



FINANCIAL STATEMENTS

Year Ended June 30, 2021

with

Independent Auditors' Report

THE OREGON ZOO FOUNDATION

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Independent Auditors' Report

The Board of Trustees
The Oregon Zoo Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Oregon Zoo Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 The Oregon Zoo Foundation as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited The Oregon Zoo Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Heaman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
October 20, 2021

THE OREGON ZOO FOUNDATION

Statement of Financial Position

June 30, 2021 <i>(With Comparative Amounts for 2020)</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,868,031	\$ 2,519,089
Investments <i>(Note 14)</i>	16,393,029	16,366,170
Due from the Oregon Zoo	442,133	255,471
Pledges receivable, net <i>(Note 4)</i>	701,324	859,490
Prepaid expenses and other assets	106,526	90,441
Equipment and furnishings - net <i>(Note 5)</i>	<u>19,500</u>	<u>19,500</u>
Total assets	<u>\$ 19,530,543</u>	<u>\$ 20,110,161</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 58,003	\$ 21,198
Grants payable to the Oregon Zoo <i>(Note 6)</i>	2,082,904	4,998,648
Deferred revenue	148,470	90,000
Gift annuities payable <i>(Note 7)</i>	<u>3,065</u>	<u>28,621</u>
Total liabilities	2,292,442	5,138,467
Commitments <i>(Note 11)</i>		
Net assets:		
Without donor restrictions:		
Available for operations	5,415,570	5,147,470
Board-designated - operating reserve	3,200,000	2,200,000
Board-designated - endowments <i>(Note 13)</i>	<u>7,551,163</u>	<u>6,362,248</u>
Total without donor restrictions	16,166,733	13,709,718
With donor restrictions <i>(Note 8)</i>	<u>1,071,368</u>	<u>1,261,976</u>
Total net assets	<u>17,238,101</u>	<u>14,971,694</u>
Total liabilities and net assets	<u>\$ 19,530,543</u>	<u>\$ 20,110,161</u>

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

THE OREGON ZOO FOUNDATION

Statement of Activities

Year Ended June 30, 2021 *(With Comparative Totals for 2020)*

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2021	2020
Public support and revenue:				
Membership dues:				
Basic	\$ 3,311,916	\$ -	\$ 3,311,916	\$ 3,576,018
Donor Club	545,881	-	545,881	815,297
Contributions	2,661,320	1,590,014	4,251,334	4,058,864
Special events, net	-	38,062	38,062	29,993
Paycheck Protection Program loans <i>(Note 9)</i>	296,033	-	296,033	256,945
Net investment return <i>(Note 10)</i>	3,016,287	34,762	3,051,049	268,197
Change in value of gift annuities	19,246	-	19,246	(6,606)
Net assets released from restrictions <i>(Note 8)</i>	1,853,446	(1,853,446)	-	-
Total public support and revenue	11,704,129	(190,608)	11,513,521	8,998,708
Expenses <i>(Note 2)</i> :				
Program services:				
Zoo support	6,856,880	-	6,856,880	8,000,732
Membership services	483,886	-	483,886	457,425
Total program services	7,340,766	-	7,340,766	8,458,157
Supporting services:				
Membership development	133,815	-	133,815	222,320
Fundraising	1,160,531	-	1,160,531	952,159
Management and general	612,002	-	612,002	592,718
Total supporting services	1,906,348	-	1,906,348	1,767,197
Total expenses	9,247,114	-	9,247,114	10,225,354
Increase (decrease) in net assets	2,457,015	(190,608)	2,266,407	(1,226,646)
Net assets, beginning of year	13,709,718	1,261,976	14,971,694	16,198,340
Net assets, end of year	\$ 16,166,733	\$ 1,071,368	\$ 17,238,101	\$ 14,971,694

