wayne Zoological Society, Inc. as of December 31, 2020 and 2019, and the changes in its net assets, statements of functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Katy, Sapper & Miller, LLP

Fort Wayne, Indiana

April 21, 2021

FORT WAYNE ZOOLOGICAL SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS

ASSETS	2020	2019
Cash and equivalents	\$ 1,393,248	\$ 1,037,804
Restricted cash	18,425	24,918
General investments	3,309,058	3,966,186
Promises to give, net	428,659	892,626
Prepaid expenses and other assets	30,885	74,258
Investments held for endowment	16,828,109	16,383,765
Equipment, less accumulated depreciation of \$966,306 in 2020 and \$854,288 in 2019	367,810	356,475
Land, buildings and improvements, less accumulated depreciation of \$664,564 in 2020 and \$537,495 in 2019	<u>3,580,969</u>	<u>3,681,658</u>
TOTAL ASSETS	<u>\$ 25,957,163</u>	<u>\$ 26,417,690</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 294,863	\$ 840,399
Accrued liabilities	922,200	815,305
Deferred income	855,530	624,117
Total Liabilities	<u>2,072,593</u>	<u>2,279,821</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	3,346,599	4,090,793
Designated by the Board	<u>5,444,807</u>	<u>5,175,748</u>
	8,791,406	9,266,541
With donor restrictions:		
Purpose restrictions	456,126	512,606
Endowments	<u>14,637,038</u>	<u>14,358,722</u>
	15,093,164	14,871,328
Total Net Assets	<u>23,884,570</u>	<u>24,137,869</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,957,163</u>	<u>\$ 26,417,690</u>

See accompanying notes.

FORT WAYNE ZOOLOGICAL SOCIETY, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT						
Admissions	\$ 1,438,448		\$ 1,438,448	\$ 3,464,358		\$ 3,464,358
Membership dues	1,546,545		1,546,545	2,194,958		2,194,958
Gift shop and concession	479,172		479,172	744,244		744,244
Rides	891,690		891,690	1,057,565		1,057,565
Animal experience	138,896		138,896	249,838		249,838
Contributions	1,551,974	\$ 200,209	1,752,183	901,749	\$ 351,871	1,253,620
In-kind contributions	74,706		74,706	219,258		219,258
Special events and sponsorships	483,425		483,425	546,913		546,913
Education	13,242		13,242	176,426		176,426
Investment return, net	376,142	923,720	1,299,862	565,484	2,551,665	3,117,149
Miscellaneous zoo generated income	6,645		6,645	120,482		120,482
Other miscellaneous income	17,875		17,875	18,661		18,661
Paycheck Protection Program grant income	869,480		869,480			
Net assets released from restrictions	902,093	(902,093)		3,496,911	(3,496,911)	
Total Revenue, Gains and Other Support	<u>8,790,333</u>	<u>221,836</u>	<u>9,012,169</u>	<u>13,756,847</u>	<u>(593,375)</u>	<u>13,163,472</u>
EXPENSES						
Program services	<u>7,057,000</u>		<u>7,057,000</u>	<u>10,904,572</u>		<u>10,904,572</u>
Supporting services:						
Management and general	1,379,852		1,379,852	1,312,194		1,312,194
Fundraising	652,774		652,774	696,953		696,953
Membership development	175,842		175,842	227,278		227,278
Total Supporting Services	<u>2,208,468</u>		<u>2,208,468</u>	<u>2,236,425</u>		<u>2,236,425</u>
Total Expenses	<u>9,265,468</u>		<u>9,265,468</u>	<u>13,140,997</u>		<u>13,140,997</u>
INCREASE (DECREASE) IN NET ASSETS	(475,135)	221,836	(253,299)	615,850	(593,375)	22,475
NET ASSETS						
Beginning of Year	<u>9,266,541</u>	<u>14,871,328</u>	<u>24,137,869</u>	<u>8,650,691</u>	<u>15,464,703</u>	<u>24,115,394</u>
End of Year	<u>\$ 8,791,406</u>	<u>\$ 15,093,164</u>	<u>\$ 23,884,570</u>	<u>\$ 9,266,541</u>	<u>\$ 14,871,328</u>	<u>\$ 24,137,869</u>

See accompanying notes.

