

For the Years Ended June 30, 2022 and 2021

Reid Park Zoological Society and Reid Park Zoo Foundation

Consolidated Financial Statements Years Ended June 30, 2022 and 2021

REID PARK ZOOLOGICAL SOCIETY AND REID PARK ZOO FOUNDATION YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors Reid Park Zoological Society and Reid Park Zoo Foundation

Report on Audit of Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Reid Park Zoological Society and Reid Park Zoo Foundation (RPZS and Foundation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reid Park Zoological Society and Reid Park Zoo Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* for the Audit of the Financial Statements section of our report. We are required to be independent of Reid Park Zoological Society and Reid Park Zoo Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our auditopinion.

Prior Period Financial Statements

The consolidated financial statements of Reid Park Zoological Society and Reid Park Zoo Foundation as of June 30, 2021, were audited by other auditors whose report dated October 28, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures
 that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the
 effectiveness of the RPZS and Foundation's internal control. Accordingly, no such opinion is
 expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RPZS and Foundation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C. Tucson, Arizona November 15, 2022

REID PARK ZOOLOGICAL SOCIETY AND REID PARK ZOO FOUNDATION CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

| <u>Assets</u> | _ | 2022 | 2021 |
|---|----|------------|------------------|
| Cash and cash equivalents | \$ | 13,224,073 | \$ 10,702,888 |
| Restricted cash | | | 5,415 |
| Investments | | 3,215,255 | 3,806,254 |
| Pledges receivable, net | | 968,088 | 941,646 |
| Bequest receivable | | | 12,578 |
| Other receivables | | 425,103 | 416,352 |
| Prepaid expenses and deposits | | 79,157 | 51,074 |
| Inventory - zoo keys | | 4,622 | 6,823 |
| Operating lease right-of-use assets | | 4,193 | 15,966 |
| Beneficial interests in trusts | | 6,087,150 | 6,006,682 |
| Property and equipment, net | | 431,018 | 496,542 |
| Total assets | \$ | 24,438,659 | \$ 22,462,220 |
| | = | | |
| <u>Liabilities</u> | | | |
| Accounts payable | \$ | 168,065 | \$ 126,769 |
| Accrued expenses | | 335,826 | 310,500 |
| Grants payable | | | 64,500 |
| Refundable grant advance | | | 59,118 |
| Deferred revenue | | 831,239 | 660,389 |
| Operating lease liability | | 4,193 | 15,966 |
| Property to be reconveyed to City of Tucson | _ | 352,452 | 451,787 |
| Total liabilities | - | 1,691,775 | 1,689,029 |
| Net assets | | | |
| Without donor restrictions: | | | |
| Undesignated | | 4,506,345 | 2,514,917 |
| Designated by the Board | | 7,393,374 | 7,472,060 |
| Invested in property and equipment | _ | 78,566 | 44,755 |
| Total net assets without donor restrictions | - | 11,978,285 | 10,031,732 |
| With donor restrictions: | | | |
| Time restricted for future periods | | 58,000 | 40,453 |
| Purpose restricted | | 4,483,402 | 4,554,277 |
| Perpetual in nature | | 6,227,197 | 6,146,729 |
| Total net assets with donor restrictions | | 10,768,599 | 10,741,459 |
| Total net assets | - | 22,746,884 | 20,773,191 |
| Total liabilities and net assets | \$ | 24,438,659 | \$ 22,462,220 |

REID PARK ZOOLOGICAL SOCIETY AND REID PARK ZOO FOUNDATION CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

| | Without Do | nor | With Donor | | |
|---------------------------------------|-------------|---------|--------------|-----------|--------|
| Public support and revenue: | Restriction | ns | Restrictions | Total | |
| General admission | \$ 2,194 | ,374 \$ | | \$ 2,194 | 1,374 |
| Management fee from City of Tucson | | | 4,222,500 | 4,222 | 2,500 |
| Contributions | 520 | ,586 | 780,301 | 1,300 |),887 |
| Bequests | 67 | ,500 | | 67 | 7,500 |
| Grants | | | 144,500 | 144 | 1,500 |
| Special events, net of direct donor | | | | | |
| benefit costs of \$20,301 | 1,094 | ,753 | 58,000 | 1,152 | 2,753 |
| Membership fees | 990 | ,799 | | 990 |),799 |
| Education program fees | 117 | ,957 | | 117 | 7,957 |
| Visitor service amenities | 474 | ,706 | | 474 | 1,706 |
| Vendor commission | 514 | ,062 | | 514 | 1,062 |
| Zoo rental income | 267 | ,706 | | 267 | 7,706 |
| Investment income (loss) | (572 | ,280) | (21,366) | (593 | 3,646) |
| Other income | 3 | ,613 | | | 3,613 |
| Bad debt recovery and change in | | | | | |
| provision for doubtful accounts | (1 | ,287) | 13,225 | 11 | 1,938 |
| Change in assets to be reconveyed to | | | | | |
| City of Tucson | 99 | ,335 | | 99 | 9,335 |
| Net assets released from restrictions | 5,170 | ,020 | (5,170,020) | | |
| Total public support and revenue | 10,941 | ,844 | 27,140 | 10,968 | 3,984 |
| | | | | | |
| Expenses: | | | | | |
| Program services | 7,924 | ,073 | | 7,924 | 1,073 |
| General and administrative | 596 | ,773 | | 596 | 5,773 |
| Fundraising | 474 | ,445 | | 474 | 1,445 |
| Total expenses | 8,995 | ,291 | | 8,995 | 5,291 |
| Change in net assets | 1,946 | ,553 | 27,140 | 1,973 | 3,693 |
| Net assets, beginning of year | 10,031 | ,732 | 10,741,459 | 20,773 | 3,191 |
| Net assets, end of year | \$11,978 | ,285 \$ | 10,768,599 | \$ 22,746 | 5,884 |

