Financial Reports

phoenix zoo
ARIZONA CENTER for NATURE CONSERVATION

Phoenix, Arizona

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

Henry+Horne

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Arizona Center for Nature Conservation and Affiliate
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of Arizona Center for Nature Conservation (an Arizona nonprofit corporation) and Phoenix Zoo Holdings, LLC (an Arizona limited liability company) (collectively the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arizona Center for Nature Conservation and Affiliate as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 16 to the consolidated financial statements, the June 30, 2018 consolidated financial statements have been restated due to the adoption of ASU 2016-14. Our opinion is not modified with respect to this matter.

Henry + Horne, LLP

Tempe, Arizona
December 9, 2019

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,895,914	$ 7,323,254
Accounts receivable, net of allowance of $4,000 and $8,000, respectively	177,085	132,821
Promises to give, current portion, net of allowance of $3,000 and $6,000, respectively	341,357	813,570
Inventory	106,138	95,950
Prepaid expenses	267,451	303,777
TOTAL CURRENT ASSETS	10,787,945	8,669,372
OTHER ASSETS		
Investments	7,781,378	7,195,908
Investment in KEMF-DCLL, LLC	1,234,794	228,530
Assets restricted for long-term purposes:		
Cash and cash equivalents	1,124,016	2,397,160
Promises to give, net of discount and allowance of $360,000 and $370,000, respectively	2,764,718	2,115,887
Property and equipment, net	34,825,413	32,873,990
Beneficial interest in perpetual trusts	4,948,415	5,001,826
Other assets	459,069	583,127
TOTAL ASSETS	$ 63,925,748	$ 59,065,800

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)
June 30, 2019 and 2018

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 797,206	$ 612,150
Accrued expenses	2,156,093	2,158,289
Deferred revenue	3,423,543	3,144,656
Current portion of capital lease	-	8,560
TOTAL LIABILITIES	6,376,842	5,923,655
NET ASSETS		
Without donor restrictions		
Board designated - projects	3,195,278	3,301,854
Board designated - endowment	6,685,619	4,884,262
Undesignated	32,133,469	30,929,033
Total without donor restrictions	42,014,366	39,115,149
With donor restrictions	15,534,540	14,026,996
TOTAL NET ASSETS	57,548,906	53,142,145
TOTAL LIABILITIES AND NET ASSETS	$ 63,925,748	$ 59,065,800

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018

	2019			2018 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Admissions and memberships	$ 17,611,059	$ -	$ 17,611,059	$ 17,314,472	$ -	$ 17,314,472
Educational services	712,941	-	712,941	816,197	-	816,197
Group services	960,856	-	960,856	920,818	-	920,818
Food services	1,104,354	-	1,104,354	1,072,280	-	1,072,280
Retail	3,693,821	-	3,693,821	4,589,747	-	4,589,747
Contributions	5,412,975	3,153,183	8,566,158	3,790,858	1,558,451	5,349,309
Donated materials and services	2,133,476	-	2,133,476	2,140,989	-	2,140,989
Special events	525,780	-	525,780	435,592	-	435,592
Investment income	459,095	13,558	472,653	679,385	24,206	703,591
Earnings (loss) on investment in KEMF-DCLL, LLC	-	1,006,264	1,006,264	-	(100,172)	(100,172)
Changes in fair value of interest in perpetual trusts	-	(53,411)	(53,411)	-	54,212	54,212
Other	100,833	-	100,833	285,240	-	285,240
Releases from time restriction	2,700	(2,700)	-	-	-	-
Releases from time and purpose restriction	2,609,350	(2,609,350)	-	1,829,862	(1,829,862)	-
	35,327,240	1,507,544	36,834,784	33,875,440	(293,165)	33,582,275

See accompanying notes.