FORT WAYNE ZOOLOGICAL SOCIETY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020**

	Total Program Services	Supporting Services			Total Supporting Services	Total Expenses
		Management and General	Fund- raising	Membership Development		
Employee Compensation:						
Salaries and wages	\$ 3,268,921	\$ 522,399	\$ 312,402	\$ 84,120	\$ 918,921	\$ 4,187,842
Employee benefits	425,690	147,172	39,973	11,121	198,266	623,956
Payroll taxes	235,730	40,140	21,444	5,615	67,199	302,929
Total Employee Compensation	<u>3,930,341</u>	<u>709,711</u>	<u>373,819</u>	<u>100,856</u>	<u>1,184,386</u>	<u>5,114,727</u>
Other Expenses:						
Travel and conferences	18,077	5,010	2,307		7,317	25,394
Advertising	45,009	5,202	11,538	20,867	37,607	82,616
Animal purchases	64,317	850			850	65,167
Animal feeding and bedding	407,814					407,814
Bank processing		492			492	492
Contract services	65,989		32,744	322	33,066	99,055
Donor development administrative	23	31	15,411		15,442	15,465
Dues, fees, and subscriptions	259,028	84,956	22,535		107,491	366,519
Insurance	90,764	13,517	987	987	15,491	106,255
Veterinary meds and labs	93,073	33			33	93,106
Operational supplies	100,791	2,125	64,312	20,189	86,626	187,417
Life support exhibit	197,449		281		281	197,730
Miscellaneous	27,963		9,459		9,459	37,422
Office	24,950	51,339	17,636	23,143	92,118	117,068
Professional fees		64,127	1,656		65,783	65,783
Horticulture maintenance	58,199	94,308			94,308	152,507
General repairs and maintenance	221,526	103,709	9,140	451	113,300	334,826
Major improvements	411,664	54,053			54,053	465,717
Equipment	52,482	11,018	7,571	355	18,944	71,426
Vehicle	48,605					48,605
Utilities	705,054	114,643	8,672	8,672	131,987	837,041
In-kind expenses			74,706		74,706	74,706
Grants/scholarships awarded	1,531	53,033			53,033	54,564
Total Other Expenses	<u>2,894,308</u>	<u>658,446</u>	<u>278,955</u>	<u>74,986</u>	<u>1,012,387</u>	<u>3,906,695</u>
Total Expenses before Depreciation and Interest Expense	<u>6,824,649</u>	<u>1,368,157</u>	<u>652,774</u>	<u>175,842</u>	<u>2,196,773</u>	<u>9,021,422</u>
Depreciation	232,351	7,044			7,044	239,395
Interest expense		4,651			4,651	4,651
TOTAL EXPENSES	<u><u>\$ 7,057,000</u></u>	<u><u>\$ 1,379,852</u></u>	<u><u>\$ 652,774</u></u>	<u><u>\$ 175,842</u></u>	<u><u>\$ 2,208,468</u></u>	<u><u>\$ 9,265,468</u></u>

See accompanying notes.

FORT WAYNE ZOOLOGICAL SOCIETY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019**

