



**FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**with**

**Independent Auditors' Report**

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# THE OREGON ZOO FOUNDATION

## Table of Contents

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	<b>Page</b>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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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, 2020, 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, 2020, 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.

## **Emphasis of a Matter**

As discussed in *Note 1* to the financial statements, the Foundation has adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited The Oregon Zoo Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Heaman, Stewart & Schmitz, P.C.*

Lake Oswego, Oregon  
October 21, 2020

**THE OREGON ZOO FOUNDATION**

**Statement of Financial Position**

<b>June 30, 2020</b> <i>(With Comparative Amounts for 2019)</i>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,519,089	\$ 1,355,174
Investments <i>(Note 13)</i>	16,366,170	15,920,976
Due from the Oregon Zoo	239,654	472,164
Pledges receivable <i>(Note 4)</i>	875,307	1,081,911
Prepaid expenses and other assets	90,441	91,488
Equipment and furnishings - net <i>(Note 5)</i>	<u>19,500</u>	<u>31,137</u>
<b>Total assets</b>	<b><u>\$ 20,110,161</u></b>	<b><u>\$ 18,952,850</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 21,198	\$ 24,171
Grants payable to the Oregon Zoo <i>(Note 6)</i>	4,998,648	2,601,456
Deferred revenue	90,000	98,708
Gift annuities payable <i>(Note 7)</i>	<u>28,621</u>	<u>30,175</u>
<b>Total liabilities</b>	<b>5,138,467</b>	<b>2,754,510</b>
Commitments <i>(Note 10)</i>		
<b>Net assets:</b>		
Without donor restrictions:		
Available for operations	5,147,470	5,624,654
Board-designated - operating reserve	2,200,000	2,800,000
Board-designated - endowments <i>(Note 12)</i>	<u>6,362,248</u>	<u>6,476,150</u>
Total without donor restrictions	13,709,718	14,900,804
With donor restrictions <i>(Note 8)</i>	<u>1,261,976</u>	<u>1,297,536</u>
<b>Total net assets</b>	<b><u>14,971,694</u></b>	<b><u>16,198,340</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 20,110,161</u></b>	<b><u>\$ 18,952,850</u></b>

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

**THE OREGON ZOO FOUNDATION**

**Statement of Activities**

**Year Ended June 30, 2020** (With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Public support and revenue:</b>				
Membership dues:				
Basic	\$ 3,576,018	\$ -	\$ 3,576,018	\$ 4,666,820
Donor Club	815,297	-	815,297	1,033,708
Contributions	1,673,666	2,642,143	4,315,809	2,892,616
Special events	-	29,993	29,993	148,935
Net investment return (Note 9)	264,812	3,385	268,197	622,630
Change in value of gift annuities	(6,606)	-	(6,606)	(6,571)
Net assets released from restrictions (Note 8)	2,711,081	(2,711,081)	-	-
<b>Total public support and revenue</b>	<b>9,034,268</b>	<b>(35,560)</b>	<b>8,998,708</b>	<b>9,358,138</b>
<b>Expenses (Note 2) :</b>				
Program services:				
Zoo support	8,000,732	-	8,000,732	5,067,153
Membership services	457,425	-	457,425	480,393
Total program services	8,458,157	-	8,458,157	5,547,546
Supporting services:				
Membership development	222,320	-	222,320	224,313
Fundraising	952,159	-	952,159	896,616
Management and general	592,718	-	592,718	426,605
Total supporting services	1,767,197	-	1,767,197	1,547,534
<b>Total expenses</b>	<b>10,225,354</b>	<b>-</b>	<b>10,225,354</b>	<b>7,095,080</b>
<b>Increase (decrease) in net assets</b>	<b>(1,191,086)</b>	<b>(35,560)</b>	<b>(1,226,646)</b>	<b>2,263,058</b>
Net assets, beginning of year	14,900,804	1,297,536	16,198,340	13,935,282
<b>Net assets, end of year</b>	<b>\$ 13,709,718</b>	<b>\$ 1,261,976</b>	<b>\$ 14,971,694</b>	<b>\$ 16,198,340</b>