REID PARK ZOOLOGICAL SOCIETY AND REID PARK ZOO FOUNDATION CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

| | | Without Donor | | With Donor | |
|---------------------------------------|----|---------------|----|--------------|------------------|
| Public support and revenue: | | Restrictions | | Restrictions | Total |
| General admission | \$ | 1,556,516 | \$ | | \$ 1,556,516 |
| Management fee from City of Tucson | | | | 3,736,098 | 3,736,098 |
| Contributions | | 534,903 | | 1,920,157 | 2,455,060 |
| Bequests | | 99,170 | | | 99,170 |
| Grants | | | | 796,197 | 796,197 |
| Special events, net of direct donor | | | | | |
| benefit costs of \$19,194 | | 404,200 | | 39,350 | 443,550 |
| Membership fees | | 781,796 | | | 781,796 |
| Education program fees | | 92,684 | | | 92,684 |
| Visitor service amenities | | 166,994 | | | 166,994 |
| Vendor commission | | 296,679 | | | 296,679 |
| Zoo rental income | | 58,298 | | | 58,298 |
| Investment income | | 685,969 | | 28,267 | 714,236 |
| Other income | | 41,337 | | | 41,337 |
| Bad debt recovery and change in | | | | | |
| provision for doubtful accounts | | 1,155 | | 18,573 | 19,728 |
| Change in assets to be reconveyed to | | | | | |
| City of Tucson | | 69,901 | | | 69,901 |
| Net assets released from restrictions | | 5,147,969 | | (5,147,969) | |
| Total public support and revenue | _ | 9,937,571 | _ | 1,390,673 | 11,328,244 |
| E | | | | | |
| Expenses: | | (500 560 | | | (520 5(0 |
| Program services | | 6,528,568 | | | 6,528,568 |
| General and administrative | | 502,161 | | | 502,161 |
| Fundraising | _ | 398,881 | - | | 398,881 |
| Total expenses | _ | 7,429,610 | _ | | 7,429,610 |
| Change in net assets | | 2,507,961 | | 1,390,673 | 3,898,634 |
| Net assets, beginning of year | _ | 7,523,771 | _ | 9,350,786 | 16,874,557 |
| Net assets, end of year | \$ | 10,031,732 | \$ | 10,741,459 | \$ 20,773,191 |

REID PARK ZOOLOGICAL SOCIETY AND REID PARK ZOO FOUNDATION CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

| | | | Supporting Services | | | | |
|---|-----|----------------|---------------------|-------|-------------|----|-----------|
| | | | General and | | | _ | |
| | Pro | ogram Services | Administrativ | e | Fundraising | | Total |
| Salaries and wages | \$ | 3,463,683 \$ | 324,6 | 77 \$ | 319,556 | \$ | 4,107,916 |
| Employee-related expenses | | 813,699 | 67,93 | 8 | 55,550 | | 937,207 |
| Total payroll expenses | | 4,277,382 | 392,63 | 35 | 375,106 | _ | 5,045,123 |
| Animal acquisitions | | 31,013 | | | | | 31,013 |
| Depreciation | | 115,414 | 2,80 |)2 | | | 118,216 |
| Direct donor benefit costs | | | | | 20,301 | | 20,301 |
| Dues | | 48,564 | 32,54 | 13 | 1,594 | | 82,701 |
| Education and conservation programs | | 96,000 | | | | | 96,000 |
| Insurance | | 62,489 | 12,9 | 19 | | | 75,468 |
| Marketing and communication | | 275,383 | : | 30 | 13,640 | | 289,103 |
| Miscellaneous | | 17,564 | 8: | 59 | | | 18,423 |
| Printing and postage | | 98,861 | 16,52 | 26 | 19,049 | | 134,436 |
| Professional fees | | 376,307 | 19,8 | 2 | 5,766 | | 401,885 |
| Reid Park Zoo direct support | | 689,256 | | | | | 689,256 |
| Repairs and maintenance | | 290,183 | 68,5 | 37 | 478 | | 359,248 |
| Supplies | | 1,174,787 | 29,1 | 12 | 33,973 | | 1,237,932 |
| Travel, meetings and meals | | 14,245 | 11,1 | 9 | 9,637 | | 35,001 |
| Zoo rental expenses | | 356,625 | 9,63 | 59 | 15,202 | | 381,486 |
| Total functional expenses | | 7,924,073 | 596,7 | 73 | 494,746 | | 9,015,592 |
| Less: Direct donor benefit costs netted | | | | | | | |
| against special event revenues | | | | | (20,301) | | (20,301) |
| Total expenses | \$ | 7,924,073 \$ | 596,7 | 73 \$ | 474,445 | \$ | 8,995,291 |

REID PARK ZOOLOGICAL SOCIETY AND REID PARK ZOO FOUNDATION CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

| | Supporting Services | | | | | |
|---|---------------------|---------------|----------------|----|-------------|-----------------|
| | | | General and | | | |
| | Pro | gram Services | Administrative | _ | Fundraising | Total |
| Salaries and wages | \$ | 3,179,480 \$ | 326,091 | \$ | 293,069 | \$ 3,798,640 |
| Employee-related expenses | | 858,213 | 73,077 | _ | 64,626 | 995,916 |
| Total payroll expenses | | 4,037,693 | 399,168 | | 357,695 | 4,794,556 |
| Animal acquisitions | | 29,303 | | | | 29,303 |
| Depreciation | | 136,406 | 5,429 | | | 141,835 |
| Direct donor benefit costs | | | | | 19,194 | 19,194 |
| Dues | | 72,646 | 4,250 | | 4,394 | 81,290 |
| Education and conservation programs | | 106,200 | | | | 106,200 |
| Insurance | | 69,655 | 4,262 | | | 73,917 |
| Marketing and communication | | 136,336 | 4,756 | | | 141,092 |
| Miscellaneous | | 76 | 869 | | 2,838 | 3,783 |
| Printing and postage | | 79,807 | 12,898 | | 9,481 | 102,186 |
| Professional fees | | 282,882 | 20,984 | | 3,773 | 307,639 |
| Repairs and maintenance | | 563,275 | 133 | | 714 | 564,122 |
| Supplies | | 919,506 | 39,682 | | 7,361 | 966,549 |
| Travel, meetings and meals | | 12,376 | 1,567 | | 10,458 | 24,401 |
| Zoo rental expenses | | 82,407 | 8,163 | | 2,167 | 92,737 |
| Total functional expenses | | 6,528,568 | 502,161 | | 418,075 | 7,448,804 |
| Less: Direct donor benefit costs netted | | | | | | |
| against special event revenues | | | | | (19,194) | (19,194) |
| Total expenses | \$ | 6,528,568 \$ | 502,161 | \$ | 398,881 | \$ 7,429,610 |