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES (Continued)
Years Ended June 30, 2019 and 2018

	2019			2018 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES						
Program services	23,499,219	-	23,499,219	22,169,648	-	22,169,648
Management and general	5,706,303	-	5,706,303	5,620,604	-	5,620,604
Fundraising	1,573,944	-	1,573,944	1,400,138	-	1,400,138
Membership	1,438,943	-	1,438,943	1,369,392	-	1,369,392
Costs of direct benefits to donors	84,614	-	84,614	109,209	-	109,209
	32,303,023	-	32,303,023	30,668,991	-	30,668,991
CHANGE IN NET ASSETS BEFORE LOSS ON IMPAIRMENT OF ASSET	3,024,217	1,507,544	4,531,761	3,206,449	(293,165)	2,913,284
LOSS ON IMPAIRMENT OF ASSET	125,000	-	125,000	-	-	-
CHANGE IN NET ASSETS	2,899,217	1,507,544	4,406,761	3,206,449	(293,165)	2,913,284
NET ASSETS AT BEGINNING OF YEAR (RESTATED)	39,115,149	14,026,996	53,142,145	35,908,700	14,320,161	50,228,861
NET ASSETS AT END OF YEAR	$ 42,014,366	$ 15,534,540	$ 57,548,906	$ 39,115,149	$14,026,996	$ 53,142,145

See accompanying notes.

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Membership	Costs of Direct Benefits to Donors	Total
Salaries	$ 11,445,673	$ 1,341,265	$ 741,265	$ 461,654	$ -	$ 13,989,857
Employee benefits	1,951,140	235,531	124,809	77,730	-	2,389,210
Payroll taxes	779,608	91,359	50,490	31,445	-	952,902
Professional fees	126,923	621,896	91,762	12,591	-	853,172
Advertising and promotion	56,299	2,820,626	24,923	719,109	-	3,620,957
Office expense and printing	1,702,713	182,806	86,411	62,143	-	2,034,073
Utilities	1,067,520	157	130	43	-	1,067,850
Travel	77,562	44,670	1,149	-	-	123,381
Interest	-	1,040	-	-	-	1,040
Depreciation	2,482,600	236,272	194,707	64,357	-	2,977,936
Insurance	196,232	34,123	28,120	9,295	-	267,770
Animal collection	1,137,848	-	-	-	-	1,137,848
Cost of events	493,482	-	204,810	-	84,614	782,906
Repairs and maintenance	538,225	8,759	-	-	-	546,984
Vendor commission	724,215	-	5,884	-	-	730,099
Grants	241,118	-	-	-	-	241,118
Other	478,061	87,799	19,484	576	-	585,920
TOTAL EXPENSES	$ 23,499,219	$ 5,706,303	$ 1,573,944	$ 1,438,943	$ 84,614	$ 32,303,023

See accompanying notes.

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

		Supporting Services				
	Program Services	Management and General	Fundraising	Membership	Costs of Direct Benefits to Donors	Total
Salaries	$ 10,610,876	$ 1,234,294	$ 709,695	$ 429,314	$ -	$ 12,984,179
Employee benefits	1,807,600	242,505	123,873	75,252	-	2,249,230
Payroll taxes	734,394	98,948	50,698	30,846	-	914,886
Professional fees	269,342	385,661	149,053	12,174	-	816,230
Advertising and promotion	32,437	2,894,724	9,850	678,732	-	3,615,743
Office expense and printing	1,515,996	230,105	91,129	69,517	-	1,906,747
Utilities	1,161,571	208	46	46	-	1,161,871
Travel	50,057	22,928	1,557	-	-	74,542
Interest	-	3,804	-	-	-	3,804
Depreciation	2,500,635	293,664	65,443	64,794	-	2,924,536
Insurance	175,021	38,826	8,652	8,566	-	231,065
Animal collection	1,083,710	-	-	-	-	1,083,710
Cost of events	442,991	-	83,685	-	109,209	635,885
Repairs and maintenance	489,329	6,595	-	-	-	495,924
Vendor commission	698,890	-	8,407	-	-	707,297
Grants	219,911	-	-	-	-	219,911
Other	376,888	168,342	98,050	151	-	643,431
TOTAL EXPENSES	$ 22,169,648	$ 5,620,604	$ 1,400,138	$ 1,369,392	$ 109,209	$ 30,668,991

See accompanying notes.