	Total Program Services	Supporting Services			Total Supporting Services	Total Expenses
		Management and General	Fund- raising	Membership Development		
Employee Compensation:						
Salaries and wages	\$ 3,368,790	\$ 519,822	\$ 310,427	\$ 92,127	\$ 922,376	\$ 4,291,166
Employee benefits	359,703	136,357	19,410	8,849	164,616	524,319
Payroll taxes	243,570	36,999	21,582	6,166	64,747	308,317
Total Employee Compensation	<u>3,972,063</u>	<u>693,178</u>	<u>351,419</u>	<u>107,142</u>	<u>1,151,739</u>	<u>5,123,802</u>
Other Expenses:						
Travel and conferences	68,737	12,632	9,796		22,428	91,165
Advertising	108,558	30,535	10,835	35,515	76,885	185,443
Animal purchases	110,395					110,395
Animal feeding and bedding	401,128	592			592	401,720
Bank processing		6,704			6,704	6,704
Contract services	75,179	34,530	14,454	1,923	50,907	126,086
Donor development administrative			17,636		17,636	17,636
Dues, fees, and subscriptions	278,117	61,507	25,006		86,513	364,630
Insurance	84,000	11,111	900	900	12,911	96,911
Veterinary meds and labs	102,429					102,429
Operational supplies	210,245	7,506	96,614	37,403	141,523	351,768
Life support exhibit	206,449					206,449
Miscellaneous	25,740	24,468	11,117		35,585	61,325
Office	41,317	40,461	20,055	33,547	94,063	135,380
Professional fees	1,505	52,727	2,288		55,015	56,520
Horticulture maintenance	45,643	113,241			113,241	158,884
General repairs and maintenance	374,120	49,121	3,623		52,744	426,864
Major improvements	3,361,804					3,361,804
Equipment	90,957	11,416	10,342	1,844	23,602	114,559
Vehicle	30,991	2,503			2,503	33,494
Utilities	725,936	125,114	9,004	9,004	143,122	869,058
In-kind expenses	104,764	730	113,764		114,494	219,258
Grants/scholarships awarded	265,270	17,434	100		17,534	282,804
Total Other Expenses	<u>6,713,284</u>	<u>602,332</u>	<u>345,534</u>	<u>120,136</u>	<u>1,068,002</u>	<u>7,781,286</u>
Total Expenses before Depreciation	<u>10,685,347</u>	<u>1,295,510</u>	<u>696,953</u>	<u>227,278</u>	<u>2,219,741</u>	<u>12,905,088</u>
Depreciation	219,225	16,684			16,684	235,909
TOTAL EXPENSES	<u>\$ 10,904,572</u>	<u>\$ 1,312,194</u>	<u>\$ 696,953</u>	<u>\$ 227,278</u>	<u>\$ 2,236,425</u>	<u>\$ 13,140,997</u>

See accompanying notes.

FORT WAYNE ZOOLOGICAL SOCIETY, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (253,299)	\$ 22,475
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Donor-restricted contributions perpetual in nature	(4,440)	(2,318)
Depreciation	239,395	235,909
Amortization of discount on promises to give	(12,550)	(43,941)
Gain on sales of property and equipment	(984)	
Gain on sales of investments	(505,078)	(452,807)
Unrealized net gain on investments	(397,169)	(2,248,787)
Decrease in certain assets:		
Promises to give	476,517	555,335
Prepaid expenses and other assets	43,373	13,661
Increase (decrease) in certain liabilities:		
Accounts payable	(545,536)	(527,029)
Accrued liabilities	106,895	190,527
Deferred income	231,413	(301,071)
Net Cash Used by Operating Activities	<u>(621,463)</u>	<u>(2,558,046)</u>
INVESTING ACTIVITIES		
Purchases of investments	(7,782,634)	(4,001,637)
Proceeds from sales and maturities of investments	9,545,556	4,480,240
Purchases of property and equipment	(150,041)	(445,038)
Proceeds from sales of property and equipment	984	
Net Cash Provided by Investing Activities	<u>1,613,865</u>	<u>33,565</u>
FINANCING ACTIVITIES		
Collections of donor-restricted contributions perpetual in nature	4,440	2,318
Net Cash Provided by Financing Activities	<u>4,440</u>	<u>2,318</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS AND RESTRICTED CASH	996,842	(2,522,163)
CASH AND EQUIVALENTS AND RESTRICTED CASH		
Beginning of Year	<u>1,922,392</u>	<u>4,444,555</u>
End of Year	<u>\$ 2,919,234</u>	<u>\$ 1,922,392</u>
CASH AND EQUIVALENTS AND RESTRICTED CASH		
Cash and equivalents	\$ 1,393,248	\$ 1,037,804
Restricted cash	18,425	24,918
Cash equivalents - general investments	940,141	362,653
Cash equivalents - investments held for endowment	567,420	497,017
TOTAL CASH AND EQUIVALENTS AND RESTRICTED CASH	<u>\$ 2,919,234</u>	<u>\$ 1,922,392</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing activities:		
Donated securities	\$ 212,213	\$ 279,228
Property and equipment financed with accounts payable		25,339

See accompanying notes.

FORT WAYNE ZOOLOGICAL SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Fort Wayne Zoological Society, Inc. d/b/a Fort Wayne Children's Zoo (the Zoo) is an Indiana not-for-profit organization, originally established in 1966, and an accredited member of the Association of Zoos and Aquariums (AZA). In accordance with AZA and United States Department of Agriculture Regulations, the Zoo acquires and maintains a zoological collection, including more than 1,500 animals. The Zoo's management is active in all areas of promotion, fundraising, and programming of the Zoo's operations.