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

**THE OREGON ZOO FOUNDATION**

**Statement of Functional Expenses**

**Year Ended June 30, 2020** (With Comparative Totals for 2019)

	Program Services		Supporting Services			Total	
	Zoo Support	Membership Services	Membership Development	Fundraising	Management and General	2020	2019
<b>Personnel costs:</b>							
Salaries and wages	\$ 161,984	\$ 162,722	\$ 28,756	\$ 456,415	\$ 338,322	\$ 1,148,199	\$ 1,016,980
Payroll taxes	11,430	13,520	2,518	32,910	28,471	88,849	88,198
Employee benefits	36,047	62,231	6,056	128,734	59,986	293,054	231,938
<b>Total personnel costs</b>	<b>209,461</b>	<b>238,473</b>	<b>37,330</b>	<b>618,059</b>	<b>426,779</b>	<b>1,530,102</b>	<b>1,337,116</b>
<b>Other expenses:</b>							
Professional services	-	21,560	47,626	124,504	86,384	280,074	262,187
Printing and publications	-	36,127	75,827	35,909	2,860	150,723	90,110
Postage and shipping	-	29,296	52,876	16,287	858	99,317	225,216
Finance charges	-	97,449	-	34,886	1,093	133,428	92,494
Direct benefits to donors	-	-	-	20,488	-	20,488	56,738
Other expenses	-	34,520	8,661	102,026	74,759	219,966	138,740
<b>Total other expenses</b>	<b>-</b>	<b>218,952</b>	<b>184,990</b>	<b>334,100</b>	<b>165,954</b>	<b>903,996</b>	<b>865,485</b>
<b>Grants awarded:</b>							
Zoo operations	4,717,081	-	-	-	-	4,717,081	2,431,343
Animal welfare	1,606,323	-	-	-	-	1,606,323	1,008,929
Conservation	834,349	-	-	-	-	834,349	821,802
Education	633,503	-	-	-	-	633,503	630,405
<b>Total grants awarded</b>	<b>7,791,256</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,791,256</b>	<b>4,892,479</b>
<b>Total expenses</b>	<b>\$ 8,000,717</b>	<b>\$ 457,425</b>	<b>\$ 222,320</b>	<b>\$ 952,159</b>	<b>\$ 592,733</b>	<b>\$ 10,225,354</b>	<b>\$ 7,095,080</b>

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

**THE OREGON ZOO FOUNDATION**

**Statement of Cash Flows**

<b>Year Ended June 30, 2020</b> <i>(With Comparative Totals for 2019)</i>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ (1,226,646)	\$ 2,263,058
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(71,969)	(419,037)
Depreciation	11,637	7,278
Change in liability of gift annuities	6,606	6,571
Contributions to permanent endowment	(22,632)	(11,032)
Loss on disposal of equipment and furnishings	-	1,000
Donated investments	(236,764)	(230,541)
Payments for gift annuities	(8,160)	(8,160)
Changes in:		
Due from the Oregon Zoo	232,510	(224,653)
Pledges receivable	206,604	(441,768)
Prepaid expenses and other assets	1,047	(47,459)
Accounts payable	(2,973)	(2,211)
Grants payable to the Oregon Zoo	2,397,192	229,664
Deferred revenue	(8,708)	98,708
<b>Net cash provided by operating activities</b>	<b>1,277,744</b>	<b>1,221,418</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(644,621)	(1,851,643)
Proceeds from sale of investments	508,160	8,160
Purchases of equipment and furnishings	-	(7,536)
<b>Net cash used by investing activities</b>	<b>(136,461)</b>	<b>(1,851,019)</b>
<b>Cash flows from financing activities:</b>		
Contributions to permanent endowment	22,632	11,032
<b>Net cash provided by financing activities</b>	<b>22,632</b>	<b>11,032</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,163,915</b>	<b>(618,569)</b>
Cash and cash equivalents, beginning of year	1,355,174	1,973,743
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,519,089</b>	<b>\$ 1,355,174</b>

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

# THE OREGON ZOO FOUNDATION

## Notes to Financial Statements

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### 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 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

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#### 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 calculation of depreciation expense, 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 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 of mutual 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.