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

THE OREGON ZOO FOUNDATION

Statement of Functional Expenses

Year Ended June 30, 2021 *(With Comparative Totals for 2020)*

	Program Services		Supporting Services			Total	
	Zoo Support	Membership Services	Membership Development	Fundraising	Management and General	2021	2020
Personnel costs:							
Salaries and wages	\$ 147,048	\$ 204,941	\$ 22,664	\$ 534,436	\$ 405,500	\$ 1,314,589	\$ 1,148,199
Payroll taxes	9,414	14,830	1,606	32,945	31,409	90,204	88,849
Employee benefits	34,187	79,691	6,573	152,044	70,206	342,701	293,054
Total personnel costs	190,649	299,462	30,843	719,425	507,115	1,747,494	1,530,102
Other expenses:							
Professional services	-	19,624	32,767	142,618	63,312	258,321	280,074
Printing and publications	-	34,948	39,837	50,215	40	125,040	150,723
Advertising	-	-	2,640	111,680	-	114,320	10,492
Finance charges	-	78,782	-	26,273	2,455	107,510	133,428
Computer and office expense	-	36,346	-	39,036	18,839	94,221	103,409
Postage & shipping	-	11,925	27,728	23,091	629	63,373	99,317
Other expenses	-	2,799	-	48,193	19,612	70,604	126,553
Total other expenses	-	184,424	102,972	441,106	104,887	833,389	903,996
Grants awarded:							
Zoo operations	3,845,662	-	-	-	-	3,845,662	4,717,081
Animal welfare	1,574,966	-	-	-	-	1,574,966	1,606,323
Conservation	1,129,171	-	-	-	-	1,129,171	834,349
Education	116,432	-	-	-	-	116,432	633,503
Total grants awarded	6,666,231	-	-	-	-	6,666,231	7,791,256
Total expenses	\$ 6,856,880	\$ 483,886	\$ 133,815	\$ 1,160,531	\$ 612,002	\$ 9,247,114	\$ 10,225,354

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

THE OREGON ZOO FOUNDATION

Statement of Cash Flows

Year Ended June 30, 2021 <i>(With Comparative Totals for 2020)</i>	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,266,407	\$ (1,226,646)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Realized and unrealized gain on investments	(2,962,402)	(71,969)
Depreciation	-	11,637
Change in value of gift annuities	(19,246)	6,606
Contributions to permanent endowment	(401)	(22,632)
Donated investments	(106,210)	(236,764)
Payments for gift annuities	(6,310)	(8,160)
Changes in:		
Due from the Oregon Zoo	(186,662)	216,693
Pledges receivable	158,166	222,421
Prepaid expenses and other assets	(16,085)	1,047
Accounts payable	36,805	(2,973)
Grants payable to the Oregon Zoo	(2,915,744)	2,397,192
Deferred revenue	58,470	(8,708)
Net cash provided (used) by operating activities	(3,693,212)	1,277,744
Cash flows from investing activities:		
Purchases of investments	(88,644)	(644,621)
Proceeds from sale of investments	3,130,397	508,160
Net cash provided (used) by investing activities	3,041,753	(136,461)
Cash flows from financing activities:		
Contributions to permanent endowment	401	22,632
Net cash provided by financing activities	401	22,632
Net increase (decrease) in cash and cash equivalents	(651,058)	1,163,915
Cash and cash equivalents, beginning of year	2,519,089	1,355,174
Cash and cash equivalents, end of year	\$ 1,868,031	\$ 2,519,089

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

THE OREGON ZOO FOUNDATION

Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities - The Oregon Zoo Foundation (the Foundation) is a nonprofit Oregon corporation, organized to secure charitable giving in order to advance the Oregon Zoo's mission of inspiring our community to create a better future for wildlife. The Oregon Zoo (the Zoo) is located in Portland, Oregon. The Foundation recruits a broad-based membership throughout the Portland metropolitan area, which generates a significant portion of the Foundation's total revenues. Additional support is provided from donations, grants, sponsorships, and special events.

The Foundation promotes the Zoo as a place of giving and engages the support of donors across the community. Efforts include capital campaigns, planned giving, an annual fund and giving society, corporate partnerships, grant applications, and general philanthropic cultivation. In addition, the Foundation manages five board-designated endowment funds in support of the Zoo, and maintains unrestricted investments that are available to meet the Zoo's unforeseen needs.

Summary of Significant Accounting Policies - The significant accounting policies followed by the Foundation are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or certain events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that certain resources be maintained in perpetuity.

Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Description of Funds - The Foundation has segregated its net assets without donor restrictions into three funds: net assets available for operations, a board designated operating reserve, and a set of five board designated endowments in support of the Zoo's strategic priority areas. Both the net assets available for operations and the board designated operating reserve consist of net assets available for current and future operations. The board designated endowments have been designated by the Foundation's Board of Trustees as quasi-endowments.

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

1. Nature of Activities and Summary of Significant Accounting Policies - Continued Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in the financial statements for, among other things, the determination of allowances for uncollectible pledges, and the remaining liability under charitable gift annuities.