The Zoo entered into an agreement with the Fort Wayne Board of Park Commissioners on September 22, 2005 effective January 1, 2006 (the Agreement), which sets forth that the Zoo shall independently manage and supervise the operation and administration of the grounds and zoological collection. Furthermore, in accordance with the Agreement, the Zoo collects and retains all revenues from all aspects of the Zoo's operations and has agreed to pay all expenses associated with its operation, management and administration. Under the terms of the Agreement, the net income (increase in net assets), if any, derived by the Zoo is invested in accounts maintained for the Zoo's operations and/or for its capital improvements. The Zoo is located on real estate owned by the City of Fort Wayne. This Agreement includes an original termination date of September 30, 2010, with provision that it will automatically extend for successive periods of five years beyond the termination date, unless terminated by either party. The entire term of the agreement is not to exceed 25 years.

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Zoo to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of the Zoo's management and Board of Directors. This net asset category includes funds functioning as an endowment through designation by the Board of Directors and other Board-designated net assets.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. 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, where by the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts associated with the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Estimates: The preparation of financial statements in accordance 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, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Zoological Collection: Animal transactions that involve cash are recorded as income or expense in the period the animal is shipped or received, while transactions that do not involve cash are necessarily excluded. Accordingly, the value of the zoological collection is not carried as an asset on the statements of financial position of the Zoo.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents: For purposes of the statements of cash flows, cash equivalents include money market accounts with original maturities of three months or less that are not restricted cash and equivalents. The Zoo maintains its cash with various financial institutions and maintains cash balances in bank accounts which may exceed federally insured limits. The Zoo has not experienced any losses in such accounts.

Promises to Give: Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the statements of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investment Valuation and Income Recognition: Investments are initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 3 for discussion of fair value measurements.

Investment return reported in the statements of activities consists of interest and dividend income and realized and unrealized capital gains and losses, net of external and direct internal investment expenses. Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method.

Property and Equipment are recorded at cost, except contributed equipment is recognized at its estimated fair value at the time of gift and capital improvement projects, which are expensed as incurred in accordance with the agreement between the City of Fort Wayne and the Zoo. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

Buildings and improvements	40 years
Leasehold improvements	5-15 years
Furniture and equipment	5-10 years
Automobile	5 years

The Zoo's property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. No adjustments to the carrying amount of property and equipment were required in 2020 or 2019.

Unemployment Claims: The Zoo has elected for Indiana Employment Security Act purposes to reimburse the State of Indiana for unemployment compensation claims paid, rather than to fund the state unemployment compensation reserve.

Revenue Recognition: The Zoo recognizes revenue from the following sources:

Admission, Rides, Animal Experience and Education: The Zoo recognizes revenue when the visitor enters the Zoo or participates in an amusement ride, animal experience or education event. Gift certificates can be purchased for admissions, rides, and animal experiences. Gift certificates are recognized as revenue as the cards are submitted as payment for entrances to the Zoo. After two years, the Zoo believes it is remote that the gift card will be redeemed and therefore recognizes breakage revenue. The gift cards are included as deferred income prior to that expiration if unredeemed. The Zoo also recognizes breakage on prepaid tickets that have reached the expiration mark of two years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Membership Dues are nonrefundable and are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the estimated value of the exchange transaction. The Zoo recognizes the exchange portion of membership dues over the membership period (the season following the purchase of the membership) and the contribution portion immediately. The value of the exchange transaction is determined based on the stand-alone selling price of the items a member receives with the membership. The value of contributions related to membership dues was insignificant to the financial statements in 2020 and 2019.

Special Events and Sponsorships: The Zoo has multiple special events where tickets are purchased for the event and revenue is recognized upon the occurrence of the event. In addition, the Zoo will sell sponsorships for the events. When a sponsorship is sold, it contains elements of both an exchange transaction and a contribution. The Zoo will recognize the contribution portion once received or unconditionally pledged. The portion related to the exchange transaction is recorded as deferred income until the event occurs at which time it is recognized as revenue. Amounts related to future year events that were recognized as contributions in 2020 and 2019 totaled \$43,050 and \$48,800, respectively.

Facility Rental: The Zoo receives deposits in advance for facility rentals and the deposits are recorded as deferred income until the rental occurs, at which time it is recognized as revenue.