REID PARK ZOOLOGICAL SOCIETY AND REID PARK ZOO FOUNDATION CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | _ | 2021 |
|--|------------------|-----|---------------------|
| Cash flows from operating activities: Change in net assets | \$ 1,973,693 | \$ | 3,898,634 |
| Adjustments to reconcile change in net assets to net | | | |
| cash provided by (used for) operating activities: | | | |
| Unrealized (gains) losses on investments | 29,994 | | (45,696) |
| Realized (gains) losses on investments | 538,474 | | (598,111) |
| Donated investments | (54,945) | | (137,836) |
| Provision for change in present value of pledges receivable | (14,860) | | (89,671) |
| Provision for change in present value of beneficial interests in trusts | (80,468) | | (82,424) |
| Change in allowance for doubtful accounts | 1,287 | | (32,424) $(19,728)$ |
| Depreciation | 118,216 | | 141,835 |
| Change in assets and liabilities | 110,210 | | 141,633 |
| Bequest receivable | 12 570 | | (12.579) |
| Other receivables | 12,578 | | (12,578) |
| | (8,751) | | (24,517) |
| Inventory | 2,201 | | (495) |
| Prepaid expenses and other assets | (28,083) | | (3,713) |
| Operating lease right-of-use assets | 11,773 | | (7,974) |
| Accounts payable | 41,296 | | (12,074) |
| Accrued expenses | 25,326 | | 51,479 |
| Grants payable | (64,500) | | 64,500 |
| Refundable grant advance | (59,118) | | (744,062) |
| Deferred revenue | 170,850 | | (75,040) |
| Operating lease liability | (11,773) | | 7,974 |
| Property to be reconveyed to City of Tucson | (99,335) | | (69,901) |
| Proceeds from sales of donated investments | 54,945 | | 137,836 |
| Less contributions restricted for long-term purposes | (574,731) | _ | (1,657,830) |
| Net cash provided by (used for) operating activities | 1,984,069 | _ | 720,608 |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | (52,692) | | (50,824) |
| Purchases of investments | (932,126) | | (3,792,947) |
| Sales of investments | 954,657 | | 3,533,440 |
| Net cash provided by (used for) investing activities | (30,161) | _ | (310,331) |
| Cash flows from financing activities: | | | |
| Collection of long-term pledges receivable and other | | | |
| contributions for long-term purposes | 561,862 | _ | 1,867,204 |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 2,515,770 | | 2,277,481 |
| Cash, cash equivalents, and restricted cash, beginning of year | 10,708,303 | _ | 8,430,822 |
| Cash, cash equivalents, and restricted cash, end of year | \$ 13,224,073 | \$_ | 10,708,303 |
| Supplemental disclosure of cash flow information Cash paid for amounts in the measurement of lease liabilities | \$ 12,363 \$ | 5 | 11,549 |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Reid Park Zoological Society (RPZS) is a nonprofit organization, incorporated in Arizona in 1976. With the mission to create inspiring memories for all by connecting people and animals to ensure the protection of wild animals and wild places, RPZS provides quality service and support to Reid Park Zoo and the community through education, public awareness, financial support, and services. RPZS operates the City of Tucson-owned Reid Park Zoo, under a management contract with the City of Tucson.

During the year ended June 30, 2019, RPZS established the Reid Park Zoo Foundation (Foundation), which was created as a supporting organization for RPZS. The mission of the Foundation is to leave a legacy for the future enhancement of Reid Park Zoo and conservation of wild animals and wild places throughout the world. The Foundation received approval of its 501(c)3 tax exempt status in February 2020 from the IRS. RPZS began transferring assets to the Foundation during the year ended June 30, 2021, and the Foundation's financial statements are consolidated into the Organization's statements.

Consolidation

The consolidated financial statements include the accounts of RPZS and the Foundation. All significant interorganization accounts and transactions have been eliminated in consolidation. RPZS and the Foundation are collectively referred to as "the Organization".

Basis of Accounting

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

Basis of Presentation

The consolidated financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Organization is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. The Governing Board has designated, from net assets without donor restrictions, net assets for various programs, an operating reserve, and board designated endowment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Donor-restricted contributions are reported as an increase 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 are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. For the year ended June 30, 2021, cash, cash equivalents, and restricted cash shown in the Statement of Cash Flows consists of cash and cash equivalents of \$10,702,888 and restricted cash to be transferred to the board designated quasi endowment of \$5,415.

Investments

The Organization reports investments at fair value. Net investment income return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expense.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Organization maintains its cash and cash equivalents in bank deposit and money market accounts, which, for short periods of time, may exceed federally insured limits. At year end, the carrying amount of the Organization's deposits was \$13,099,038 and the bank balance was \$14,049,221. At year end, \$13,549,221 of the Organization's deposits were uninsured and uncollateralized. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Contributions, bequests, and grants. The Organization recognizes contributions, bequests, and grants when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Organization did not have any conditional promises to give at June 30, 2022.

Management fees. The Organization and the City of Tucson annually agree to a management fee for the upcoming year to operate the Reid Park Zoo. The Organization recognizes the management fee ratably on a monthly basis. Any outstanding fees not received at year end are recorded as receivable.

Education program fees. Fees collected in advance for educational activities and programs are deferred to the applicable period in which the related services are performed.

General admission. Admission ticket sales are recognized at the time that the tickets are sold.

Zoo rental income. Revenue generated by using the Organization's property and facilities is subject to performance obligations satisfied when the rental service is provided.

Membership fees. Management has determined that revenue from membership fees are subject to performance obligations that are satisfied ratably over the life of the contract. The contract terms are for one to three years and, as such, there are outstanding performance obligations for membership dues.

Vendor commission. Revenue generated by the vendor commission is based on a percentage of gross sales of the gift shop and restaurant located inside the zoo and operated by outside vendors and are recognized monthly.

Visitor service amenities. Consists of proceeds from giraffe feedings, train rides, carousel rides and zoo key sales and is recognized at the time of the sale.

Special events. Revenue is generated from multiple ticketed events (such as Zoo Lights) and also annual fundraising events. Payment for these services is due in advance of guest admission or fundraiser attendance. The revenue is recognized when the performance obligation of the point in time that the event occurs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pledges Receivable

Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in periods greater than one year are recorded at net present value of expected cash flows. Pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on pledges receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of donors to meet their obligations. It is the Organizations' policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected.

Other Receivables

Other receivables consist of management fees due from the City of Tucson and accounts receivable from admissions, rentals and visitor amenities. Other receivables are reported at amounts the Organization expects to receive or has received subsequent to year end. Management believes all other receivables are fully collectible and accordingly has recorded no valuation allowance. Other receivables are written off if and when management determines the receivable is no longer collectible.

Inventories

Inventory consists of zoo keys held for resale. Zoo keys, which allow visitors to listen to audio narration at various animal areas at the Reid Park Zoo, are stated at the lower of cost or market determined by the first-in, first-out method.