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,406,761	$ 2,913,284
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,977,936	2,924,536
Loss on impairment of asset	125,000	-
Loss on disposal of asset	5,839	-
Non-cash contribution of property and equipment	(137,800)	(101,520)
(Gain) loss on investment in KEMF-DCLL, LLC	(1,006,264)	100,172
Non-cash contribution of stock	(418,439)	(1,170,590)
Contributions restricted for capital campaign	(1,531,189)	(1,614,600)
Change in value of beneficial interest in perpetual trusts	53,411	(54,212)
Realized and unrealized (gain) loss on investments	92,687	(236,161)
Change in valuation allowance for accounts receivable	(4,000)	1,000
Change in valuation allowance for promises to give	18,000	(81,000)
Change in discount on long-term promises to give	(31,000)	(126,000)
(Increase) decrease in		
Accounts receivable	(40,264)	21,045
Promises to give	(90,091)	2,423,082
Inventories	(10,188)	(3,975)
Prepaid expenses	36,326	(130,025)
Other assets	(942)	(1,412)
Increase (decrease) in		
Accounts payable	185,056	(62,188)
Accrued expenses	(76,039)	684,019
Deferred revenue	278,887	208,311
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,833,687	5,693,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(936,653)	(221,003)
Proceeds from maturities and sales of investments	750,778	1,330,033
Purchases of property, equipment and construction in progress	(4,797,398)	(5,152,237)
NET CASH USED IN INVESTING ACTIVITIES	(4,983,273)	(4,043,207)

See accompanying notes.

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted for capital campaign	1,457,662	2,440,555
Payments on capital lease obligation	(8,560)	(8,324)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,449,102	2,432,231
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,299,516	4,082,790
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,720,414	5,637,624
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,019,930	$ 9,720,414
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION:		
Cash and cash equivalents - current	$ 9,895,914	$ 7,323,254
Cash and cash equivalents - long term purposes	1,124,016	2,397,160
	$ 11,019,930	$ 9,720,414
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Noncash investing transaction:		
Investment return on deferred compensation investment	$ 39,079	$ 42,356
Contributions made to the deferred compensation plan	$ 25,000	$ 38,500

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Arizona Center for Nature Conservation (ACNC) was formed in 1961 to inspire people to live in ways that promote the well-being of the natural world. In fulfillment of that mission, ACNC operates the Phoenix Zoo, a zoological park and the South Mountain Environmental Education Center, an education and event center, both located in Phoenix, Arizona to provide educational programs and actively participate in animal conservation efforts.

Phoenix Zoo Holdings, LLC (PZH) was organized by ACNC in April 2012. ACNC is the sole member of PZH, which was created for the purpose of receiving and holding contributed real estate.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ACNC and PZH (collectively the "Organization"). All intercompany balances and transactions are eliminated in consolidation.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. The Organization is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of ninety days or less at date of acquisition to be cash equivalents. Cash and money market funds held in investment accounts are included in investments instead of cash. Cash and highly liquid financial instruments restricted to: building projects, endowments that are perpetual in nature, or other long term purposes are also excluded from this definition.

Accounts Receivable

Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. The Organization evaluates the collectability of its accounts receivable based on a combination of factors. The Organization records a reserve based on a percentage of the accounts receivable balance. Accounts are charged off against the allowance when they are deemed to be uncollectible.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates as determined by management applicable to the years in which the promises are received. Amortization of the discounts is reflected in contributions.

The Organization records a reserve based on a percentage of the promises to give balance to reduce the amounts recorded to what it believes will be collected. Promises are charged off against the allowance when they are deemed to be uncollectible.

Inventories

Inventories are stated at the lower of cost or net realizable value using the average cost method and consist primarily of uniforms, animal feed and supplies.

Fair Value Measurements

Accounting Standards establish a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends less external investment fees) is included in the change in net assets in the accompanying consolidated statements of activities, unless the income or loss is restricted by donor or law.

The Organization holds a 20% share of the capital of KEMP-DCLL, LLC. This investment is recorded on the equity basis, adjusted for the Organization's proportionate share of its earnings and losses, as applicable. Investment income or loss is included in the change in net assets on the accompanying consolidated statements of activities.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainty

The Organization invests in various types of investments which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amount reported in the consolidated statements of financial position.