Gift Shop and Concession Revenue: The Zoo has entered into agreements with concessionaires to sell food and beverages, provide catering, and operate gift shops on the Zoo's premises through 2026. The Zoo receives a percentage of gross receipts from the concessionaires based on the agreements. Revenue is recognized as the Zoo is made aware of its portion from the concessionaire.

Contributions and Grants: The Zoo recognizes support when received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met.

In-kind Contributions: Contributions of professional services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Volunteers contribute amounts of time to the Zoo's activities that do not meet recognition criteria, and the value of that time is not reflected in the financial statements.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among program and support services based on occupied space (including, utilities and depreciation) or time spent by Zoo staff (including employee compensation, office expenses, travel and conferences). Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Zoo.

Advertising Costs are expensed as incurred and totaled \$82,616 in 2020 and \$185,443 in 2019.

Income Taxes: The Zoo is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code. In addition, the Zoo has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income tax for 2020 and 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Zoo files U.S. federal and State of Indiana information returns, and is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2017.

Management believes that the Zoo's income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in a material change.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through April 21, 2021, the date the financial statements were available to be issued. See Note 8.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

At December 31, 2020 and 2019, the Zoo's financial assets available to meet cash needs for general expenditure within one year were as follows:

	2020	2019
Total financial assets	\$ 21,981,041	\$ 22,318,377
Donor-imposed Restrictions:		
Investments held for endowment	(14,637,038)	(14,358,722)
Capital improvement restrictions	(129,224)	(150,664)
Restricted for program expenditures in more than one year		(30,000)
Board-designated funds	(5,444,807)	(5,175,748)
Investments held for deferred compensation plan (Note 12)	(604,630)	(507,178)
Operating reserve fund (Note 9)	2,565,047	2,565,047
Estimated appropriation from endowment funds	<u>841,000</u>	<u>819,000</u>
Total Financial Assets Available Within One Year	<u>\$ 4,571,389</u>	<u>\$ 5,480,112</u>

The Zoo considers appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative, general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Zoo's fiscal year.

The Zoo has various sources of liquidity at its disposal, including cash and equivalents, marketable debt and equity securities, an operating reserve fund, and a line of credit. See Note 7 for information about the Zoo's line of credit.

The Zoo's Board of Directors has designated a portion of its unrestricted resources for endowment and other purposes. See Notes 5 and 9 for additional information about these funds.

The Zoo regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Zoo has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Zoo has the ability to access.

Level 2 - Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Zoo makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Zoo for assets that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2020 and 2019.

U.S. Corporate Equities, Exchange-traded Funds, and U.S. Government Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Fund Shares and Money Market Fund Shares: Valued at the published net asset value (NAV), as reported by each fund, of the shares held by the Zoo at the reporting date.

Corporate and Municipal Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit liquidity risks.

At December 31, 2020 and 2019, the Zoo's assets that are measured at fair value on a recurring basis were categorized as follows by major nature and risks class within each level of the fair value hierarchy:

2020	Level 1	Level 2	Total
Cash equivalents:			
Money market fund shares and U.S. government securities	\$ 1,507,561		\$ 1,507,561
Investments:			
Mutual fund shares:			
Mid cap equity	555,686		555,686
Fixed income	2,988,922		2,988,922
U.S. corporate equities:			
Financial	1,403,083		1,403,083
Healthcare	2,186,341		2,186,341
Technology	2,386,240		2,386,240
Consumer goods	2,657,702		2,657,702
Industrial goods	2,337,916		2,337,916
Energy	453,900		453,900
Other	257,693		257,693

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

2020 (CONTINUED)	Level 1	Level 2	Total
Exchange-traded funds:			
Emerging markets	\$ 270,594		\$ 270,594
Large cap	973,275		973,275
Fixed income	264,816		264,816
Municipal bonds		\$1,816,425	1,816,425
Corporate bonds		<u>77,013</u>	<u>77,013</u>
 Total Assets at Fair Value	 <u>\$18,243,729</u>	 <u>\$1,893,438</u>	 <u>\$20,137,167</u>