Property and Equipment

All acquisitions of property and equipment with a cost in excess of \$5,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Depreciation expense for the years ended June 30, 2022 and 2021 was \$118,216 and \$141,835.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Beneficial Interests in Trusts

The Organization is a beneficiary in two charitable remainder trusts. Upon termination of the trusts, the Organization has an irrevocable right to receive a portion of the remaining assets. The trusts' assets are held and invested by an independent trustee and are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Compensated Absences

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Organization's policy to recognize the cost of compensated absence when leave is earned by employees.

Leases

The Organization determines if an arrangement is or contains a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months. Lease assets and obligations are recognized based on future lease payments, discounted by the incremental borrowing rate for the Organization's operating leases and the rate implicit in the lease for finance leases.

Operating lease right-of-use assets (ROU) include adjustments related to lease payments made and lease incentives received at or before the commencement date. The assets resulting from operating leases are included in right-of-use assets and the related liabilities are included in operating leases payable on the statement of financial position. Finance lease assets are included in property and equipment, net, and the related liabilities are included in finance leases payable on the statement of financial position.

Operating lease expense is recognized on a straight-line basis over the lease term. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the year ended June 30, 2022, the Organization received donated services from approximately 360 unpaid volunteers, totaling approximately 20,300 hours, primarily to provide docent services and assistance during fundraising activities. As the receipt of these services did not meet the requirement for recognition, their value has not been recognized in the statement of activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include salaries and benefits, which are allocated based on time and effort.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$285,991 and \$138,443 for the years ended June 30, 2022 and 2021.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A). RPZS has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation has been classified as a supporting organization under Section 509(a)(3). The Organization's Form 990, Return of Organization Exempt from Income Taxes, is generally subject to examination by the Internal Revenue Service for three years after the date filed.

Management has evaluated the tax positions taken or expected to be taken, if any, on its exempt organization filings, and the likelihood that upon examination those positions would be sustained. Based on the results of this evaluation, management believes there are no uncertain tax positions.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

New Accounting Pronouncement

During the fiscal year, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The update increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The adoption did not have a significant impact on the Organization's financial statements.

Date of Management's Review

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 15, 2022, which is the date the consolidated financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at fiscal year end:

| Financial assets at year end: | 2022 | 2021 |
|--|---------------|---------------|
| Cash and cash equivalents and restricted cash | \$ 13,224,073 | \$ 10,708,303 |
| Investments | 3,215,255 | 3,806,254 |
| Pledges receivable | 968,088 | 941,646 |
| Bequest receivable | | 12,578 |
| Other receivables | 425,103 | 416,352 |
| Beneficial interest in charitable remainder trusts | 6,087,150 | 6,006,682 |
| Total financial assets | 23,919,669 | 21,891,815 |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | 10,768,599 | 10,741,459 |
| Board designated net assets | 7,393,374 | 7,472,060 |
| Less: Board designated operating reserve | (3,700,272) | (3,474,121) |
| Financial assets available to meet general | | |
| expenditures over the next twelve months | \$ 9,457,968 | \$ 7,152,417 |

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of its liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments and money market funds. The Board has established an operating reserve fund whose assets come from the surplus of funds without donor restrictions, undesignated legacies, bequests and memorials, and other sources the Executive Committee may deem to be appropriate. The goal of the operating reserve fund is to achieve and maintain three months of operating expenditures. In addition, the Board has established other designated funds according to Board Policy. Appropriation of these designated funds is subject to Board approval. Although the Organization does not intend to spend from the designated funds, amounts could be made available if necessary. The beneficial interest in charitable remainder trusts is not available for general expenditures at this time and is reduced from financial assets available, through net assets with donor restrictions.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1: Quoted prices in active markets for identical investments.
- Level 2: 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.
- Level 3: Unobservable inputs for the asset or liability.

The level of fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at year end are as follows:

| | Hierarchy | | |
|--------------------------------|-----------|----|-----------|
| Year ended June 30, 2022 | Level | F | air Value |
| Cash and cash equivalents | | | |
| Money market funds | Level 1 | \$ | 120,485 |
| Investments | | | |
| Fixed income investments | Level 1 | | 1,214,090 |
| Equities | Level 1 | | 2,001,165 |
| Beneficial Interests in Trusts | Level 3 | | 6,087,150 |
| Total assets | | \$ | 9,422,890 |
| | | | |

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

| | Hierarchy | | |
|--------------------------------|-----------|----|------------|
| Year ended June 30, 2021 | Level | F | Fair Value |
| Investments | | | |
| Fixed income investments | Level 1 | \$ | 1,415,515 |
| Equities | Level 1 | | 2,390,739 |
| Beneficial Interests in Trusts | Level 3 | | 6,006,682 |
| Total assets | | \$ | 9,812,936 |

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Investments – Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Beneficial interests in trusts – Fair value for the beneficial interests in trusts is determined based on calculating the present value of the future distributions expected to be received, using a 2.6 percent discount rate. The Organization remeasures the fair value of its beneficial interest annually and adjusts the measurement inputs based on relevant data.

Assets measured on a recurring basis using Level 3 inputs comprise the Organizations' beneficial interest in two charitable remainder trusts. The beneficial interest is reported at the present value of the expected future cash flows, which management believes approximates fair value. Activity in assets reported at fair value on a recurring basis with fair values measured using Level 3 inputs was as follows:

| | 2022 | 2021 |
|---|--------------|--------------|
| Beginning of year | \$ 6,006,682 | \$ 5,924,258 |
| Provision for discount to present value | 80,468 | 82,424 |
| End of year | \$ 6,087,150 | \$ 6,006,682 |

NOTE 4 – PLEDGES RECEIVABLE

Unconditional pledges receivable consist of the following:

| | | 2022 | | 2021 |
|---|--------|--------------------|--------|--|
| Pledges receivable before unamortized discount | \$ | 1,141,161 | \$ | 1,128,292 |
| Less: Unamortized discount | | (58,957) | | (73,817) |
| Total | | 1,082,204 | | 1,054,475 |
| Less: Allowance for uncollectibles | | (114,116) | | (112,829) |
| Net pledges receivable | | 968,088 | | 941,646 |
| Amounts due in: Less than one year One to five years More than five years Total | \$ | 670,437 470,724 | \$ | 603,623 520,670 3,999 1,128,292 |
| Total | Ψ | 1,171,101 | Ψ | 1,120,272 |

The discount rate used to determine the present value of pledges receivable is commensurate with the risks involved and was five percent. At June 30, 2022, two donors accounted for 33 percent and 23 percent of total pledges receivable, respectively. The entire balance of pledges receivable are restricted for capital improvements, including master plan phases one and two, and the hippo exhibit.