**Revenue Recognition** - Membership dues are recognized as revenue in the period received.

**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. Total conditional contributions to be recognized as contribution support once certain matching requirements are met are \$100,000 at June 30, 2020.

# THE OREGON ZOO FOUNDATION

## Notes to Financial Statements - Continued

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

During the year ended June 30, 2020, the Foundation applied for and received a Paycheck Protection Program (PPP) loan of \$256,945 from the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136 “The CARES Act”). The Foundation has met certain criteria under the CARES Act and intends to apply for loan forgiveness at the end of the applicable determination period. As such, proceeds from the loan are recognized as contribution support in the statement of activities for the year ended June 30, 2020.

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, 2020 and 2019, 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.

# THE OREGON ZOO FOUNDATION

## Notes to Financial Statements - Continued

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

**New Accounting Standards** - In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions, and for determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08

**Summarized Financial Information for 2019** - 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, 2019, from which the summarized information was derived.

**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.

### 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:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 2,519,089	\$ 1,355,174
Investments	16,366,170	15,920,976
Due from Oregon Zoo	239,654	472,164
Pledges receivable	<u>658,155</u>	<u>867,566</u>
 Total financial assets available within one year	 19,783,068	 18,615,880
 Less:		
Board-designated funds	(8,562,248)	(9,276,150)
Donor-restricted financial assets	<u>(1,017,976)</u>	<u>(1,055,316)</u>
	 <u><u>\$ 10,202,844</u></u>	 <u><u>\$ 8,284,414</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:

	<b>2020</b>	<b>2019</b>
Amounts due in:		
Less than one year	\$ 658,155	\$ 867,566
One year to five years	<u>244,000</u>	<u>242,220</u>
 Gross pledges receivable	 902,155	 1,109,786
 Less discount to present value (3 percent discount rate used)	 (6,848)	 (7,875)
Allowance for uncollectible pledges	<u>(20,000)</u>	<u>(20,000)</u>
	 <u><u>\$ 875,307</u></u>	 <u><u>\$ 1,081,911</u></u>

**THE OREGON ZOO FOUNDATION**

**Notes to Financial Statements - Continued**

**5. Equipment and Furnishings**

	<b>2020</b>	<b>2019</b>
Equipment	\$ 15,251	\$ 35,631
Artwork	<u>19,500</u>	<u>19,500</u>
	34,751	55,131
Less accumulated depreciation	<u>(15,251)</u>	<u>(23,994)</u>
	<u><u>\$ 19,500</u></u>	<u><u>\$ 31,137</u></u>

**6. Grants Payable to the Oregon Zoo**

	<b>2020</b>	<b>2019</b>
Grants payable on demand to the Oregon Zoo for:		
Animal welfare programs	\$ 172,723	\$ 130,623
Bond projects	2,612,531	1,821,765
COVID emergency relief	1,731,786	-
Operations	47,508	266,802
Conservation programs	244,183	199,593
Education programs	119,809	101,224
Future for wildlife	<u>70,108</u>	<u>81,449</u>
	<u><u>\$ 4,998,648</u></u>	<u><u>\$ 2,601,456</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 a total of two gift annuities at June 30, 2020. The Foundation received a total of \$110,000 from the donors/annuitants 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 \$28,621 and \$30,175 at June 30, 2020 and 2019, 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:

	<b>2020</b>	<b>2019</b>
Future periods not otherwise restricted	\$ 22,778	\$ 638,380
Heart of the Zoo campaign and other projects	1,071,770	517,745
Endowments subject to spending policy and appropriation ( <i>Note 12</i> )	<u>167,428</u>	<u>141,411</u>
	<u>\$ 1,261,976</u>	<u>\$ 1,297,536</u>

During the year ended June 30, 2020, net assets of \$2,711,081 were released from restrictions due to specific actions of the Foundation or the passage of time.