2019	Level 1	Level 2	Total
Cash equivalents:			
Money market fund shares and U.S. government securities	\$ 859,670		\$ 859,670
Investments:			
Mutual fund shares:			
Mid cap equity	464,052		464,052
Small cap equity	25,379		25,379
Fixed income	3,059,957		3,059,957
U.S. corporate equities:			
Financial	1,606,106		1,606,106
Healthcare	2,256,254		2,256,254
Technology	2,174,428		2,174,428
Consumer goods	2,563,117		2,563,117
Industrial goods	2,270,637		2,270,637
Energy	630,650		630,650
Other	385,320		385,320
Exchange-traded funds:			
Large cap	753,745		753,745
Fixed income	721,264		721,264
Municipal bonds		\$2,159,801	2,159,801
Corporate bonds		<u>419,571</u>	<u>419,571</u>
 Total Assets at Fair Value	 <u>\$17,770,579</u>	 <u>\$2,579,372</u>	 <u>\$20,349,951</u>

NOTE 4 - INVESTMENTS

Investments consisted of the following at December 31, 2020 and 2019:

2020	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
U.S. corporate equities	\$ 6,500,056	\$11,682,875	\$5,182,819
Exchange-traded funds	1,220,162	1,508,685	288,523
Corporate bonds	75,208	77,013	1,805
Municipal bonds	1,834,608	1,816,425	(18,183)
Mutual fund shares	<u>4,909,501</u>	<u>5,052,169</u>	<u>142,668</u>
 Total	 <u>\$14,539,535</u>	 <u>\$20,137,167</u>	 <u>\$5,597,632</u>

NOTE 4 - INVESTMENTS (CONTINUED)

2019	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
U.S. corporate equities	\$ 6,887,191	\$11,886,512	\$4,999,321
Exchange-traded funds	1,305,475	1,475,009	169,534
Corporate bonds	418,172	419,571	1,399
Municipal bonds	2,187,600	2,159,801	(27,799)
Mutual fund shares	<u>4,347,684</u>	<u>4,409,058</u>	<u>61,374</u>
Total	<u>\$15,146,122</u>	<u>\$20,349,951</u>	<u>\$5,203,829</u>

Investment return, net included in the statements of activities as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
Interest and dividends	\$ 518,012	\$ 531,031
Investment advisory and custodial fees	(120,397)	(115,476)
Net realized gains	505,078	452,807
Unrealized net gains	<u>397,169</u>	<u>2,248,787</u>
Total Investment Return, net	<u>\$1,299,862</u>	<u>\$3,117,149</u>

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

NOTE 5 - ENDOWMENT FUNDS

The Zoo's endowment funds primarily consist of two agency accounts held at two different banks. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Interpretation of Relevant Law

The Zoo is subject to the Indiana Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions, because those assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. The Zoo considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Zoo has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, the Zoo considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

NOTE 5 - ENDOWMENT FUNDS (CONTINUED)

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

The endowment net asset composition by type of fund as of December 31, 2020 and 2019, was as follows:

2020	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Gifts required to be maintained in perpetuity:			
Auer endowment		\$10,000,000	\$10,000,000
Other		328,806	328,806
Accumulated investment gains:			
Auer endowment		3,961,849	3,961,849
Other		346,383	346,383
Board-designated funds	<u>\$2,191,071</u>	<u> </u>	<u>2,191,071</u>
Total Endowment Funds	<u>\$2,191,071</u>	<u>\$14,637,038</u>	<u>\$16,828,109</u>
 2019			
Donor-restricted endowment funds:			
Gifts required to be maintained in perpetuity:			
Auer endowment		\$10,000,000	\$10,000,000
Other		324,366	324,366
Accumulated investment gains:			
Auer endowment		3,728,500	3,728,500
Other		305,856	305,856
Board-designated funds	<u>\$2,025,043</u>	<u> </u>	<u>2,025,043</u>
Total Endowment Funds	<u>\$2,025,043</u>	<u>\$14,358,722</u>	<u>\$16,383,765</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Zoo to retain as a fund of perpetual duration. There were no underwater endowment funds at December 31, 2020 and 2019.

Return Objectives and Risk Parameters

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. Endowment assets include those assets of donor-restricted funds that the Zoo must hold in perpetuity or for the donor-specified period(s), as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce sufficient total return to maximize the payout to the Zoo, within the established risk parameters.

NOTE 5 - ENDOWMENT FUNDS (CONTINUED)

Strategies Employed for Achieving Objectives

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

Spending Policies

For the donor-restricted endowment funds, as related to the Auer Endowment, fund trustees may, at the discretion of the Zoo's Board of Directors, annually spend from endowment earnings an amount not to exceed 5% of the net fair value of the assets of the fund valued at December 31 of the prior year to accomplish any and all purposes of the fund. Additional distributions or use of funds must have unanimous approval of the Finance Committee and the Board of Directors of the Zoo.