NOTE 5 – OTHER RECEIVABLES

Other receivables consisted of the following for the fiscal years:

| | 2022 | 2021 |
|------------------------------------|---------------|---------------|
| City of Tucson Zoo management fees | \$ 351,875 | \$ 350,583 |
| Event rentals | 1,650 | 124 |
| Admission | 42,883 | 37,969 |
| Visitor amenities sales | 28,695 | 27,676 |
| Total | \$ 425,103 | \$ 416,352 |

NOTE 6 – REVENUE FROM CONTRACT WITH CUSTOMERS

Changes in contract assets and liabilities are as follows:

| | Accounts | | (| Contract |
|---------------|----------|------------|----|------------|
| | Re | Receivable | | iabilities |
| July 1, 2020 | \$ | 391,835 | \$ | 735,429 |
| June 30, 2021 | | 416,352 | | 660,389 |
| June 30, 2022 | | 425,103 | | 831,239 |

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following.

| | 2022 | 2021 |
|------------------------------------|------------|------------|
| Buildings and improvements | \$ 8,805 | \$ 8,805 |
| Vehicles, furniture, and equipment | 965,270 | 912,578 |
| Total property and equipment | 974,075 | 921,383 |
| Less: Accumulated depreciation | (543,057) | (424,841) |
| Net property and equipment | \$ 431,018 | \$ 496,542 |

NOTE 8 – BENEFICIAL INTERESTS IN TRUSTS

The Organization is notified from time to time that they have been named as a beneficiary in various wills and similar legal designations that are revocable or otherwise able to be modified by the potential donor. Because such planned giving agreements may be changed without notice by the donors, the Organization does not recognize these potential future cash flows until such time as the instruments become irrevocable and the amount to be received can be reasonably estimated.

During the year ended June 30, 2020, two previously revocable trusts for which the Organization was listed as a beneficiary became irrevocable. According to the trust documents, the primary beneficiary (an individual unrelated to the Organization) will receive regular distributions from the income generated by trust assets throughout the duration of her life.

NOTE 8 – BENEFICIAL INTERESTS IN TRUSTS

The distributions from the first charitable remainder trust to the primary beneficiary in any one year are limited to a fixed percentage of the fair value of trust assets at the previous year end or the income generated by trust assets in the previous year, whichever is less. Any income of the trust in excess of distributions to the primary beneficiary is to be added to principal. After such obligations are fulfilled, the remaining assets held in the trust will be distributed in equal shares to the several charitable organizations named in the agreement, to be held by each organization as a permanent endowment.

Distributions from the second charitable remainder trust to the primary beneficiary consist of all income earned on trust assets. The primary beneficiary is not entitled to any of the principal of the assets held in the trust.

The Organization recorded a beneficial interest in the trusts and recognized contribution revenue with donor restrictions perpetual in nature. The amount recognized was the estimated fair value of its beneficial interest, which was determined based on the Organization' share of the present value of assets held in the trusts as of the date they became irrevocable, following IRS guidelines and factor tables for calculating the present value of a remainder. The interest rate used to calculate the present value was 2.6%, the IRS §7520 interest rate for the month in which the trusts became irrevocable. Activity during the years ended June 30, 2022 and June 30, 2021 consists of a change in the discount to present value on the beneficial interests in the trusts. Present value of the beneficial interests in the trusts was as follows at June 30, 2022 and 2021:

| | 2022 | 2021 |
|--|--------------|--------------|
| Share of value of assets in the trusts at the date | | |
| when the trusts became irrevocable | \$ 7,643,734 | \$ 7,643,734 |
| Less discount to present value at 2.6% | (1,556,584) | (1,637,052) |
| Present value of beneficial interests in trusts | \$ 6,087,150 | \$ 6,006,682 |

NOTE 9 – PROPERTY TO BE RECONVEYED TO CITY OF TUCSON

Effective July 1, 2018, RPZS entered into an expanded partnership with the City of Tucson (City) under a management agreement to operate and manage all day-to-day activities of Reid Park Zoo. At the inception of the agreement, various assets used by the City to operate the Reid Park Zoo were transferred to RPZS for its use in executing its responsibilities under the agreement. The agreement is for a period of 10 years, with an option to extend for an additional 10 years.

The terms of the agreement stipulate that all assets, including equipment, furniture, fixtures, supplies, inventory, zoo vehicles, zoo animals, zoo contracts, permits, intellectual property, and other tangible and intangible personal property transferred from the City to RPZS, as well as any new personal property acquired subsequent to the inception of the agreement that are paid for using City funds, are subject to the reversion and reconveyance to the City on the date of expiration or termination of this agreement.

Property to be reconveyed to the City were as follows:

| Year ended June 30, 2022 | Fair value at date of transfer/cost of acquisition | | Accumulated depreciation and equipment expense | | Net book value |
|---|--|---------|--|-----------|-----------------------|
| Property transferred from City of Tucson: | | | | | |
| Capitalized property and equipment | | | | | |
| Vehicles | \$ | 5,575 | \$ | (3,903) | \$ 1,672 |
| Furniture and equipment | | 514,249 | | (256,022) | 258,227 |
| Property under capitalization threshold | | 25,982 | | (25,982) | |
| Total property transferred | | 545,806 | | (285,907) | 259,899 |
| Property purchased with City of Tucson funds: | | | | | |
| Capitalized furniture and equipment | | 254,171 | | (161,618) | 92,553 |
| Property under capitalization threshold | | 34,269 | | (34,269) | |
| Total property purchased | | 288,440 | | (195,887) | 92,553 |
| Total property to be reconveyed to the City of Tucson | \$ | 834,246 | \$ | (481,794) | \$ 352,452 |

NOTE 9 – PROPERTY TO BE RECONVEYED TO CITY OF TUCSON

| Year ended June 30, 2021 | trai | Fair value at date of transfer/cost of acquisition | | Accumulated depreciation and equipment expense | | Net book value |
|---|------|--|----|--|----|-------------------|
| Property transferred from City of Tucson: | | | | | | |
| Capitalized property and equipment | | | | | | |
| Vehicles | \$ | 5,575 | \$ | (2,788) | \$ | 2,787 |
| Furniture and equipment | | 514,249 | | (210,129) | | 304,120 |
| Property under capitalization threshold | | 25,982 | | (25,982) | | |
| Total property transferred | | 545,806 | | (238,899) | | 306,907 |
| Property purchased with City of Tucson funds: | | | | | | |
| Capitalized furniture and equipment | | 254,171 | | (109,291) | | 144,880 |
| Property under capitalization threshold | | 34,269 | | (34,269) | | |
| Total property purchased | | 288,440 | | (143,560) | | 144,880 |
| Total property to be reconveyed to the City of Tucson | \$ | 834,246 | \$ | (382,459) | \$ | 451,787 |

