



**TULSA ZOO MANAGEMENT, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020 and 2019**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tulsa Zoo Management, Inc.

We have audited the accompanying financial statements of Tulsa Zoo Management, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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.

### Auditor's 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 audits 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 our 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, we 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 Tulsa Zoo Management, Inc. as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Tulsa, Oklahoma  
October 26, 2020

**TULSA ZOO MANAGEMENT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,037,328	\$ 3,142,789
Accounts receivable	133,199	316,559
Short-term investments	902,640	1,000,000
Contributions receivable, net	1,551,145	1,055,801
Prepaid expenses and other	280,652	205,624
Total current assets	6,904,964	5,720,773
Property and equipment, net	104,488	121,271
Contributions receivable, net	3,577,176	3,127,500
Certificates of deposit	765,954	750,000
Investments	3,360,216	2,807,764
Total assets	\$ 14,712,798	\$ 12,527,308
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 665,827	\$ 1,150,873
Deferred revenue	43,061	108,692
Custodial accounts	6,668	6,668
Refundable advance	676,555	-
Total current liabilities	1,392,111	1,266,233
Net assets:		
Without donor restrictions:		
Undesignated	2,715,618	3,440,618
Board-designated - operating reserve	735,000	735,000
Board-designated - endowment	3,505,488	2,925,207
Total net assets without donor restrictions	6,956,106	7,100,825
With donor restrictions	6,364,581	4,160,250
Total net assets	13,320,687	11,261,075
Total liabilities and net assets	\$ 14,712,798	\$ 12,527,308

**TULSA ZOO MANAGEMENT, INC.**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2020  
(with comparative totals from the year ended June 30, 2019)**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues from operations</b>				
Management fee revenue	\$ 6,376,661	\$ -	\$ 6,376,661	\$ 6,221,133
Admissions	1,226,546	-	1,226,546	1,941,827
Memberships	1,152,821	-	1,152,821	1,757,534
Train and carousel	371,345	-	371,345	489,291
Private events	847,195	-	847,195	1,153,416
Food sales	258,156	-	258,156	415,010
Temporary exhibits and events	173,613	-	173,613	197,198
Gift sales	149,871	-	149,871	224,732
Refundable advance (Note 7)	778,445	-	778,445	-
Other	453,583	-	453,583	1,035,063
In-kind contributions	6,222	7,907	14,129	108,012
Net investment income	93,933	-	93,933	83,115
Net assets released from restrictions	930,732	(930,732)	-	-
<b>Total revenues from operations</b>	<b>12,819,123</b>	<b>(922,825)</b>	<b>11,896,298</b>	<b>13,626,331</b>
<b>Expenses</b>				
Program services expense	9,394,679	-	9,394,679	10,244,337
Supporting services expense:				
General and administrative	2,325,678	-	2,325,678	2,498,324
Fundraising and development	367,861	-	367,861	510,845
<b>Total supporting services expense</b>	<b>2,693,539</b>	<b>-</b>	<b>2,693,539</b>	<b>3,009,169</b>
<b>Total expenses</b>	<b>12,088,218</b>	<b>-</b>	<b>12,088,218</b>	<b>13,253,506</b>
<b>Total increase (decrease) from operations</b>	<b>730,905</b>	<b>(922,825)</b>	<b>(191,920)</b>	<b>372,825</b>
<b>Income from nonoperations</b>				
Contributions	-	3,062,828	3,062,828	2,194,852
Gross special events revenue	-	136,510	136,510	435,608
Less: cost of direct benefit to donors	-	(72,182)	(72,182)	(277,738)
<b>Net special events revenue</b>	<b>-</b>	<b>64,328</b>	<b>64,328</b>	<b>157,870</b>
Expenses for capital projects (Note 10)	(930,593)	-	(930,593)	(1,172,609)
Net investment gain	54,969	-	54,969	364,511
<b>Total increase (decrease) from nonoperations</b>	<b>(875,624)</b>	<b>3,127,156</b>	<b>2,251,532</b>	<b>1,544,624</b>
<b>Change in net assets</b>	<b>(144,719)</b>	<b>2,204,331</b>	<b>2,059,612</b>	<b>1,917,449</b>
<b>Net assets, beginning of year</b>	<b>7,100,825</b>	<b>4,160,250</b>	<b>11,261,075</b>	<b>9,343,626</b>
<b>Net assets, end of year</b>	<b>\$ 6,956,106</b>	<b>\$ 6,364,581</b>	<b>\$ 13,320,687</b>	<b>\$ 11,261,075</b>