Property and Equipment

Acquisitions of property and equipment in excess of $5,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

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

Endowment Funds

The Organization’s endowment funds consist of eight individual funds established for a variety of purposes. Its endowment funds include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, 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 Organization follows Arizona’s Management of Charitable Funds Act (“MCFA”) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor’s intent is not expressed, MCFA directs the Organization to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor’s intent that the fund continue in perpetuity.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (Continued)

The Organization classifies as net assets with donor 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 at the time the accumulation is added to the fund. The donor-restricted endowment fund also includes accumulated earnings in the fund that are also classified as net assets with donor restrictions until those amounts are expended by the Organization in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Organization's other resources, and (7) the Organization's investment policies.

The Board of Trustees had designated certain net assets without donor restrictions as general endowment funds to support the mission of the Organization. Since these amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restrictions. The Organization's policy is to maintain the board designated net asset balance at the investment account balance until the Board of Trustees approves spending from the funds. As of June 30, 2019, the Board of Trustees plans to maintain these funds as reserves.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which include, but are not limited to, domestic and international corporate stocks and bonds, cash equivalents, and government issued debt securities. The Organization expects its endowment funds over time to provide an average rate of return of 4.5% to 5% annually. Actual returns in any given year may vary from this amount.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (Continued)

Spending Policy. The Organization has allowed for appropriating for distributions each year up to 5% of its endowment fund's average 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 Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Split-Interest Agreements

The Organization is beneficiary to two perpetual trusts. Under these agreements, the Organization recorded contributions with donor restrictions at the fair value of the Organization's beneficial interest in the trust assets. Distributions from the trust assets are recorded as investment income without donor restrictions in the accompanying consolidated statements of activities unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as changes in value of split-interest agreements with donor restrictions.

Deferred Revenues

Deferred revenues include unearned membership revenues and revenues collected for certain programs and events that will take place in the next fiscal year.

Revenue Recognition

Earned revenues consist primarily of membership and admissions revenue, ticket sales for events, food sales and retail sales. Membership revenue is recognized over the term of the membership, which is typically one year. Admissions revenue, food sales and retail sales are recognized as they are earned. Ticket sales for events are recognized at the time the event takes place.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions, grants and bequests, including promises to give, are received and recorded as support with donor restrictions or as support without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Non-Cash Donations

Contributions of donated non-monetary assets (in-kind donations) are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services, are recorded at their fair market values in the period received. The Organization utilizes the services of numerous volunteers who support the programs and activities of the Organization. For the years ended June 30, 2019 and 2018, the Organization received the benefit of approximately 1,600 and 1,700 volunteers, respectively, and approximately 80,000 and 77,000 hours of service from volunteers, respectively. This support has not been recorded in the accompanying consolidated financial statements as it does not meet the recognition criteria.

Advertising

The Organization uses advertising to promote its programs to the community it serves. Advertising costs are charged to operations as incurred. Advertising expense charged to operations was approximately $1,014,000 and $1,091,000 for the years ended June 30, 2019 and 2018, respectively, not including in-kind donations of approximately $1,888,000 and $1,846,000, respectively as described in Note 14.

Animals

In accordance with industry practice the animal collection is not recorded as there is no objective basis for establishing value. The Organization holds its animal collection for public exhibition, education, and research rather than financial gain. Additionally, the animal collection has numerous attributes, including species, age, sex, relationships and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Acquisitions and sales of animals are recorded as operating expense or revenue in the year of purchase or sale.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain employee positions are allocated based on time and effort. Other expenses, including office expense and printing are allocated based on a full-time employee equivalent basis. Utilities and depreciation expense are allocated based on square footage utilized by the function.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and board designated endowments.

- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue with donor restrictions when received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Self-Funded Group Health Insurance

The Organization has a partially self-funded group health insurance plan for the benefit of its employees. The Organization pays health insurance claims up to $125,000 per covered participant and an aggregate limit that varies by the number of participants covered within the plan. As of June 30, 2019 and 2018, the aggregate limit was approximately $1,500,000 per contract year. The plan is administered by a third-party administrator who purchases reinsurance contracts to limit claim exposure. Estimates for claims payable, which include both reported and incurred but not yet reported claims, are recorded in accrued expenses, at which time claims expense is also recorded. The amounts charged to expense for claims was approximately $1,432,000 and $1,276,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

ACNC qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. In addition, ACNC has been classified as an organization that is not a private foundation under Section 501(a)(3). However, income determined to be unrelated business taxable income (UBTI) would be subject to income tax. PZH is a disregarded entity for tax purposes.