NOTE 10 – DEFERRED REVENUE

Deferred revenue consisted of the following at June 30, 2022 and 2021:

| | 2022 | 2021 |
|-----------------------------|------------|------------|
| Unearned membership revenue | \$ 796,286 | \$ 629,483 |
| Unredeemed gift cards | 26,453 | 26,406 |
| Deposits on future events | 8,500 | 4,500 |
| | \$ 831,239 | \$ 660,389 |

NOTE 11 – ENDOWMENTS

The Organization's endowments consist of a donor-restricted endowment and a board-designated quasi endowment. As required by generally accepted accounting principles, net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State of Arizona's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- a. The duration and preservation of the fund
- b. The purpose of the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the organization
- g. The investment policies of the organization

NOTE 11 – ENDOWMENTS

Endowment Net Asset Composition by Type of Fund as of year end:

| Year Ended June 30, 2022 Donor-restricted endowment funds Original donor-restricted gift amount and amounts required to be maintained in | Without Donor Restriction | With Donor Restriction | Total |
|--|---------------------------------|---------------------------|--------------|
| perpetuity by donor | \$ | \$ 6,227,197 | |
| Accumulated investment gains | | 13,759 | 13,759 |
| Board-designated endowment funds | 366,681 | | 366,681 |
| Total funds | \$ 366,681 | \$ 6,240,956 | \$ 6,607,637 |
| Year Ended June 30, 2021 | Without Donor Restriction | With Donor Restriction | Total |
| Donor-restricted endowment funds Original donor-restricted gift amount and amounts required to be maintained in | | | |
| perpetuity by donor | \$ | \$ 6,146,729 | \$ 6,146,729 |
| Accumulated investment gains | | 25 125 | 35,125 |
| recamanated investment gams | | 35,125 | 33,123 |
| Board-designated endowment funds | 346,638 | 35,125 | 346,638 |

Investment Return Objectives, Risk Parameters and Strategies

The Organization's endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. Endowment assets may include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. To satisfy its long-term rate-of-return objectives, the Organization relies on a strategy in which investments in equity and debt securities are diversified to protect against volatility in the market and achieve long-term growth.

NOTE 11 – ENDOWMENTS

Spending Policy

The Organization has a donor-restricted endowment and a board-designated quasi endowment fund. Funds related to the board-designated quasi endowment fund are available for spending based on a vote of the Board of Directors. The earnings on the donor-restricted fund are restricted under the Act until appropriated by the Board of Directors, although the Board has expressed its intent not to make any withdrawals from the donor restricted endowment fund until the corpus has reached \$5.0 million.

Changes in Endowment Net Assets as of year end:

| | Without | | | |
|-------------------------------------|-------------|----------------|---------------|--------------|
| | Donor | With | With Donor | |
| | Restriction | Restr | iction | |
| | Board | | | |
| | designated | | | |
| | quasi- | Restricted for | Restricted in | |
| | endowment | purpose | perpetuity | Total |
| Endowment net assets, June 30, 2020 | \$ 239,009 | \$ 7,895 | \$6,064,305 | \$ 6,311,209 |
| Contributions | 49,585 | | 82,424 | 132,009 |
| Investment return, net | 58,044 | 27,230 | | 85,274 |
| Endowment net assets, June 30, 2021 | 346,638 | 35,125 | 6,146,729 | 6,528,492 |
| Contributions | 79,204 | | 80,468 | 159,672 |
| Investment return, net | (59,161) | (21,366) | | (80,527) |
| Endowment net assets, June 30, 2022 | \$ 366,681 | \$ 13,759 | \$ 6,227,197 | \$ 6,607,637 |

NOTE 12 – NET ASSETS

The Board may designate net assets without donor restriction for use in future periods, for specific purposes or projects, or may invest the funds in order to provide for long-term returns to support the operations of the organization, similar to an endowment established by a donor. These designations may be amended or rescinded in the future by approval of the Board of Directors.

NOTE 12 – NET ASSETS

Net assets without donor restrictions that have been designated by the Board of Directors to function as an endowment or for a specific purpose consisted of the following at June 30, 2022 and 2021:

| | 2022 | 2021 |
|----------------------------------|--------------|-----------------|
| Board designated quasi-endowment | \$ 366,681 | \$ 346,638 |
| Operating reserve | 3,700,272 | 3,474,121 |
| Seed fund | 500,000 | 500,000 |
| Special projects fund | 2,826,421 | 3,151,301 |
| Total | \$ 7,393,374 | \$ 7,472,060 |

Net assets with donor restrictions were as follows:

| | 2022 | 2021 |
|---|------------------|------------------|
| Passage of time – future periods | \$ 58,000 | \$ 40,453 |
| Subject to purpose restrictions | | |
| Brown bear exhibit | | 7,385 |
| Education and conservation | 130,553 | 140,279 |
| Health center | 355,544 | 355,544 |
| Hippo capital campaign | 525,299 | 518,342 |
| Master plan phase one | 2,779,293 | 2,926,486 |
| Master plan phase two | 59,754 | 34,475 |
| Meerkat and otter expansion | 3,365 | 4,869 |
| Punga memorial tree fund | | 1,713 |
| Sloth habitat | 31,000 | 20,000 |
| Zoo projects and enrichment | 584,835 | 510,059 |
| Endowments | | |
| Accumulated earnings subject to appropriation | 13,759 | 35,125 |
| Perpetual in nature | 6,227,197 | 6,146,729 |
| Total | \$ 10,768,599 | \$ 10,741,459 |