Cash Equivalents - The Foundation considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Oregon Zoo Receivables - Receivables are recognized from the Zoo for memberships sold and contributions received at the Zoo gate on behalf of the Foundation. The Foundation does not assess finance charges on past due accounts.

The Foundation uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts is estimated by management based on various factors, including history and current economic conditions.

Investments - Investments are reported at fair value based on quoted market prices and consist primarily of mutual funds and exchange traded funds. Unrealized and realized gains and losses are included as a component of investment return in the accompanying statement of activities.

Equipment and Depreciation - The Zoo provides the facilities for the operation and administration of the Foundation's activities. Equipment and furnishings are stated at cost or, in the case of donated items, at the estimated fair value on date of receipt. The Foundation capitalizes all purchases greater than \$2,000. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Artwork is not depreciated.

Membership Dues - Membership dues are recognized in the period received and are considered to be contributions by the Foundation.

Contribution Recognition - Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period cash is received or unconditional promises are made. 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. Amounts received in advance of the related conditions being satisfied are recorded as deferred revenue.

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

1. Nature of Activities and Summary of Significant Accounting Policies - Continued Summary of Significant Accounting Policies - Continued

Contribution Recognition - Continued - Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential defaults. Contributions of assets other than cash are recorded at their estimated fair value.

Donated Services - Donated services are recognized in the financial statements when the services either (a) create or enhance a nonfinancial asset, or (b) are specialized skills, provided by entities or persons possessing those skills, that would be purchased if they were not donated. During the years ended June 30, 2021 and 2020, the Foundation did not receive any donated services.

Income Taxes - The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Foundation is not classified as a private foundation.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and provides guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe the Foundation has any uncertain tax positions. The Foundation files informational returns. Generally, these returns are subject to examination by income tax authorities for three years from the filing of a return. The Foundation has not paid any interest or penalties related to its income tax positions, and there are currently no audits for any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

Functional Allocation of Expenses - The costs of providing various program services and other activities have been allocated among the programs and supporting services benefitted. The statement of functional expenses presents the natural classification detail of expense by function.

The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, which are allocated on the basis of time and effort.

Summarized Financial Information for 2020 - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

1. Nature of Activities and Summary of Significant Accounting Policies - Continued Summary of Significant Accounting Policies - Continued

Affiliation - The Zoo is maintained and operated by Metro, a regional municipal corporation. The Foundation is a 501(c)(3) Corporation whose mission is to foster community pride and involvement in the Zoo and to secure financial support for the Zoo's conservation, education, and animal welfare programs. The Foundation's sole purpose is to support the Zoo and, therefore, can be considered, by extension, to be affiliated with Metro.

Reclassifications - Certain reclassifications have been made to the 2020 information to conform with the 2021 presentation.

2. Expense Classification

Program Services:

Zoo Support - Funds granted to and on behalf of the Zoo for education, conservation, and animal welfare activities in line with the Zoo's mission of inspiring our community to create a better future for wildlife.

Membership Services - Expenses relating to benefit fulfillment and maintenance of programs for current members.

Supporting Services:

Membership Development - Expenses related to solicitation of new members.

Fundraising - Expenses incurred in soliciting contributions, grants, and gifts for the Foundation and the Zoo.

Management and General - General operating costs of the Foundation.

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

3. Liquidity and Availability of Financial Resources

The Foundation's financial assets available for general expenditure within one year of the statement of financial position date consist of the following:

	2021	2020
Cash and cash equivalents	\$ 1,868,031	\$ 2,519,089
Investments	16,393,029	16,366,170
Due from Oregon Zoo	442,133	255,471
Pledges receivable	<u>529,947</u>	<u>642,338</u>
 Total financial assets available within one year	 19,233,140	 19,783,068
Less:		
Board-designated funds	(10,751,163)	(8,562,248)
Donor-restricted financial assets	<u>(886,080)</u>	<u>(1,017,976)</u>
	 <u><u>\$ 7,595,897</u></u>	 <u><u>\$ 10,202,844</u></u>

The Foundation's Board-designated funds are a component of net assets without donor restrictions. Although management intends to use the funds in accordance with provisions outlined by the Board of Trustees, amounts could be available for current operations, if approved by the Board.