For the remainder of the donor-restricted funds, the fund trustees may, at the direction of the Zoo's Board of Directors, annually spend from endowment earnings an amount not to exceed 5% of the net fair value of the assets of the fund valued as of December 31 of the prior year to accomplish any and all of the purposes of the fund. Any additional distributions could only be made upon approval of 80% of the Board of Directors of the Zoo.

For board-designated funds, at the direction of the Zoo's Board of Directors, the Zoo can release up to 5% of the fund for operational purposes.

Changes in endowment net assets for the years ended December 31, 2020 and 2019 were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Funds at December 31, 2018	\$1,759,445	\$12,432,259	\$14,191,704
Investment return, net	367,311	2,551,665	2,918,976
Contributions	11,588	2,318	13,906
Appropriations for expenditure	<u>(113,301)</u>	<u>(627,520)</u>	<u>(740,821)</u>
Endowment Funds at December 31, 2019	2,025,043	14,358,722	16,383,765
Investment return, net	292,928	923,720	1,216,648
Contributions	99	4,439	4,538
Appropriations for expenditure	<u>(126,999)</u>	<u>(649,843)</u>	<u>(776,842)</u>
Endowment Funds at December 31, 2020	<u>\$2,191,071</u>	<u>\$14,637,038</u>	<u>\$16,828,109</u>

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were estimated to be collected as follows as of December 31, 2020 and 2019 follows:

	2020	2019
Within one year	\$315,340	\$482,357
In one to five years	<u>122,770</u>	<u>432,270</u>
	438,110	914,627
Unamortized discounts	<u>(9,451)</u>	<u>(22,001)</u>
Total Promises to Give, net	<u>\$428,659</u>	<u>\$892,626</u>

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

Unconditional promises to give are restricted for the following purposes as of December 31, 2020 and 2019:

	2020	2019
Capital projects	\$395,319	\$781,389
Other	<u>33,340</u>	<u>111,237</u>
Total Promises to Give, net	<u>\$428,659</u>	<u>\$892,626</u>

Promises to give are discounted at rates ranging from 1.63% to 4.03% as of December 31, 2020 and 2019.

NOTE 7 - DEBT AND CREDIT ARRANGEMENT

At December 31, 2020 the Zoo had a revolving line of credit agreement for operating cash flow needs with maximum borrowings available up to \$1,500,000 which expired on March 31, 2021. Borrowings under the unsecured line of credit agreement bear interest computed at Daily LIBOR plus 1.50% (3.04% at December 31, 2020). The line of credit had no outstanding borrowings at December 31, 2020 or 2019. In March 2021, the Zoo signed a revised line of credit agreement with the same bank with maximum borrowings up to \$1,500,000. Borrowings available under this line bear monthly interest at Daily LIBOR plus 1.50%. The line of credit will expire in February 2022.

NOTE 8 - PAYCHECK PROTECTION PROGRAM GRANT

In April 2020, the Zoo was granted a Paycheck Protection Program loan (PPP loan) of \$869,480 as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). On March 15, 2021, the Zoo was granted an additional loan of \$881,751 under the PPP, as expanded and amended under the Consolidated Appropriations Act, 2021. PPP loans, including accrued interest, are forgivable as long as the entity uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities. Under the PPP, the amount of forgiveness is reduced if the entity terminates employees or reduces salaries during the covered period. The Zoo believes it used the proceeds for purposes consistent with the PPP and has received forgiveness from the bank and the Small Business Administration. The Zoo substantially met the conditions of the PPP, including incurring qualified expenses. Therefore, the Zoo recognized grant income of \$869,480 in 2020 related to government assistance provided by the PPP.

NOTE 9 - NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Board-designated endowment fund	\$2,191,071	\$2,025,043
Board-designated capital reserve fund	424,623	480,918
Board-designated operating reserve fund	2,565,047	2,565,047
Board-designated director development funding	8,583	9,683
Board-designated Central Zoo and Zoo Education Center fund	94,917	95,057
Board-designated Bamboo Forest	160,566	
Undesignated	<u>3,346,599</u>	<u>4,090,793</u>
Net Assets Without Donor Restrictions	<u>\$8,791,406</u>	<u>\$9,266,541</u>

NOTE 9 - NET ASSETS (CONTINUED)

See Note 5 for additional information on the board-designated endowment fund.