NOTE 12 – NET ASSETS

Net assets with donor restrictions activity were as follows:

| | | | _ | pro | ange in ovisions | |
|---------------------------------|---------|----------------|-------------|----------|------------------|----------------|
| V F 1 1 V 20 2022 | G . " | | Investment | | doubtful | D 1 |
| Year Ended June 30, 2022 | Contril | <u>butions</u> | return, net | ac | counts | Releases |
| Passage of Time: | _ | | _ | _ | | |
| Restricted for future periods | \$ | 58,000 | \$ | \$ | | \$ (40,453) |
| Specific Purpose: | | | | | | |
| Brown bear exhibit | | | | | | (7,385) |
| City of Tucson management fees | 4,2 | 22,500 | | | | (4,222,500) |
| Education and conservation | | 87,398 | | | | (97,124) |
| Hippo capital campaign | | | | | 6,957 | |
| Master plan phase one | 5 | 38,729 | | | 5,990 | (691,912) |
| Master plan phase two | | 25,001 | | | 278 | |
| Meerkat and otter expansion | | | | | | (1,504) |
| Punga memorial tree fund | | | | | | (1,713) |
| Sloth habitat | | 11,000 | | | | |
| Zoo projects and enrichment | 1 | 82,205 | | | | (107,429) |
| Total purpose restrictions | 5,0 | 66,833 | | _ | 13,225 | (5,129,567) |
| Endowments: | | | | | | |
| Accumulated earnings subject to | | | | | | |
| appropriation and expenditure | | | (21,366 | 5) | | |
| Restricted in perpetuity | | 80,468 | | , | | |
| Total Endowments | | 80,468 | (21,366 | <u> </u> | | |
| Total Donor Restrictions | \$ 5,2 | 205,301 | \$ (21,366 | 5) \$ | 13,225 | \$ (5,170,020) |

NOTE 12 – NET ASSETS

| Year Ended June 30, 2021 | Contributions | Investment return, net | Change in provisions for doubtful accounts | Releases |
|-----------------------------------|---------------|------------------------|--|-------------------|
| Passage of Time: | ¢ 40.225 | ¢. | Φ 250 | ф <i>(7.105</i>) |
| Restricted for future periods | \$ 40,225 | 3 | \$ 250 | \$ (7,125) |
| Specific Purpose: | | | | |
| City of Tucson management fees | 3,736,098 | 1,037 | | (4,208,037) |
| Education and conservation | 85,436 | | 30 | (54,106) |
| Health center | 50,000 | | 2,291 | |
| Hippo capital campaign | 58,908 | | 4,992 | |
| Master plan phase one | 1,610,087 | | 10,890 | (101,739) |
| Master plan phase two | 26,322 | | 120 | , |
| Meerkat and otter expansion | | | | (1,077) |
| Zoo projects and enrichment | 58,240 | | | (31,823) |
| Paycheck protection program grant | 744,062 | | | (744,062) |
| Total purpose restrictions | 6,369,153 | 1,037 | 18,323 | (5,140,844) |
| Endowments: | | | | |
| Accumulated earnings subject to | | | | |
| appropriation and expenditure | | 27,230 | | |
| Restricted in perpetuity | 82,424 | , | | |
| Total Endowments | 82,424 | | | |
| | | | | |
| Total Donor Restrictions | \$ 6,491,802 | \$ 28,267 | \$ 18,573 | \$ (5,147,969) |

NOTE 13 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

The Organization received approval for a Payroll Protection Program (PPP) loan under the CARES Act on April 21, 2020 in the amount of \$803,180. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities within 24 weeks of loan approval (at least 60% of the forgiven amount must be used for payroll). Loan payments will also be deferred for ten months, however interest will continue to accrue. Neither the government nor lenders will charge any fees for the loans. Forgiveness is based on the Organization maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. Recipients must also comply with certain Small Business Administration (SBA) requirements and make certain certifications. PPP loans have a maturity of five years, an interest rate of 1% if not forgiven, and no prepayment penalty.

NOTE 13 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 5, 2021, the SBA forgave \$744,062 of the PPP loan, which the Organization recognized as grant revenue in the Statement of Activities for the year ended June 30, 2021. The Organization recognized a refundable advance of \$59,118 for the loan amount for which the conditions of qualifying expenses had not been substantially met at June 30, 2021. In September 2021, the Organization paid the remaining balance on the loan.

The Organization must retain all records relating the PPP loan, including documentation necessary to support the loan forgiveness application and documentation supporting material compliance with program requirements. The Organization must retain all documentation for six years after the loan is forgiven. The loan forgiveness is subject to audit and adjustment by the SBA. Any ineligible loan amounts may result in the SBA requiring the Organization repay the loan forgiven in part, or in whole.

NOTE 14 – LEASES

The Organization leases postage meters, copier equipment, and an office trailer under noncancelable operating leases with various expirations through April 2024. All leases had terms of greater than one year at the inception of the lease and payments are due on a monthly basis. Only the copier lease includes a variable lease expense, resulting from overage charges if copies in a month exceed a defined amount. Total operating lease expense for the fiscal year were as follows for the years ended June 30, 2022 and 2021:

| | 2022 | | 2021 |
|---|------|--------|--------------|
| Leases with terms of 12 months or more – | | | |
| recognized straight-line over the term of the lease | \$ | 12,363 | \$ 11,549 |
| Variable lease expense for copier overage charges | | | 3 |
| Total | \$ | 12,363 | \$ 11,552 |

NOTE 14 – LEASES

The Organization has not included the possibility of early termination in the calculation of the right-of-use asset and lease liabilities since the Organization does not intend to terminate the lease before the expiration of the term. The Organization has also determined that there were no nonlease components to be allocated to the leases. In determining the value of the right-of-use asset and lease liabilities, future lease payments were discounted applying the discount rate of 5%. The Organization considers the discount rate to be an appropriate measure of the interest cost to obtain financing for the purchase of the leased property.

The following table provides a schedule of future lease payments and other supplemental information for the Organization's operating leases as of June 30, 2022:

| Year End: | | |
|---------------------------------------|----|----------|
| 2023 | \$ | 3,409 |
| 2024 | | 996 |
| Total minimum lease payments | | 4,405 |
| Less: Discount to present value | | (212) |
| Present value of lease liabilities | | 4,193 |
| Weighted average remaining lease term | 1 | 4 months |
| Weighted average discount rate | | 5.00% |

The \$15,966 present value of lease liabilities at June 30, 2021 consisted of future minimum lease payments of \$16,408, less a discount to present value of \$442.

NOTE 15 – CONCENTRATIONS

The Organization receives approximately 37 percent of its revenue and 22 percent of receivables from the City of Tucson.

In addition, two donor pledges comprise 24 and 17 percent of total receivables.

NOTE 16 – EMPLOYEE BENEFIT PLANS

RPZS has a 401(k) retirement plan (Plan) for all employees who meet eligibility requirements. Employees are 100% vested in employer contributions after three years of service. The Plan provides for a safe harbor matching contribution equal to 100% of employees' elective contributions that do not exceed 4% of the employees' compensation. Retirement expenses for the years ended June 30, 2022 and 2021 was \$98,637 and \$90,539, respectively.

NOTE 17 – RELATED PARTY TRANSACTIONS

Related party transactions with the City of Tucson for the year ended June 30, 2022 consisted of contributions to the City of \$689,256 for construction of the World of Play Exhibit.