The Organization recognizes uncertain tax positions in the consolidated financial statements when it is more likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of June 30, 2019 and 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

The Organization recognizes interest and penalties associated with income tax in operating expenses. During the years ended June 30, 2019 and 2018, the Organization did not have any income tax related interest and penalty expense.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Date of Management's Review

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 9, 2019, the date the consolidated financial statements were available to be issued.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which resulted in a restatement of the net asset balances as described in Note 16. Additionally, temporarily and permanently restricted net assets were renamed net assets with donor restrictions and unrestricted net assets were renamed net assets without donor restrictions. Also, a new disclosure about liquidity and availability has been added.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and marketable debt and equity securities. The following reflects the Organization’s financial assets as of June 30, 2019, reduced by amounts not available for general use within one year because of donor-imposed or other restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment funds for the following year.

NOTE 2 LIQUIDITY AND AVAILABILITY (Continued)

Current assets	$ 10,790,945
Investments	7,781,378
Amounts appropriated for expenditure from the endowment funds	310,300
	18,882,623
Amounts not available in the next year:	
Inventory, included in current assets	(106,138)
Board designated projects and endowment net assets	(9,880,897)
Donor restricted endowments	(1,419,329)
Donor restricted for purpose	(556,887)
Investments held for long-term purposes	(592,870)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,326,502

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures. Board-designated reserves in the amount of $9,880,897 are deducted from the analysis as they are currently unavailable to meet operating needs. However, these funds could be drawn upon if the governing board approves that action.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal years 2019 and 2018.

NOTE 3 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash and cash equivalents, investments and promises to give. The Organization maintains its cash in bank accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Investment balances with stock brokerage firms are insured up to $500,000 by SIPC. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on investment balances.

NOTE 4 PROMISES TO GIVE

Promises to give at June 30 consist of and are restricted for the following purposes:

	2019	2018
Capital campaign and other capital projects	$ 2,826,154	$ 2,477,627
Bequests and trusts	495,094	495,195
Other	147,827	332,635
Total promises to give	3,469,075	3,305,457
Discount to present value	(130,000)	(161,000)
Allowance for uncollectible promises	(233,000)	(215,000)
Net promises to give	$ 3,106,075	$ 2,929,457

The estimated cash flows for promises to give were discounted over the collection period using a discount rate of 5%.

Promises to give, net of discount to present value and allowance for uncollectible promises, are due as follows at June 30:

	2019	2018
Promises to give due within one year	$ 341,357	$ 1,778,296
Promises to give due in one to five years	2,764,718	1,151,161
	$ 3,106,075	$ 2,929,457

The Organization's promises to give consist of contributions from individuals, charitable foundations and companies. At June 30, 2019 approximately 58% of gross promises to give are amounts due from three donors. At June 30, 2018 approximately 26% of gross promises to give is an amount due from one donor. Concentrations of credit risk with respect to these promises to give are limited due to the relationship and history with these donors. Concentration of risk is defined as any pledge from a single donor that exceeds 10% of the gross value of total promises to give.

NOTE 5 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments with readily determinable fair values are measured at fair value in the consolidated statements of financial position as determined by quoted market prices in active markets. The fair value of the interests in the perpetual trusts is estimated at the fair value of the Organization's portion of the underlying assets of the trust using information provided by the trustee.