**TULSA ZOO MANAGEMENT, INC.**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues from operations</b>			
Management fee revenue	\$ 6,221,133	\$ -	\$ 6,221,133
Admissions	1,941,827	-	1,941,827
Memberships	1,757,534	-	1,757,534
Train and carousel	489,291	-	489,291
Private events	1,153,416	-	1,153,416
Food sales	415,010	-	415,010
Temporary exhibits and events	197,198	-	197,198
Gift sales	224,732	-	224,732
Other	1,035,063	-	1,035,063
In-kind contributions	-	108,012	108,012
Net investment income	83,115	-	83,115
Net assets released from restrictions	1,191,370	(1,191,370)	-
<b>Total revenues from operations</b>	<b>14,709,689</b>	<b>(1,083,358)</b>	<b>13,626,331</b>
<b>Expenses</b>			
Program services expense	10,244,337	-	10,244,337
Supporting services expense:			
General and administrative	2,498,324	-	2,498,324
Fundraising and development	510,845	-	510,845
<b>Total supporting services expense</b>	<b>3,009,169</b>	<b>-</b>	<b>3,009,169</b>
<b>Total expenses</b>	<b>13,253,506</b>	<b>-</b>	<b>13,253,506</b>
<b>Total increase (decrease) from operations</b>	<b>1,456,183</b>	<b>(1,083,358)</b>	<b>372,825</b>
<b>Income from nonoperations</b>			
Contributions	-	2,194,852	2,194,852
Gross special events revenue	-	435,608	435,608
Less: cost of direct benefit to donors	-	(277,738)	(277,738)
<b>Net special events revenue</b>	<b>-</b>	<b>157,870</b>	<b>157,870</b>
Expenses for capital projects (Note 10)	(1,172,609)	-	(1,172,609)
Net investment gain	364,511	-	364,511
<b>Total increase (decrease) from nonoperations</b>	<b>(808,098)</b>	<b>2,352,722</b>	<b>1,544,624</b>
<b>Change in net assets</b>	<b>648,085</b>	<b>1,269,364</b>	<b>1,917,449</b>
Net assets, beginning of year	6,452,740	2,890,886	9,343,626
<b>Net assets, end of year</b>	<b>\$ 7,100,825</b>	<b>\$ 4,160,250</b>	<b>\$ 11,261,075</b>

See notes to financial statements.

**TULSA ZOO MANAGEMENT, INC.**

**STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 2,059,612	\$ 1,917,449
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	52,132	90,415
Contributions restricted for long-term purposes	(3,062,828)	(2,194,852)
Noncash transfer to City of Tulsa for capital projects (Note 10)	930,593	1,172,609
Net gain (loss) on endowment fund investments	23,112	(222,404)
Changes in operating assets and liabilities:		
Accounts receivable	183,360	14,041
Contributions receivable, net	1,560,480	879,541
Prepaid expenses and other	(75,028)	13,016
Accounts payable and accrued liabilities	(485,046)	(427,658)
Deferred revenue	(65,631)	(150,311)
Custodial accounts	-	(143)
Refundable advance	676,555	-
Net cash provided by operating activities	1,797,311	1,091,703
<b>Cash Flows from Investing Activities</b>		
Purchase of short-term investments	(2,681,847)	(393,279)
Maturity of certificates of deposit	2,763,253	2,402,188
Sales of investments	1,748,553	6,206,400
Purchases of investments	(2,324,117)	(4,887,004)
Payments for capital projects (Note 10)	(930,593)	(1,172,609)
Purchases of property and equipment	(35,349)	(89,726)
Net cash provided by (used in) investing activities	(1,460,100)	2,065,970
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for long-term purposes	557,328	725,541
Payments on long-term debt	-	(2,329,688)
Net cash provided by (used in) financing activities	557,328	(1,604,147)
Net change in cash and cash equivalents	894,539	1,553,526
Cash and cash equivalents, beginning of year	3,142,789	1,589,263
Cash and cash equivalents, end of year	\$ 4,037,328	\$ 3,142,789
<b>Supplemental Disclosures of Cash Flow Information</b>		
Interest paid	\$ 3,309	\$ 56,442
Noncash transfers to City of Tulsa for capital projects	\$ 930,593	\$ 1,172,609