SUPPLEMENTARY INFORMATION

REID PARK ZOOLOGICAL SOCIETY AND REID PARK ZOO FOUNDATION CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2022

| Assets | | Reid Park Zoological Society | | Reid Park Zoo Foundation | | Eliminations | | Total |
|---|------------|------------------------------------|----|--------------------------------|----|--------------|------------|------------|
| Cash and cash equivalents | \$ | 12,149,069 | \$ | 1,075,004 | \$ | Emimations | \$ | 13,224,073 |
| Investments | Ψ | 12,147,007 | Ψ | 3,215,255 | Ψ | | Ψ | 3,215,255 |
| Pledges receivable, net | | 968,088 | | 3,213,233 | | | | 968,088 |
| Bequest receivable | | 700,000 | | | | | | 700,000 |
| Other receivables | | 425,103 | | | | | | 425,103 |
| Prepaid expenses and deposits | | 79,157 | | | | | | 79,157 |
| Inventory - zoo keys | | 4,622 | | | | | | 4,622 |
| Operating lease right-of-use assets | | 4,193 | | | | | | 4,193 |
| Beneficial interests in trusts | | 6,087,150 | | | | | | 6,087,150 |
| Property and equipment, net | | 431,018 | | | | | | 431,018 |
| Total assets | \$ | 20,148,400 | \$ | 4,290,259 | \$ | | \$ | 24,438,659 |
| Total assets | Ф = | 20,146,400 | Э | 4,290,239 | Ф | | Φ= | 24,438,039 |
| <u>Liabilities</u> | | | | | | | | |
| Accounts payable | \$ | 168,065 | \$ | | \$ | | \$ | 168,065 |
| Accrued expenses | | 335,826 | | | | | | 335,826 |
| Deferred revenue | | 831,239 | | | | | | 831,239 |
| Operating lease liability | | 4,193 | | | | | | 4,193 |
| Property to be reconveyed to City of Tucson | _ | 352,452 | | | | | | 352,452 |
| Total liabilities | - | 1,691,775 | | | | | . <u>-</u> | 1,691,775 |
| Net assets Without donor restrictions: | | | | | | | | |
| Undesignated | | 4,522,362 | | (16,017) | | | | 4,506,345 |
| Designated by the Board | | 3,700,272 | | 3,693,102 | | | | 7,393,374 |
| Invested in property and equipment | | 78,566 | | 2,072,102 | | | | 78,566 |
| Total net assets without donor restrictions | - | 8,301,200 | | 3,677,085 | | | · - | 11,978,285 |
| With donor restrictions: | | | | | | | | |
| Time restricted for future periods | | 58,000 | | | | | | 58,000 |
| Purpose restricted | | 4,010,275 | | 473,127 | | | | 4,483,402 |
| Perpetual in nature | | 6,087,150 | | 140,047 | | | | 6,227,197 |
| Total net assets with donor restrictions | - | 10,155,425 | | 613,174 | | | · - | 10,768,599 |
| Total net assets | _ | 18,456,625 | _ | 4,290,259 | • | | _ | 22,746,884 |
| Total liabilities and net assets | \$ | 20,148,400 | \$ | 4,290,259 | \$ | | \$ | 24,438,659 |

REID PARK ZOOLOGICAL SOCIETY AND REID PARK ZOO FOUNDATION CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

| | Reid Park Zoologica Society | l Reid Park Zoo Foundation | Eliminations | Total |
|---|--------------------------------|-------------------------------|--------------|---------------|
| Net Assets without donor restrictions: | | | | |
| Public support and revenues | | | | |
| General admission | 2,194,374 | . \$ | \$ | \$ 2,194,374 |
| Contributions | 520,586 | 5,112 | (5,112) | 520,586 |
| Bequests | 67,500 | | | 67,500 |
| In-kind revenue | | 7,089 | (7,089) | |
| Special events, net of direct donor | | | | |
| benefit costs of \$20,301 | 1,094,753 | | | 1,094,753 |
| Membership fees | 990,799 | | | 990,799 |
| Education program fees | 117,957 | | | 117,957 |
| Visitor service amenities | 474,706 | | | 474,706 |
| Vendor commission | 514,062 | | | 514,062 |
| Zoo rental income | 267,706 | | | 267,706 |
| Investment income (loss) | 1,459 | | | (572,280) |
| Other income | 3,613 | | | 3,613 |
| Bad debt recovery and change in | 2,010 | | | -,,,,, |
| provision for doubtful accounts | (1,287 |) | | (1,287) |
| Change in assets to be reconveyed to | (1,207 | , | | (1,207) |
| City of Tucson | 99,335 | | | 99,335 |
| Net assets released from restrictions | 5,170,020 | | (50,625) | 5,170,020 |
| Total public support and revenue | 11,515,583 | | (62,826) | 10,941,844 |
| | 11,515,565 | (310,713) | (02,020) | 10,541,044 |
| Expenses: | | | | |
| Program services | 7,919,888 | | (7,045) | 7,924,073 |
| General and administrative | 594,418 | | (44) | 596,773 |
| Fundraising | 474,445 | | (55,737) | 474,445 |
| Total expenses | 8,988,751 | | (62,826) | 8,995,291 |
| Transfer of net assets | (79,204 | | | |
| Change in net assets without donor restrictions | 2,447,628 | (501,075) | | 1,946,553 |
| Net Assets with donor restrictions: | | | | |
| Public support and revenues | | | | |
| Management fee from City of Tucson | 4,222,500 | 1 | | 4,222,500 |
| Contributions | 780,301 | 50,625 | (50,625) | 780,301 |
| Grants | 144,500 | | | 144,500 |
| Special events | 58,000 | | | 58,000 |
| Investment income (loss) | | (21,366) | | (21,366) |
| Bad debt recovery and change in | | | | |
| provision for doubtful accounts | 13,225 | | | 13,225 |
| Net assets released from restrictions | (5,170,020 | | 50,625 | (5,170,020) |
| Transfer of net assets | (100,000 | | , | (, , , |
| Change in net assets with donor restrictions | (51,494 | | | 27,140 |
| Net assets, beginning of year | | | | |
| Without donor restrictions | 5,829,235 | 4,202,497 | | 10,031,732 |
| With donor restrictions | 10,231,256 | | | 10,741,459 |
| Total net assets, beginning of year | 16,060,491 | | | 20,773,191 |
| Net assets, end of year | | | | |
| Without donor restrictions | 8,276,863 | 3,701,422 | | 11,978,285 |
| With donor restrictions | 10,179,762 | | | 10,768,599 |
| Total net assets, end of year | | | \$ | \$ 22,746,884 |