



FINANCIAL STATEMENTS

Year Ended June 30, 2023

with

Independent Auditors' Report

THE OREGON ZOO FOUNDATION

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Independent Auditors' Report

The Board of Trustees
The Oregon Zoo Foundation

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 audit opinion.

Responsibilities of Management 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, and for 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Foundation's 2022 financial statements, and our report dated October 19, 2022, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hellman, Seibert & Schmitz, P.C.

Lake Oswego, Oregon
October 18, 2023

THE OREGON ZOO FOUNDATION

Statement of Financial Position

June 30, 2023 <i>(With Comparative Amounts for 2022)</i>	2023	2022
ASSETS		
Cash and cash equivalents	\$ 2,682,447	\$ 2,457,221
Investments <i>(Note 12)</i>	19,356,124	15,474,313
Due from the Oregon Zoo	563,196	462,704
Pledges receivable, net <i>(Note 4)</i>	183,743	322,884
Prepaid expenses and other assets	111,964	110,020
Equipment and furnishings - net <i>(Note 5)</i>	<u>19,500</u>	<u>19,500</u>
Total assets	<u>\$ 22,916,974</u>	<u>\$ 18,846,642</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 293,736	\$ 31,491
Grants payable to the Oregon Zoo <i>(Note 6)</i>	2,625,567	1,738,271
Deferred revenue	<u>302,147</u>	<u>294,495</u>
Total liabilities	3,221,450	2,064,257
Commitments <i>(Note 9)</i>		
Net assets:		
Without donor restrictions:		
Available for operations	8,706,318	5,846,619
Board-designated - operating reserve	3,800,000	3,700,000
Board-designated - endowments <i>(Note 11)</i>	<u>6,568,477</u>	<u>6,284,543</u>
Total without donor restrictions	19,074,795	15,831,162
With donor restrictions <i>(Note 7)</i>	<u>620,729</u>	<u>951,223</u>
Total net assets	<u>19,695,524</u>	<u>16,782,385</u>
Total liabilities and net assets	<u>\$ 22,916,974</u>	<u>\$ 18,846,642</u>

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

THE OREGON ZOO FOUNDATION

Statement of Activities

Year Ended June 30, 2023 *(With Comparative Totals for 2022)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Public support and revenue:				
Membership dues:				
Basic	5,422,038	-	\$ 5,422,038	\$ 5,326,050
Donor Club	316,123	-	316,123	497,996
Contributions	3,676,027	1,749,924	5,425,951	3,726,135
Contributed nonfinancial assets <i>(Note 13)</i>	167,749	-	167,749	216,050
Special events, net of direct costs of \$94,485	-	41,015	41,015	275
CARES Act tax credits	-	-	-	111,598
Net investment return <i>(Note 8)</i>	1,460,429	20,356	1,480,785	(2,259,388)
Change in value of gift annuities	-	-	-	2,685
Net assets released from restrictions <i>(Note 7)</i>	2,141,789	(2,141,789)	-	-
Total public support and revenue	13,184,155	(330,494)	12,853,661	7,621,401
Expenses <i>(Note 2)</i> :				
Program services:				
Zoo support	6,938,841	-	6,938,841	5,422,582
Membership services	691,475	-	691,475	599,971
Total program services	7,630,316	-	7,630,316	6,022,553
Supporting services:				
Membership development	289,013	-	289,013	225,708
Fundraising	1,122,938	-	1,122,938	1,160,744
Management and general	898,255	-	898,255	668,112
Total supporting services	2,310,206	-	2,310,206	2,054,564
Total expenses	9,940,522	-	9,940,522	8,077,117
Increase (decrease) in net assets	3,243,633	(330,494)	2,913,139	(455,716)
Net assets, beginning of year	15,831,162	951,223	16,782,385	17,238,101
Net assets, end of year	\$ 19,074,795	\$ 620,729	\$ 19,695,524	\$ 16,782,385