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and money market funds	$ 309,498	$ -	$ -	$ 309,498
Bond funds	2,819,191	-	-	2,819,191
Equity funds	4,600,812	-	-	4,600,812
	7,729,501	-	-	7,729,501
Charitable gift annuities:				
Cash and money market funds	813	-	-	813
Exchange traded funds	51,064	-	-	51,064
	51,877	-	-	51,877
Total investments	7,781,378	-	-	7,781,378
Beneficial interest in perpetual trusts	-	-	4,948,415	4,948,415
	$ 7,781,378	$ -	$ 4,948,415	$ 12,729,793

NOTE 5 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and money market funds	$ 32,810	$ -	$ -	$ 32,810
Bond funds	2,687,051	-	-	2,687,051
Equity funds	4,465,425	-	-	4,465,425
Total investments	7,185,286	-	-	7,185,286
Charitable gift annuities:				
Cash and money market funds	181	-	-	181
Exchange traded funds	10,441	-	-	10,441
	10,622	-	-	10,622
Total investments	7,195,908	-	-	7,195,908
Beneficial interest in perpetual trusts	-	-	5,001,826	5,001,826
	$ 7,195,908	$ -	$ 5,001,826	$ 12,197,734

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30:

Balance at June 30, 2017	$ 4,947,614
Change in fair value	54,212
Balance at June 30, 2018	5,001,826
Change in fair value	(53,411)
Balance at June 30, 2019	$ 4,948,415

NOTE 5 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Investment income is summarized as follows for the years ended June 30:

	2019	2018
Interest and dividends	$ 294,678	$ 243,497
Distributions from trusts	292,924	246,427
Realized gains/(losses)	(16,377)	(2,488)
Unrealized gains/(losses)	(76,310)	238,649
Investment fees	(22,262)	(22,494)
Total investment income	$ 472,653	$ 703,591

NOTE 6 INVESTMENTS IN KEMF-DCLL, LLC

In February 2009 the Kemper and Ethel Marley Foundation (KEMF) gifted the Organization a 20% membership interest in KEMF-DCLL, LLC (the LLC), a general partnership formed to acquire and hold interest in DC Livestock Company, LLLP. KEMF, the managing member, has assigned the Organization the rights to receive distributions of certain net cash flow from the LLC in proportion to its membership interest. Additionally, the Organization does not have any obligations to make capital contributions to the LLC and is not able to withdraw any capital contributions, money or property from the LLC without written consent of KEMF. Per the operating agreement between KEMF and the Organization, the use of any net proceeds received by Organization from this gifted interest must be used in accordance with parameters described in the agreement and must be approved by a majority vote of the Administrative Committee of KEMF. The activity in this investment for the years ended June 30, 2019 and 2018 are as follows:

Membership capital - June 30, 2017	$ 328,702
Allocation of operating loss - year ended June 30, 2018	(100,172)
Membership capital - June 30, 2018	228,530
Allocation of operating loss - year ended June 30, 2019	(43,695)
Allocation of Section 1231 gain - year ended June 30, 2019	1,049,959
Membership capital - June 30, 2019	$ 1,234,794

NOTE 7 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Organization is the income beneficiary of two perpetual trusts. The trust funds are held and controlled by third party trustees. The Organization is entitled to a specified percentage of the annual income distributions from each of the trusts as defined in the trust agreements. The Organization will also be entitled to a specified percentage of the total amount of the corpus assets that will be distributed if the trusts are ever dissolved. The Organization estimated the fair value of its beneficial interest in perpetual trusts at June 30, 2019 and 2018 based upon the Organization’s respective interest in the value of the underlying assets held by the trust. For the years ended June 30, 2019 and 2018, distributions from the perpetual trusts totaled approximately $293,000 and $246,000, respectively, and are included in investment income without donor restrictions in the accompanying consolidated statements of activities.

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2019	2018
Exhibits and enclosures	$ 30,612,234	$ 30,505,563
Buildings and improvements	27,113,487	25,362,607
Ground installations	10,867,014	10,571,286
Machinery and equipment	10,389,268	9,497,682
Vehicles	1,457,058	1,412,148
	80,439,061	77,349,286
Accumulated depreciation	(48,792,765)	(45,834,939)
	31,646,296	31,514,347
Construction-in-progress	3,179,117	1,359,643
	$ 34,825,413	$ 32,873,990

Construction-in-progress includes costs related to various capital projects to improve animal exhibits and other areas within ACNC facilities. Depreciation expense was $2,977,936 and $2,924,536 for the years ended June 30, 2019 and 2018.