The board designated capital reserve fund was created in 2016. The purpose of the fund is to facilitate the alignment of capital improvement funding with the timing of project implementation based on the strategic plan.

The board designated operating reserve fund was started in 2010 by a transfer of the Zoo's operating surplus from 2009. The fund is increased through undesignated bequests and unrestricted surplus. The target level for this reserve is 25% of the unrestricted budget. The fund is to be used to fund operations during the off season and provide funds for operating costs in years when revenues are low upon board approval.

Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Subject to Expenditures for Specified Purpose:		
Interpreter Program	\$ 90,047	\$ 62,000
Bamboo Forest	59,022	
Journey to the Heart of the Zoo		75,664
Zoomobile & ZSI Funding	57,377	133,437
Zoo Education Center	70,202	75,000
Other	<u>179,478</u>	<u>166,605</u>
	<u>456,126</u>	<u>512,606</u>
Endowments:		
Subject to endowment spending policy, which once appropriated, is expended to support:		
Ackerman Scholarships	244,666	227,467
Schmidt Scholarships	14,323	13,010
General operations	416,200	389,745
General operations - Auer Endowment	<u>13,961,849</u>	<u>13,728,500</u>
	<u>14,637,038</u>	<u>14,358,722</u>
 Total Net Assets With Donor Restrictions	 <u>\$15,093,164</u>	 <u>\$14,871,328</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for December 31, 2020 and 2019:

	2020	2019
Satisfaction of Purpose Restrictions:		
Interpreter Program		\$ 37,500
Journey to the Heart of the Zoo	\$ 86,049	1,702,805
Zoomobile & ZSI Funding	101,060	87,786
Zoo Education Center	6,363	958,356
Other	<u>58,778</u>	<u>82,947</u>
	<u>252,250</u>	<u>2,869,394</u>
Restricted Purpose Spending-rate Distributions and Appropriations:		
Ackerman & Schmidt Scholarships	6,500	8,500
Auer Endowment – operations	<u>643,343</u>	<u>619,017</u>
	<u>649,843</u>	<u>627,517</u>
 Total Net Assets Released from Donor Restrictions	 <u>\$902,093</u>	 <u>\$3,496,911</u>

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Zoo established a salary reduction plan on January 1, 1994, that covers all eligible employees (the Plan). The Plan is qualified under Section 403(b) of the Internal Revenue Code and allows Plan participants to make voluntary contributions to the Plan. In addition, the Zoo has elected to contribute 50% of each participant's voluntary contribution on the first 6% of the voluntary contributions of full-time employees, as defined. The Zoo made contributions to the Plan of \$86,264 in 2020 and \$70,991 in 2019.

NOTE 11 - RELATED PARTY TRANSACTIONS

From time-to-time, the Zoo enters into transactions with related parties. The Zoo has entered into construction contracts to provide certain construction services related to projects around the Zoo. A member of the Board of Directors holds an equity interest in their respective construction firm to which the Zoo paid approximately \$204,000 and \$1,572,000 in construction costs in 2020 and 2019, respectively. The Zoo had accounts payable related to this contract of approximately \$100,000 as of December 31, 2019. There were no accounts payable related to this contract as of December 31, 2020.

The Zoo recognized contributions from members of its Board of Directors and their represented organizations of approximately \$618,000 in 2020 and \$458,000 in 2019.

NOTE 12 - DEFERRED COMPENSATION AGREEMENT

The Zoo has a deferred compensation plan for one of its executive employees. The increase in the liability each year is matched by a contribution to a designated investment account. The contribution was \$19,000 in 2020 and \$18,500 in 2019. The balance of the designated investment account and the deferred compensation liability at December 31, 2020 and 2019 was \$604,630 and \$507,178, respectively.

NOTE 13 - UNCERTAINTY RELATED TO CORONAVIRUS

On January 30, 2020, the World Health Organization declared a global health emergency over the novel coronavirus known as COVID-19. The COVID-19 outbreak disrupted the 2020 Zoo season due to forced closures and reduced capacity regulations which caused reduced attendance and membership revenue. The Zoo received grant income through two PPP loans. See Note 8. Management and the Board continue to take actions to mitigate the impact of the outbreak to the Zoo in 2021, but the extent to which COVID-19 may impact the Zoo's financial condition or results of operations are uncertain.