**TULSA ZOO MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**Note 1 – Nature of Operations**

Tulsa Zoo Management, Inc. (TZMI) is a nonprofit organization formed for the purposes of promoting and supporting the improvement of the Tulsa Zoo and Living Museum (the Zoo). TZMI entered into an agreement with the City of Tulsa (the City), whereby TZMI operates the Zoo under a management agreement. Under this management agreement, TZMI retains all gate admissions, the City pays TZMI a management fee and a portion of its utilities in exchange for operating the Zoo. The City retains ownership of the Zoo grounds and buildings while the employees working at the Zoo are employees of TZMI.

**Note 2 – Summary of Significant Accounting Policies**

Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements reflect the activities of TZMI as a whole and are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires the presentation of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions.

Descriptions of the two net asset categories and the types of transactions off-setting each category are as follows:

*Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations and are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. The governing board has designated, from net assets without donor restrictions, net assets for board designated purposes. Board designated net assets are subject to self-imposed limits by action of the Board of Directors. Board designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of property and equipment, or other uses.

*With donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature and may or will be met by expenditures or actions of TZMI, or by the passage of time. TZMI reports gifts of cash and other assets as revenue with donor restrictions if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as released from restrictions.

Reporting period

TZMI has elected to change its fiscal year-end from June 30 to December 31, following the current fiscal year ended June 30, 2020. As such, TZMI is currently in a stub-period from July 1, 2020 to December 31, 2020.



### Cash and cash equivalents

Cash and cash equivalents include cash and unrestricted highly liquid investments with original maturities less than 90 days. Typically, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limit of \$250,000.

### Receivables and credit policies

Accounts receivable consist primarily of noninterest-bearing amounts due for rental fees from private events on Zoo premises and TZMI's share of gift shop and concession revenue due from the third-party operator. An allowance for uncollectible accounts receivable, when deemed necessary, is based on historical experiences, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. No allowance for uncollectible accounts receivable was deemed necessary at June 30, 2020 or 2019.

### Short-term investments

Certificates of deposit and other securities having maturities of more than three months when purchased but less than a year are reported at cost plus accrued interest.

### Contributions receivable

Contributions receivable represents promises to fund planned campaigns, including the acquisition of various buildings, improvements and exhibits. Contributions receivable expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectible contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible. The allowance for uncollectible contributions receivables was approximately \$8,700 and \$11,000 at June 30, 2020 and 2019, respectively.

### Property and equipment

Property and equipment are stated at purchased cost or estimated fair value at date of donation. Additions in excess of \$1,000 are capitalized, whereas the cost of repairs and maintenance are charged to expense as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

### Investments

Management records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain (loss) is reported in general revenue in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses and various investment fees.

### Revenue and revenue recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions restricted by donors are recorded as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

#### Donated services and in-kind contributions

Volunteers contribute significant amounts of time to TZMI's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. Such donated professional services are recorded as donor restricted in-kind contributions revenue and in the appropriate expense category. Revenues from contributed goods amounted to approximately \$14,000 and \$108,000 during the years ended June 30, 2020 and 2019, respectively.

#### Advertising costs

Advertising costs are expensed as incurred and approximated \$355,000 and \$481,000 during the years ended June 30, 2020 and 2019, respectively.