As part of the Foundation's liquidity management, the Foundation has a practice to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Pledges Receivable

Pledges receivable earmarked for the Zoo consist of unconditional promises to give from various donors and are summarized as follows at June 30:

	2021	2020
Amounts due in:		
Less than one year	\$ 529,947	\$ 642,338
One year to five years	<u>185,288</u>	<u>244,000</u>
 Gross pledges receivable	 715,235	 886,338
Less discount to present value		
(1.1 percent discount rate used)	(3,911)	(6,848)
Allowance for uncollectible pledges	<u>(10,000)</u>	<u>(20,000)</u>
	 <u><u>\$ 701,324</u></u>	 <u><u>\$ 859,490</u></u>

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

5. Equipment and Furnishings

	2021	2020
Equipment	\$ 6,080	\$ 15,251
Artwork	<u>19,500</u>	<u>19,500</u>
	25,580	34,751
Less accumulated depreciation	<u>(6,080)</u>	<u>(15,251)</u>
	<u><u>\$ 19,500</u></u>	<u><u>\$ 19,500</u></u>

6. Grants Payable to the Oregon Zoo

	2021	2020
Grants payable on demand to the Oregon Zoo for:		
Animal welfare programs	\$ 520,195	\$ 172,723
Bond projects	-	2,612,531
COVID emergency relief	-	1,731,786
Operations	813,227	47,508
Conservation programs	542,233	244,183
Education programs	146,663	119,809
Future for wildlife	<u>60,586</u>	<u>70,108</u>
	<u><u>\$ 2,082,904</u></u>	<u><u>\$ 4,998,648</u></u>

7. Charitable Gift Annuities

On March 25, 2002, the Foundation became licensed to enter and issue charitable gift annuity agreements. The state of Oregon requires charitable organizations that issue charitable gift annuities to maintain a minimum of \$300,000 in net assets and to have an audit conducted by an independent certified public accountant. The Foundation had one gift annuity at June 30, 2021. The Foundation received a total of \$10,000 from the donor/annuitant in exchange for equal quarterly payments starting from each donor's initial gifted period. The Foundation is obligated to make the annuity payments until the death of the surviving beneficiary. The estimated liability recorded by the Foundation was calculated by an actuary in accordance with commonly accepted actuarial standards and totaled \$3,065 and \$28,621 at June 30, 2021 and 2020, respectively.

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of the following components at June 30:

	2021	2020
Future periods not otherwise restricted	\$ 409,044	\$ 22,778
Heart of the Zoo campaign and other projects	459,733	1,071,770
Endowments subject to spending policy and appropriation (<i>Note 13</i>)	<u>202,591</u>	<u>167,428</u>
	<u><u>\$ 1,071,368</u></u>	<u><u>\$ 1,261,976</u></u>

During the year ended June 30, 2021, net assets of \$1,853,446 were released from restrictions due to specific actions of the Foundation or the passage of time.

9. Paycheck Protection Program Loans

In April 2020, the Foundation received loan proceeds of \$256,945 from U.S. Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if loan proceeds are used for qualifying expenses and certain other conditions are satisfied. Contribution support is recognized as qualifying PPP expenses are incurred.

In February 2021, the Foundation received additional loan proceeds of \$296,003 from U.S. Bank under the PPP. The Foundation recognized contribution support on the statement of activities of \$296,003 and \$256,945 for the years ended June 30, 2021 and 2020, respectively. The PPP loans received in April 2020 and February 2021 were forgiven in full by the Small Business Administration (SBA) in November 2020 and July 2021, respectively.

10. Investment Return

	2021	2020
Interest and dividend income	\$ 204,454	\$ 314,868
Realized and unrealized gain on investments	2,962,402	71,969
Investment expenses	<u>(115,807)</u>	<u>(118,640)</u>
	<u><u>\$ 3,051,049</u></u>	<u><u>\$ 268,197</u></u>

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

11. Retirement Plan

The Foundation makes contributions to a 401(k) plan (the Plan), based on a 100 percent match up to 2 percent of salaries, on behalf of all eligible employees. The Foundation has also made a discretionary contribution equal to 5 percent of salaries on behalf of all eligible employees for each of the years ended June 30, 2021 and 2020. Contributions to the Plan for the years ended June 30, 2021 and 2020, were \$92,714 and \$71,360, respectively.

12. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject the Foundation to concentrations of risk consist primarily of cash and cash equivalents, receivables, and investments. The Foundation typically maintains balances of cash and cash equivalents in excess of the Federal Deposit Insurance Corporation insured limit. Investments are managed via the Foundation's investment policies.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect account balances and the amounts reported in the financial statements. The risks associated with respect to receivables are limited through various monitoring procedures.

13. Endowment Net Assets

GAAP provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). GAAP also provides for enhanced disclosure about endowment funds (both donor-restricted endowment funds and quasi-endowment funds).

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

13. Endowment Net Assets - Continued

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. Amounts appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA are classified as net assets without restrictions.

Investment Strategy and Endowment Spending Policies

The Foundation anticipates, at the recommendation of its audit and finance committee, appropriating for distribution each year 4 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at a rate greater than the current distribution rate, plus inflation. This is consistent with the Foundation's objective to maintain the fair value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of June 30, is as follows:

2021	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 136,128	\$ 136,128
Accumulated investment gains	-	66,463	66,463
Board-designated funds	<u>7,551,163</u>	<u>-</u>	<u>7,551,163</u>
	<u>\$ 7,551,163</u>	<u>\$ 202,591</u>	<u>\$ 7,753,754</u>
2020			
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 135,727	\$ 135,727
Accumulated investment gains	-	31,701	31,701
Board-designated funds	<u>6,362,248</u>	<u>-</u>	<u>6,362,248</u>
	<u>\$ 6,362,248</u>	<u>\$ 167,428</u>	<u>\$ 6,529,676</u>

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

13. Endowment Net Assets - Continued

Board designated funds are comprised of the following components at June 30:

	2021	2020
Predators of the Serengeti Conservation	\$ 1,300,569	\$ 1,096,159
Education	1,596,021	1,344,076
Animal welfare	1,531,851	1,291,272
Asian elephants	1,600,258	1,347,952
	1,522,464	1,282,789
	\$ 7,551,163	\$ 6,362,248

Changes in endowment net assets for the years ended June 30, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2021			
Endowment net assets, beginning of year	\$ 6,362,248	\$ 167,428	\$ 6,529,676
Investment return:			
Interest and dividends	98,435	2,383	100,818
Net increase in fair value of investments	1,401,920	33,711	1,435,631
Investment management fees	(54,840)	(1,332)	(56,172)
	1,445,515	34,762	1,480,277
Net investment return			
Contributions	-	401	401
Amounts appropriated for expenditure	(256,600)	-	(256,600)
	\$ 7,551,163	\$ 202,591	\$ 7,753,754
Endowment net assets, end of year			

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Notes to Financial Statements - Continued

13. Endowment Net Assets - Continued

2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,476,150	\$ 141,411	\$ 6,617,561
Investment return:			
Interest and dividends	129,256	2,851	132,107
Net increase in fair value of investments	44,310	1,600	45,910
Investment management fees	<u>(48,168)</u>	<u>(1,066)</u>	<u>(49,234)</u>
Net investment return	125,398	3,385	128,783
Contributions	-	22,632	22,632
Amounts appropriated for expenditure	<u>(239,300)</u>	<u>-</u>	<u>(239,300)</u>
Endowment net assets, end of year	<u>\$ 6,362,248</u>	<u>\$ 167,428</u>	<u>\$ 6,529,676</u>

14. Fair Value Measurements

GAAP establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, and hedge funds.

The Foundation's assets that are measured at fair value on a recurring basis, along with how fair value was determined, are as follows at June 30:

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Notes to Financial Statements - Continued

14. Fair Value Measurements - Continued

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1:* Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments that would generally be included in Level 1 includes listed securities.
- Level 2:* Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. Investments generally included in this category include corporate bonds and loans.
- Level 3:* Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, and hedge funds.

The Foundation's assets that are measured at fair value on a recurring basis, along with how fair value was determined, are as follows at June 30:

	Quoted Prices (Level 1 Inputs)	
	2021	2020
Money market funds	\$ 1,198,898	\$ 1,711,430
Domestic equities and mutual funds	4,912,314	6,174,006
International mutual funds	3,752,732	2,921,599
Fixed income mutual funds	4,413,972	4,986,738
Real estate funds	802,653	572,397
Marketable alternatives	1,312,460	-
Total assets at fair value	<u>\$ 16,393,029</u>	<u>\$ 16,366,170</u>

15. Subsequent Events

Management has evaluated subsequent events through October 20, 2021, the date the financial statements were available for issue.