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

THE OREGON ZOO FOUNDATION

Statement of Functional Expenses

Year Ended June 30, 2023 *(With Comparative Totals for 2022)*

	Program Services		Supporting Services			Total	
	Zoo Support	Membership Services	Membership Development	Fundraising	Management and General	2023	2022
Personnel costs:							
Salaries and wages	\$ 147,259	\$ 276,857	\$ 64,258	\$ 579,298	\$ 517,373	\$ 1,585,045	\$ 1,403,256
Payroll taxes	11,801	24,420	5,720	50,081	45,788	137,810	112,313
Employee benefits	26,183	74,089	15,761	138,455	90,353	344,841	329,192
Total personnel costs	185,243	375,366	85,739	767,834	653,514	2,067,696	1,844,761
Other expenses:							
Professional services	-	2,740	47,175	131,273	140,918	322,106	257,795
Printing and publications	-	23,857	71,511	19,335	564	115,267	116,043
Advertising	-	-	24,000	62,448	-	86,448	228,550
Finance charges	-	129,612	-	28,739	2,501	160,852	158,037
Computer and office expense	-	66,744	-	69,140	32,847	168,731	110,645
Postage & shipping	-	18,181	60,588	12,049	512	91,330	85,548
Materials and supplies	-	71,471	-	9,529	7,468	88,468	20,220
Staff training and travel	-	2,798	-	18,406	22,090	43,294	30,172
Other expenses	-	706	-	4,185	37,841	42,732	26,061
Total other expenses	-	316,109	203,274	355,104	244,741	1,119,228	1,033,071
Grants awarded:							
Zoo operations	3,878,625	-	-	-	-	3,878,625	2,892,437
Animal welfare	1,908,907	-	-	-	-	1,908,907	1,332,505
Conservation	407,900	-	-	-	-	407,900	707,833
Education	558,166	-	-	-	-	558,166	266,510
Total grants awarded	6,753,598	-	-	-	-	6,753,598	5,199,285
Total expenses	\$ 6,938,841	\$ 691,475	\$ 289,013	\$ 1,122,938	\$ 898,255	\$ 9,940,522	\$ 8,077,117

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

OREGON ZOO FOUNDATION

Statement of Cash Flows

Year Ended June 30, 2023 <i>(With Comparative Totals for 2022)</i>	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,913,139	\$ (455,716)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments	(1,177,013)	2,459,499
Change in value of gift annuities	-	(2,685)
Contributions to permanent endowment	(2,500)	(51,000)
Donated investments	(669,058)	(260,397)
Payments for gift annuities	-	(380)
Changes in:		
Due from the Oregon Zoo	(100,492)	(20,571)
Pledges receivable	139,141	378,440
Prepaid expenses and other assets	(1,944)	(3,494)
Accounts payable	262,245	(26,512)
Grants payable to the Oregon Zoo	887,296	(344,633)
Deferred revenue	7,652	146,025
Net cash provided by operating activities	2,258,466	1,818,576
Cash flows from investing activities:		
Purchases of investments	(2,803,786)	(1,451,244)
Proceeds from sale of investments	768,046	170,858
Net cash used by investing activities	(2,035,740)	(1,280,386)
Cash flows from financing activities:		
Contributions to permanent endowment	2,500	51,000
Net cash provided by financing activities	2,500	51,000
Net increase in cash and cash equivalents	225,226	589,190
Cash and cash equivalents, beginning of year	2,457,221	1,868,031
Cash and cash equivalents, end of year	\$ 2,682,447	\$ 2,457,221

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 - The Foundation recognizes contributions when the following are received: cash, securities, or other assets; an unconditional promise to give (pledge); or a notification of a beneficial interest. 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. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions.

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.

Contributed Nonfinancial Assets - Contributions of property, equipment, supplies, and other assets are recorded as support at their estimated fair value at the date of donation. Such contributions are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Foundation recognizes contributed services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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 2022 - 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, 2022, 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 2022 information to conform with the 2023 presentation.

Adoption of New Accounting Standard - On July 1, 2022, Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* became effective for the Foundation. This ASU requires lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on discounted basis, and right-of-use asset, which represents the lessee's right to use, or control the use of, a specified asset for the least term. The Foundation has determined that the implementation of ASU 2016-02 would not have a material impact on its financial statements. As such, a right of use asset and corresponding lease liability have not been recorded on the accompanying statement of financial position.

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:

	2023	2022
Cash and cash equivalents	\$ 2,682,447	\$ 2,457,221
Investments	19,356,124	15,474,313
Due from Oregon Zoo	563,196	462,704
Pledges receivable	<u>127,664</u>	<u>214,377</u>
 Total financial assets available within one year	 22,729,431	 18,608,615
 Less:		
Board-designated funds	(10,368,477)	(9,984,543)
Donor-restricted financial assets	<u>(555,729)</u>	<u>(831,223)</u>
	 <u>\$ 11,805,225</u>	 <u>\$ 7,792,849</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:

	2023	2022
Amounts due in:		
Less than one year	\$ 127,664	\$ 214,377
One year to five years	<u>65,000</u>	<u>120,000</u>
 Gross pledges receivable	 192,664	 334,377
 Less discount to present value (3.8 percent discount rate)	 (3,921)	 (6,493)
Allowance for uncollectible pledges	<u>(5,000)</u>	<u>(5,000)</u>
	 <u>\$ 183,743</u>	 <u>\$ 322,884</u>

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

5. Equipment and Furnishings

	2023	2022
Equipment	\$ -	\$ 6,080
Artwork	19,500	19,500
	<u>19,500</u>	<u>25,580</u>
Less accumulated depreciation	-	(6,080)
	<u>\$ 19,500</u>	<u>\$ 19,500</u>

6. Grants Payable to the Oregon Zoo

	2023	2022
Grants payable on demand to the Oregon Zoo for:		
Animal welfare programs	\$ 123,060	\$ 298,738
Operations	1,659,469	455,328
Conservation programs	566,619	743,484
Education programs	215,829	180,133
Future for wildlife	60,590	60,588
	<u>\$ 2,625,567</u>	<u>\$ 1,738,271</u>

7. Net Assets with Donor Restrictions

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

	2023	2022
Future periods not otherwise restricted	\$ 199,174	\$ 214,255
Restricted for projects	178,899	517,168
Endowments subject to spending policy and appropriation (<i>Note 11</i>)	<u>242,656</u>	<u>219,800</u>
	<u>\$ 620,729</u>	<u>\$ 951,223</u>

During the year ended June 30, 2023, net assets of \$2,141,789 were released from restrictions due to specific actions of the Foundation and/or the passage of time.