#### Allocation of functional expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, expenses are coded directly to functional categories based on employees' time entry and functional category of the expense.

#### Income taxes

TZMI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not considered a private foundation under Section 509(a) of the Code. As a result, as long as TZMI maintains its tax exemption, it will not be subject to income tax.

#### Use of estimates

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

#### Subsequent events

Management has performed an evaluation of subsequent events through October 26, 2020, which is the date financial statements were made available for issuance.

#### Recently adopted accounting pronouncement

TZMI adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. TZMI adopted the new standard effective July 1, 2019, using the modified retrospective method. Adoption of this standard had no impact on total beginning net assets.

### Accounting pronouncement not yet adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU No. 2020-05 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2019, making it effective for TZMI in fiscal year 2021. TZMI has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

### **Note 3 – Financial Assets and Liquidity Resources**

TZMI's financial assets available within one year of the statement of financial position date for general expenditures as of June 30, are as follows:

	2020	2019
Assets:		
Cash and cash equivalents	\$ 4,037,328	\$ 3,142,789
Accounts receivable	133,199	316,559
Certificates of deposits	902,640	1,000,000
Contributions receivable	1,551,145	1,055,801
	<hr/>	<hr/>
Total financial assets available within one year	6,624,312	5,515,149
Less:		
Amounts unavailable for general expenditures within one year due to:		
Board designated cash and cash equivalents	(61,241)	(778,196)
Donor restricted contributions receivable	(1,541,145)	(1,049,801)
	<hr/>	<hr/>
Total financial assets available to management for general expenditure within one year	\$ 5,021,926	\$ 3,687,152
	<hr/>	<hr/>

As part of TZMI's liquidity management, it structures its financial assets to be available as its general expenditures, such as operating expenses, and other obligations come due. TZMI is dependent upon collection of current period revenues, primarily management fees, admission and memberships to fund operations. In addition, the Board has designated funds to function as an endowment, that could be used for operations upon a vote of the Board, although TZMI has no plans to do so.

### **Note 4 – Fair Value Measurements**

The fair value measurement standards establish a consistent framework for measuring fair value and establish a fair value hierarchy based on the observability of inputs used to measure fair value. These inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical securities.
- Level 2 – other significant observable inputs (including quoted prices for similar securities).
- Level 3 – significant unobservable inputs (including TZMI's own assumptions in determining the value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The fair values of the underlying investments are based on quoted prices from active and inactive markets.

The following is a summary of the inputs used as of June 30, in valuing TZMI securities held within the Endowment (see below) carried at fair value:

	Fair Value Measurement at June 30, 2020			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Bond funds	\$ 551,849	\$ 551,849	\$ -	\$ -
Equity funds	2,730,334	2,730,334	-	-
Beneficial interest in Tulsa Community Foundation	78,033	-	78,033	-
Total investments at fair value	<u>\$ 3,360,216</u>	<u>\$ 3,282,183</u>	<u>\$ 78,033</u>	<u>\$ -</u>
	Fair Value Measurement at June 30, 2019			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Bond funds	\$ 427,666	\$ 427,666	\$ -	\$ -
Equity funds	2,300,146	2,300,146	-	-
Beneficial interest in Tulsa Community Foundation	79,952	-	79,952	-
Total investments at fair value	<u>\$ 2,807,764</u>	<u>\$ 2,727,812</u>	<u>\$ 79,952</u>	<u>\$ -</u>

Beneficial interest in assets held by others (Beneficial Interest) at Tulsa Community Foundation (the Foundation) is measured at fair value using Level 2 inputs. Since the Foundation maintains variance power for the beneficial interest it holds, there is no potential market for the Beneficial Interest or similar assets. Consequently, the valuation is determined by aggregating the valuation of the underlying investments of the Beneficial Interest. The underlying investments include cash equivalents, fixed income, equity funds and alternative investments securities. The fair values of the underlying investments are based on quoted prices from active markets.