NOTE 9 OTHER ASSETS

During the year ended June 30, 2012, an entity that is partially owned by a member of the Board of Trustees contributed real property located in Goodyear, Arizona to PZH. The contribution was recorded at the estimated fair value of the real estate, which totaled approximately $555,000 as determined by an appraisal of the real property performed at the time of donation. For the year ended June 30, 2019, the Organization recorded an impairment loss in the amount of $125,000 based on a letter of intent received related to purchase of the property subsequent to year end. This brought the recorded value of the property down to $430,000. The feasibility period of the purchase offer extends through March 10, 2020. The value of the real property is included in other assets in the accompanying consolidated statements of financial position. Proceeds from any future sale of this property have been restricted by the donor for the capital campaign. (See Note 17)

NOTE 10 ENDOWMENT FUNDS

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 6,685,619	$ -	$ 6,685,619
Donor-restricted			
Original donor-restricted amount	-	1,265,493	1,265,493
Accumulated investment earnings	-	153,837	153,837
Total endowment funds	$ 6,685,619	$ 1,419,330	$ 8,104,949

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 4,884,262	$ -	$ 4,884,262
Donor-restricted			
Original donor-restricted amount	-	1,147,247	1,147,247
Accumulated investment earnings	-	142,979	142,979
Total endowment funds	$ 4,884,262	$ 1,290,226	$ 6,174,488

NOTE 10 ENDOWMENT FUNDS (Continued)

Changes in endowment funds for the years ended June 30 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2017	$ 4,494,333	$ 1,265,343	$ 5,759,676
Contributions	-	1,000	1,000
Investment income	63,833	12,288	76,121
Realized and unrealized gains	61,910	11,918	73,828
New board designations	264,186	-	264,186
Amounts expended	-	(323)	(323)
Balance at June 30, 2018	4,884,262	1,290,226	6,174,488
Contributions	-	118,246	118,246
Investment income	96,799	20,550	117,349
Realized and unrealized losses	(32,935)	(6,992)	(39,927)
New board designations	1,767,969	-	1,767,969
Amounts expended	(30,476)	(2,700)	(33,176)
Balance at June 30, 2019	$ 6,685,619	$ 1,419,330	$ 8,104,949

NOTE 11 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Purpose restricted:		
Interest in perpetual trusts	$ 4,948,415	$ 5,001,826
Time and purpose restricted:		
Capital campaign and other capital projects	6,736,925	6,123,161
Other	2,429,870	1,611,783
	9,166,795	7,734,944
Endowment funds:		
Portion of perpetual endowment funds that is required to be retained permanently	1,265,493	1,147,247
Investment income subject to a time restriction under MCFA	153,837	142,979
	1,419,330	1,290,226
	$ 15,534,540	$ 14,026,996

NOTE 12 EMPLOYEE BENEFIT PLANS

The Organization has a 401(k) defined contribution savings plan. The Organization matches employee contributions to the 401k plan at the rate of $.50 for each $1.00 contributed, up to the first 4% of annual compensation contributed by the employee. Employer matching contributions for the years ended June 30, 2019 and 2018 totaled approximately $320,000 and $311,000, respectively.

The Organization also has both a 457(b) and 457(f) non-qualified deferred compensation retirement plan covering the current Chief Executive Officer and Vice Presidents of the Organization. Both the 457(b) and 457(f) plans provide for employer contributions at the discretion of the Organization's Board of Trustees. Contributions by the Organization to the plans totaled approximately $25,000 and $38,500 for the years ended June 30, 2019 and 2018, respectively, and are included in accrued liabilities in the accompanying consolidated statements of financial position. While the Organization has segregated funds totaling approximately $541,000 and $467,000 as of June 30, 2019 and 2018, respectively, these funds remain available to the general creditors of the Organization.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases office equipment, storage space and property under operating leases with terms expiring in various years through 2033 and requiring monthly payments totaling approximately $11,000.

Approximate minimum future rental payments under non-cancelable leases having initial or remaining terms in excess of one year at June 30, 2019 are as follows:

Years Ending June 30,	
2020	$ 93,100
2021	28,900
2022	28,900
2023	19,100
2024	4,400
Thereafter	11,100
	$ 185,500

The Organization also leases other equipment on a month-to-month basis, as needed. Rent expense for the years ended June 30, 2019 and 2018 amounted to approximately $339,000 and $407,000, respectively. During the years ended June 30, 2019 and 2018, rent expense included the rental of exhibits in the amount of $200,000 and $355,000, respectively.