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

8. Investment Return

	2023	2022
Interest and dividend income	\$ 424,755	\$ 319,617
Realized and unrealized gain (loss) on investments	1,177,013	(2,459,499)
Investment expenses	<u>(120,983)</u>	<u>(119,506)</u>
	<u>\$ 1,480,785</u>	<u>\$ (2,259,388)</u>

9. 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, 2023 and 2022. Contributions to the Plan for the years ended June 30, 2023 and 2022, were \$96,778 and \$92,485, respectively.

10. 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.

11. 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

11. Endowment Net Assets - Continued

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.

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, preserving and growing the principal over the long-term. 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.

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

11. Endowment Net Assets - Continued

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

2023	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 189,628	\$ 189,628
Accumulated investment gains	-	53,028	53,028
Board-designated funds	<u>6,568,477</u>	<u>-</u>	<u>6,568,477</u>
	<u>\$ 6,568,477</u>	<u>\$ 242,656</u>	<u>\$ 6,811,133</u>
2022			
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 187,128	\$ 187,128
Accumulated investment gains	-	32,672	32,672
Board-designated funds	<u>6,284,543</u>	<u>-</u>	<u>6,284,543</u>
	<u>\$ 6,284,543</u>	<u>\$ 219,800</u>	<u>\$ 6,504,343</u>

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

	2023	2022
Predators of the Serengeti	\$ 1,132,151	\$ 1,082,628
Conservation	1,389,535	1,328,949
Education	1,330,761	1,274,135
Animal welfare	1,392,724	1,332,127
Asian elephants	<u>1,323,306</u>	<u>1,266,704</u>
	<u>\$ 6,568,477</u>	<u>\$ 6,284,543</u>

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

11. Endowment Net Assets - Continued

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

2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,284,543	\$ 219,800	\$ 6,504,343
Investment return:			
Interest and dividends	160,791	5,754	166,545
Net increase in fair value of investments	448,305	16,294	464,599
Investment management fees	<u>(47,399)</u>	<u>(1,692)</u>	<u>(49,091)</u>
Net investment return	561,697	20,356	582,053
Contributions	-	2,500	2,500
Amounts appropriated for expenditure	<u>(277,763)</u>	<u>-</u>	<u>(277,763)</u>
Endowment net assets, end of year	<u><u>\$ 6,568,477</u></u>	<u><u>\$ 242,656</u></u>	<u><u>\$ 6,811,133</u></u>
2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,551,163	\$ 202,591	\$ 7,753,754
Investment return:			
Interest and dividends	148,925	4,508	153,433
Net decrease in fair value of investments	(1,099,220)	(36,656)	(1,135,876)
Investment management fees	<u>(54,965)</u>	<u>(1,643)</u>	<u>(56,608)</u>
Net investment return	(1,005,260)	(33,791)	(1,039,051)
Contributions	-	51,000	51,000
Amounts appropriated for expenditure	<u>(261,360)</u>	<u>-</u>	<u>(261,360)</u>
Endowment net assets, end of year	<u><u>\$ 6,284,543</u></u>	<u><u>\$ 219,800</u></u>	<u><u>\$ 6,504,343</u></u>

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

12. 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.

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)	
	2023	2022
Money market funds	\$ 2,117,480	\$ 1,274,827
Domestic equities and mutual funds	5,484,917	4,223,615
International mutual funds	4,154,459	3,451,573
Fixed income mutual funds	5,075,593	4,357,066
Real estate funds	837,844	683,790
Marketable alternatives	<u>1,685,831</u>	<u>1,483,442</u>
Total assets at fair value	<u><u>\$ 19,356,124</u></u>	<u><u>\$ 15,474,313</u></u>

THE OREGON ZOO FOUNDATION

Notes to Financial Statements - Continued

13. Contributed Nonfinancial Assets

The Foundation received the following contributions of nonfinancial assets during the years ended June 30:

	2023	2022
Advertising	\$ 127,854	\$ 150,910
Supplies	<u>39,895</u>	<u>65,140</u>
	<u>\$ 167,749</u>	<u>\$ 216,050</u>

Donated advertising is used in the Foundation's various membership development and fundraising campaigns, or utilized by the Zoo, and has been valued at estimated fair value based on rates typically charged by the providers of the advertising. Donated supplies are used primarily in the Foundation's fundraising and membership services activities and are valued at estimated fair value.

14. Subsequent Events

Management has evaluated subsequent events through October 18, 2023, the date the financial statements were available for issue.