TZMI has established an endowment (the Endowment) to be used at the discretion of TZMI's Board of Directors. The principal objective of the Endowment is to preserve the purchasing power, and to provide a growing stream of cash distributions to fund the operation and development of the Zoo. The Endowment is expected to attain an average annual real (inflation-adjusted) total return of 5% to 7% over most five-year periods. The Endowment shall be diversified so as to minimize the risk of large losses, unless under circumstances it is clearly not prudent to do so. Fund managers should make reasonable efforts to preserve capital and control risk. The Endowment funds are handled consistently with TZMI's overall investment philosophy, which, in general, is an allocation of 20% fixed income securities, 10% international equity investments, and 70% domestic equity investments. Distributions are allowed up to 4% of the trailing three-year average market value of the Endowment portfolio. At June 30, 2020, board-designated endowment assets consisted of \$145,272 in cash and investments valued at \$3,360,216. At June 30, 2019, board-designated endowment assets consisted of \$117,443 in cash and investments valued at \$2,807,764.

Changes in investments for the years ended June 30, are as follows:

	2020	2019
Balance, beginning of year	\$ 2,807,764	\$ 3,904,756
Purchases	528,781	200,000
Disbursements	(4,075)	(1,577,844)
Interest and dividend income	66,476	78,819
Net unrealized gain (loss)	(206,868)	(250,902)
Net realized gain	183,756	473,306
Investment fees	(15,618)	(20,371)
	<u>\$ 3,360,216</u>	<u>\$ 2,807,764</u>

#### Note 5 – Contributions Receivable

Contributions receivable are estimated to be collected as follows at June 30:

	2020	2019
Within one year	\$ 1,551,145	\$ 1,055,801
In one to five years	3,577,176	3,127,500
	<u>\$ 5,128,321</u>	<u>\$ 4,183,301</u>

Two and four donors accounted for approximately 68% and 86% of total contributions receivable at June 30, 2020 and 2019, respectively.

#### Note 6 – Property and Equipment

Property and equipment consists of the following at June 30:

	2020	2019	Years
Equipment	\$ 1,652,429	\$ 1,624,142	3-10
Train and accessories	534,782	534,782	3-10
	<u>2,187,211</u>	<u>2,158,924</u>	
Less accumulated depreciation	2,082,723	2,037,653	
	<u>\$ 104,488</u>	<u>\$ 121,271</u>	

#### Note 7 – Refundable Advance

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic (see Note 11). On April 9, 2020, TZMI received loan proceeds of \$1,455,000 from a bank, under the Paycheck Protection Program (PPP), which was established as part of the CARES Act. The note payable matures on April 9, 2022, bears interest at 1%, and requires monthly

principal and interest payments commencing November 2020. The note may be prepaid by TZMI at any time prior to maturity with no prepayment penalties. PPP loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. On June 5, 2020, Congress enacted the PPP Flexibility Act (Flex Act), which gives borrowers more time to use the funds received, more time to repay amounts not forgiven, and lower limits on how the funds are required to be spent. Among other things, the Flex Act extends the covered period from eight to 24 weeks, beginning on the date of loan origination, to provide borrowers with options to maximize forgiveness. As the PPP loan is expected to be forgiven, TZMI has elected to account for the PPP loan as a conditional contribution under ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*. Management believes that all conditions were substantially met as of June 30, 2020, for amounts totaling \$778,445, and therefore, recognized that amount as grant revenue in the accompanying statements of activities. The remaining \$676,555 is included in the statements of financial position under the caption "Refundable advance." Management believes TZMI has incurred the qualified expenditures subsequent to year-end to achieve forgiveness of this amount. Management plans to apply for forgiveness of the loan proceeds.