NOTE 13 COMMITMENTS AND CONTINGENCIES (Continued)

The Organization has an agreement with the City of Phoenix to lease the property where the Phoenix Zoo is located. This agreement stipulates that the Organization will pay $1,200 per year as rent for the property. The lease expires in the year 2033 but contains five 5-year renewal options at the end of the lease term.

Contracts

As of June 30, 2019, the Organization was in the process of constructing an amphitheater and an animal enclosure and entered into contracts with two companies with outstanding commitments for the completion of the projects totaling approximately $830,000 which is payable as the services are rendered.

NOTE 14 DONATED MATERIALS AND SERVICES

Donated materials and services consisted of the following for the year ended June 30, 2019:

	Assets	Programs	Management and General	Fundraising and Membership Development	Total
Advertising	$ -	$ -	$ 1,887,847	$ -	$ 1,887,847
Food and beverages	-	30,850	-	-	30,850
Capital improvements	137,800	-	-	-	137,800
Other	-	10,215	-	66,764	76,979
Total donated materials and services	$ 137,800	$ 41,065	$ 1,887,847	$ 66,764	$ 2,133,476

Total donated materials and services included in special event revenue was approximately $32,300 for the year ended June 30, 2019.

Donated materials and services consisted of the following for the year ended June 30, 2018:

	Assets	Programs	Management and General	Fundraising and Membership Development	Total
Advertising	$ -	$ -	$ 1,846,150	$ -	$ 1,846,150
Food and beverages	-	30,000	-	-	30,000
Capital improvements	101,520	-	-	-	101,520
Other	-	17,675	-	145,644	163,319
Total donated materials and services	$ 101,520	$ 47,675	$ 1,846,150	$ 145,644	$ 2,140,989

Total donated materials and services included in special event revenue was approximately $54,500 for the year ended June 30, 2018.

NOTE 15 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2019 and 2018, the Organization recognized donations in the amounts of approximately $190,000 and $180,000, respectively, from Board members, employees, and volunteers. Included in total promises to give at June 30, 2019 and 2018 is approximately $126,000 and $177,000, respectively, due from Board members, employees, and volunteers.

NOTE 16 RESTATEMENT

As described in Note 1, the Organization implemented ASU 2016-14 during the year ended June 30, 2018 which has been retrospectively applied to all periods presented. ASU 2016-14 requires that assets contributed with a restriction for long term purposes not be released from restriction until the asset is placed in service. As a result, net asset balances as of June 30, 2018 have been restated for capital projects that have been released from restriction but had not been placed in service as of June 30, 2018. This restatement had no effect on the change in net assets for the years ended June 30, 2019 and 2018. The effect of this restatement on the Organization's previously issued June 30, 2018 consolidated financial statements is summarized as follows:

	As previously reported	Restatement	As restated
Net assets released from restriction	$ (2,637,258)	$ 807,396	$ (1,829,862)
Net assets at beginning of year:			
Net assets without donor restriction	$ 36,316,506	$ (407,806)	$ 35,908,700
Net assets with donor restriction	$ 13,912,355	$ 407,806	$ 14,320,161
Net assets at end of year:			
Net assets without donor restriction	$ 40,330,351	$ (1,215,202)	$ 39,115,149
Net assets with donor restriction	$ 12,811,794	$ 1,215,202	$ 14,026,996

NOTE 17 SUBSEQUENT EVENT

Subsequent to year-end, PZH signed a letter of intent to sell real property located in Goodyear, Arizona to an unrelated party for a purchase price of $430,000. The purchase agreement allows for a feasibility period of the purchase offer through March 10, 2020. The carrying value of the real property prior to receipt of the letter of intent was $555,000, therefore PZH recognized an impairment loss of $125,000 during the year ended June 30, 2019. (See Note 9)

NOTE 18 NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. For nonpublic companies, this standard must be adopted for annual reporting periods beginning after December 15, 2019. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2018-08, *Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2019. The standard's core principle is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This ASU should assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The Financial Accounting Standards Board has issued Accounting Standards Update ('ASU") No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2020. The standard's core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.