**9. Investment Return**

	<b>2020</b>	<b>2019</b>
Interest and dividend income	\$ 314,868	\$ 311,610
Realized and unrealized gain on investments	71,969	419,037
Investment expenses	<u>(118,640)</u>	<u>(108,017)</u>
	<u>\$ 268,197</u>	<u>\$ 622,630</u>

**10. Pension 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 5 percent discretionary contribution on behalf of all eligible employees for each of the years ended June 30, 2020 and 2019. Contributions to the Plan for the years ended June 30, 2020 and 2019, were \$71,360 and \$43,776, respectively.

# THE OREGON ZOO FOUNDATION

## Notes to Financial Statements - Continued

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### 11. 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.

### 12. 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.

#### *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.

**THE OREGON ZOO FOUNDATION**

**Notes to Financial Statements - Continued**

**12. Endowment Net Assets - Continued**

*Investment Strategy and Endowment Spending Policies*

The Foundation anticipates, at the recommendation of its 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:

<b>2020</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>
<b>2019</b>			
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 113,095	\$ 113,095
Accumulated investment gains	-	28,316	28,316
Board-designated funds	<u>6,476,150</u>	<u>-</u>	<u>6,476,150</u>
	<u>\$ 6,476,150</u>	<u>\$ 141,411</u>	<u>\$ 6,617,561</u>

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

	<b>2020</b>	<b>2019</b>
Predators of the Serengeti	\$ 1,096,159	\$ 1,118,179
Conservation	1,344,076	1,366,754
Education	1,291,272	1,314,645
Animal welfare	1,347,952	1,370,981
Asian elephants	<u>1,282,789</u>	<u>1,305,591</u>
	<u>\$ 6,362,248</u>	<u>\$ 6,476,150</u>

**THE OREGON ZOO FOUNDATION**

**Notes to Financial Statements - Continued**

**12. Endowment Net Assets - Continued**

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

<b>2020</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>
 <b>2019</b>			
Endowment net assets, beginning of year	\$ 6,421,259	\$ 124,231	\$ 6,545,490
Investment return:			
Interest and dividends	143,171	2,891	146,062
Net increase in fair value of investments	186,708	4,260	190,968
Investment management fees	<u>(49,788)</u>	<u>(1,003)</u>	<u>(50,791)</u>
Net investment return	280,091	6,148	286,239
Contributions	-	11,032	11,032
Amounts appropriated for expenditure	<u>(225,200)</u>	<u>-</u>	<u>(225,200)</u>
Endowment net assets, end of year	<u>\$ 6,476,150</u>	<u>\$ 141,411</u>	<u>\$ 6,617,561</u>

**THE OREGON ZOO FOUNDATION**

**Notes to Financial Statements - Continued**

**13. 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:

	<b>Quoted Prices (Level 1 Inputs)</b>	
	<b>2020</b>	<b>2019</b>
Money market funds	\$ 1,711,430	\$ 1,002,288
Domestic equities and mutual funds	6,174,006	5,964,337
International mutual funds	2,921,599	2,966,152
Fixed income mutual funds	4,986,738	5,045,377
Real estate funds	572,397	797,340
Commodity funds	-	145,482
	<hr/>	<hr/>
Total assets at fair value	<u><u>\$ 16,366,170</u></u>	<u><u>\$ 15,920,976</u></u>

**THE OREGON ZOO FOUNDATION**

**Notes to Financial Statements - Continued**

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**14. Uncertainty Related to COVID-19 Pandemic**

Since March 2020, financial markets and economic conditions in general have undergone a significant negative impact as a result of the COVID-19 health crisis. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the related impact on donors, members, employees, and vendors, all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact the Foundation's financial position and results of operations cannot be reasonably estimated at this time.

**15. Subsequent Events**

Management has evaluated subsequent events through October 21, 2020, the date the financial statements were available for issue.