### Note 8 – Donor Restricted Net Assets

Donor restricted net assets are restricted to the following projects at June 30:

	2020	2019
Memorials	\$ 73,702	\$ 68,227
Education	4,623	2,123
Coca-Cola donations/capital projects	6,632	6,771
STEM Alliance	2,500	2,500
Rain Garden	438	438
YOT Full Circle	10,403	22,653
IEF Grant	1,362	9,062
Other	11,833	8,025
Waltz on the Wild Side	32,129	-
ZooRun	40,107	-
Elephant Reserve	1,966,153	-
Carnivores	3,462,009	2,970,097
Carnivores Playground	752,690	1,070,354
Total temporarily restricted net assets	<u>\$ 6,364,581</u>	<u>\$ 4,160,250</u>

### Note 9 – Retirement Plan

TZMI has adopted a retirement plan (the Plan) qualified under Section 401(k) of the Code. The Plan provides that eligible employees, as defined by the Plan, who have attained the age of 21, are not temporary employees, and completed 30 days of service may voluntarily contribute to the Plan up to the maximum amount allowed by the Internal Revenue Service. TZMI can discretionally match 50% of an employee's contribution up to a maximum of 3% of eligible employee compensation. Employer contribution expenses related to the Plan were approximately \$107,000 for the year ended June 30, 2019. There were no such expenditures for the year ended June 30, 2020.

In addition to matching contributions, TZMI can elect to contribute a portion of its profits to its eligible employees based on the percentage of an eligible employee's wages to the total of all eligible wages. There were no additional profit sharing contributions made by TZMI for the years ended June 30, 2020 or 2019.

In 2018, TZMI adopted a Deferred Contribution Plan under Section 457(b) of the Code. It is open for certain highly paid employees and TZMI can elect to contribute to its eligible employees. TZMI contributed approximately \$17,000 to the Deferred Contribution Plan for the year ended June 30, 2020. No contributions were made to the Deferred Contribution Plan for the year ended June 30, 2019.

#### **Note 10 – Related Party Transactions**

In the course of carrying out its obligations under the management agreement, certain real and personal property owned by the City is made available to TZMI. Such property includes the TZMI administrative offices, admission facilities, food and gift concession buildings, and train ride equipment. In some cases, TZMI has funded all or a part of these facilities. The City charges no rental fee for making these facilities available to TZMI.

The following table summarizes TZMI's expenditures for capital projects on behalf of the Zoo during the years ended June 30:

	2020	2019
Carnivores	\$ 7,000	\$ 32,460
Lost Kingdom	-	352,035
Elephant Reserve	25,638	-
Carnivores Playground	878,005	776,655
Other	19,950	11,459
	<u>\$ 930,593</u>	<u>\$ 1,172,609</u>
Total expenses for capital projects	<u>\$ 930,593</u>	<u>\$ 1,172,609</u>

#### **Note 11 – Risks and Uncertainties**

Beginning in late March 2020, and continuing subsequent to June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramification, and any government actions to mitigate them. The impact of restricted capacity has had a significant impact on TZMI's financial results and operations for the fiscal year ending June 30, 2020. The ultimate impact of the outbreak to TZMI's financial results and operations cannot be determined at this time; however, management is taking actions to mitigate the impact of the outbreak to TZMI.

TZMI invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. The COVID-19 pandemic has resulted in substantial volatility in financial markets. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect TZMI's investments and the amounts reported in the statements of financial position; however, any related financial impact cannot be reasonably estimated at this time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## Note 12 – Functional Expenses

The Organization's functional expense by natural classification for the year ended June 30, 2020, is as follows:

2020	Program Services								Support Services			Combined Total
	Guest Services	Animal Care	Conservation/ Education	Events	Operations	Investment in Zoo	PR and Marketing	Total	Administration	Fundraising	Total	
Payroll	\$ 540,508	\$ 2,533,176	\$ 312,968	\$ 160,780	\$ 1,265,325	\$ -	\$ 310,211	\$ 5,122,968	\$ 682,592	\$ 269,743	\$ 952,335	\$ 6,075,303
Payroll taxes	32,832	171,138	10,443	10,736	85,169	-	19,509	329,827	42,530	22,439	64,969	394,796
Employee benefits	74,866	428,601	39,804	25,910	235,679	-	42,658	847,518	99,813	44,258	144,071	991,589
Workers comp insurance	6,323	55,276	1,900	247	26,738	-	1,297	91,781	1,894	461	2,355	94,136
Retirement plan	(685)	(2,459)	(193)	(5)	(875)	-	4	(4,213)	3,145	(427)	2,718	(1,495)
<b>Total payroll expenses</b>	<b>653,844</b>	<b>3,185,732</b>	<b>364,922</b>	<b>197,668</b>	<b>1,612,036</b>	<b>-</b>	<b>373,679</b>	<b>6,387,881</b>	<b>829,974</b>	<b>336,474</b>	<b>1,166,448</b>	<b>7,554,329</b>
Advertising	-	-	-	-	52	-	368,559	368,611	-	49	49	368,660
Banking fees	88,946	1,102	-	-	-	-	-	90,048	8,028	-	8,028	98,076
Contracted services	11,101	30,656	66,176	7,160	267,665	-	63,874	446,632	235,788	4,685	240,473	687,105
Dues and subscriptions	7,754	23,007	4,757	800	401	-	5,365	42,084	74,488	2,044	76,532	118,616
Entertainment/catering	235	-	6,536	522,010	806	-	-	529,587	11,629	1,410	13,039	542,626
Equipment	4,289	43,363	17,093	44,532	23,034	-	5,598	137,909	44,017	2,641	46,658	184,567
In-kind	-	-	-	6,222	-	-	-	6,222	-	-	-	6,222
Insurance	-	-	-	-	-	-	-	-	178,292	-	178,292	178,292
Interest	-	-	-	-	-	-	-	-	3,309	-	3,309	3,309
IT	95,899	1,576	-	-	1,898	-	249	99,622	98,435	199	98,634	198,256
Lic/cert/fees	1,662	2,175	1,914	-	-	-	-	5,751	5,626	-	5,626	11,377
Mail handling	4,790	8,901	66	2,080	-	-	70	15,907	1,985	365	2,350	18,257
Miscellaneous	506	1,914	113	1,574	-	-	730	4,837	2,604	8,046	10,650	15,487
Printing	12,815	-	349	1,920	-	-	9,479	24,563	769	1,795	2,564	27,127
Repair and maintenance	18,844	1,948	-	-	105,976	-	323	127,091	6,760	-	6,760	133,851
Supplies	35,027	479,426	19,904	73,961	145,862	-	27,553	781,733	27,659	10,153	37,812	819,545
Support/contributions	4,223	-	62,370	-	-	209,573	-	276,166	-	-	-	276,166
Travel/training	-	-	-	-	-	-	-	-	41,934	-	41,934	41,934
Utilities	-	-	-	-	-	-	-	-	753,292	-	753,292	753,292
<b>Total before depreciation</b>	<b>286,091</b>	<b>594,068</b>	<b>179,278</b>	<b>660,259</b>	<b>545,694</b>	<b>209,573</b>	<b>481,800</b>	<b>2,956,763</b>	<b>1,494,615</b>	<b>31,387</b>	<b>1,526,002</b>	<b>4,482,765</b>
Depreciation	-	-	-	-	-	50,035	-	50,035	1,089	-	1,089	51,124
<b>Total expense</b>	<b>\$ 939,935</b>	<b>\$ 3,779,800</b>	<b>\$ 544,200</b>	<b>\$ 857,927</b>	<b>\$ 2,157,730</b>	<b>\$ 259,608</b>	<b>\$ 855,479</b>	<b>\$ 9,394,679</b>	<b>\$ 2,325,678</b>	<b>\$ 367,861</b>	<b>\$ 2,693,539</b>	<b>\$ 12,088,218</b>



The Organization's functional expense by natural classification for the year ended June 30, 2019, is as follows:

2019	Program Services								Support Services			Combined Total
	Guest Services	Animal Care	Conservation/ Education	Events	Operations	Investment in Zoo	PR and Marketing	Total	Administration	Fundraising	Total	
Payroll	\$ 569,291	\$ 2,411,468	\$ 341,924	\$ 133,088	\$ 1,205,525	\$ -	\$ 287,596	\$ 4,948,892	\$ 687,703	\$ 237,408	\$ 925,111	\$ 5,874,003
Payroll taxes	45,357	189,070	31,328	12,354	95,840	-	22,471	396,420	50,427	20,709	71,136	467,556
Employee benefits	68,954	403,496	34,044	28,164	252,063	-	43,703	830,424	111,156	39,362	150,518	980,942
Workers comp insurance	6,567	43,247	1,344	206	20,693	-	958	73,015	5,600	415	6,015	79,030
Retirement plan	5,903	48,646	2,955	2,038	17,052	-	3,579	80,173	21,134	5,589	26,723	106,896
<b>Total payroll expenses</b>	<b>696,072</b>	<b>3,095,927</b>	<b>411,595</b>	<b>175,850</b>	<b>1,591,173</b>	<b>-</b>	<b>358,307</b>	<b>6,328,924</b>	<b>876,020</b>	<b>303,483</b>	<b>1,179,503</b>	<b>7,508,427</b>
Advertising	3,538	-	-	99	49	-	473,580	477,266	-	95	95	477,361
Banking fees	101,949	214	1,105	-	44	-	39	103,351	8,443	39	8,482	111,833
Contracted services	45,182	34,315	74,978	8,909	392,668	-	39,613	595,665	295,089	4,796	299,885	895,550
Dues and subscriptions	18,751	17,974	5,044	445	50	-	3,210	45,474	36,509	2,180	38,689	84,163
Entertainment/catering	769	-	7,344	719,419	187	-	67	727,786	16,737	6,805	23,542	751,328
Equipment	9,647	47,935	9,321	50,120	59,136	-	5,385	181,544	49,640	173,798	223,438	404,982
Insurance	-	-	-	350	-	-	-	350	105,498	-	105,498	105,848
Interest	-	-	-	-	-	-	-	-	56,442	-	56,442	56,442
IT	82,829	-	105	-	2,739	-	4,172	89,845	79,029	2,400	81,429	171,274
Lic/cert/fees	-	3,050	408	568	50	-	-	4,076	6,817	-	6,817	10,893
Mail handling	5,709	25,382	122	1,855	-	-	29	33,097	1,828	905	2,733	35,830
Miscellaneous	1,357	22,993	414	1,926	-	-	397	27,087	35,781	6,439	42,220	69,307
Printing	30,215	-	164	1,678	-	-	7,264	39,321	2,105	1,358	3,463	42,784
Repair and maintenance	27,639	2,626	-	-	120,953	-	-	151,218	4,358	-	4,358	155,576
Supplies	72,630	526,837	14,264	65,601	184,550	-	30,775	894,657	26,853	8,547	35,400	930,057
Support/contributions	-	-	55,335	-	-	451,682	-	507,017	-	-	-	507,017
Travel/training	-	79	-	-	-	-	-	79	83,593	-	83,593	83,672
Utilities	-	-	-	-	-	-	-	-	760,746	-	760,746	760,746
<b>Total before depreciation</b>	<b>400,215</b>	<b>681,405</b>	<b>168,604</b>	<b>850,970</b>	<b>760,426</b>	<b>451,682</b>	<b>564,531</b>	<b>3,877,833</b>	<b>1,569,468</b>	<b>207,362</b>	<b>1,776,830</b>	<b>5,654,663</b>
Depreciation	-	-	-	-	-	37,580	-	37,580	52,836	-	52,836	90,416
<b>Total expense</b>	<b>\$ 1,096,287</b>	<b>\$ 3,777,332</b>	<b>\$ 580,199</b>	<b>\$ 1,026,820</b>	<b>\$ 2,351,599</b>	<b>\$ 489,262</b>	<b>\$ 922,838</b>	<b>\$ 10,244,337</b>	<b>\$ 2,498,324</b>	<b>\$ 510,845</b>	<b>\$ 3,009,169</b>	<b>\$ 13,253,506</b>