Financial Reports

Phoenix, Arizona

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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, 2020 and 2019, 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 audits 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, 2020 and 2019, 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.

Henry & Horne, LLP

Tempe, Arizona
December 7, 2020

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019 *
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,630,753	$ 8,979,473
Accounts receivable, net of allowance of $1,000 and $4,000, respectively	41,554	177,085
Promises to give, current portion, net of allowance of $1,000 and $3,000, respectively	1,104,519	341,357
Inventory, net of reserve of $13,300 and $11,800, respectively	119,221	106,138
Prepaid expenses	121,460	267,451
TOTAL CURRENT ASSETS	9,017,507	9,871,504
OTHER ASSETS		
Investments		
Endowment	7,997,646	7,188,508
Other	1,599,906	592,870
	9,597,552	7,781,378
Investments in limited liability companies	3,016,225	1,234,794
Assets restricted for long-term purposes:		
Cash and cash equivalents	1,440,331	2,040,457
Promises to give, net of discount and allowance of $265,000 and $360,000, respectively	2,501,036	2,764,718
Property and equipment, net	34,448,261	34,825,413
Beneficial interest in perpetual trusts	4,936,396	4,948,415
Other assets	449,371	459,069
TOTAL ASSETS	$ 65,406,679	$ 63,925,748

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)
June 30, 2020 and 2019

	2020	2019 *
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 230,175	$ 797,206
Accrued expenses	2,077,278	2,156,093
Deferred revenue	4,259,076	3,423,543
TOTAL CURRENT LIABILITIES	6,566,529	6,376,842
LONG-TERM DEBT	160,000	-
TOTAL LIABILITIES	6,726,529	6,376,842
NET ASSETS		
Without donor restrictions		
Board designated - projects	3,203,708	3,195,278
Board designated - endowment	6,584,745	6,685,619
Undesignated	33,452,172	32,133,469
Total without donor restrictions	43,240,625	42,014,366
With donor restrictions	15,439,525	15,534,540
TOTAL NET ASSETS	58,680,150	57,548,906
TOTAL LIABILITIES AND NET ASSETS	$ 65,406,679	$ 63,925,748

See accompanying notes.

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	2020			2019 *		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Admissions and memberships	$ 14,011,853	$ -	$ 14,011,853	$ 17,793,470	$ -	$ 17,793,470
Educational services	364,983	-	364,983	712,941	-	712,941
Group services	773,616	-	773,616	960,856	-	960,856
Food services	823,121	-	823,121	1,104,354	-	1,104,354
Retail	2,417,304	-	2,417,304	3,693,821	-	3,693,821
Contributions	2,721,078	4,909,535	7,630,613	5,230,564	3,153,183	8,383,747
Payroll Protection Program government grant	2,771,000	-	2,771,000	-	-	-
Donated materials and services	1,317,325	-	1,317,325	2,133,476	-	2,133,476
Special events	477,150	-	477,150	525,780	-	525,780
Investment income	96,917	(6,429)	90,488	459,095	13,558	472,653
Gain (loss) on investments in limited liability companies	-	5,161	5,161	-	1,006,264	1,006,264
Change in fair value of beneficial interest in perpetual trusts	-	(12,019)	(12,019)	-	(53,411)	(53,411)
Other income	19,783	-	19,783	100,833	-	100,833
Releases from time restriction	-	-	-	2,700	(2,700)	-
Releases from time and purpose restriction	4,991,263	(4,991,263)	-	2,609,350	(2,609,350)	-
	30,785,393	(95,015)	30,690,378	35,327,240	1,507,544	36,834,784

See accompanying notes.

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES (Continued)
Years Ended June 30, 2020 and 2019

	2020			2019 *		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES						
Program services	23,090,032	-	23,090,032	23,499,219	-	23,499,219
Management and general	3,795,091	-	3,795,091	5,706,303	-	5,706,303
Fundraising	1,642,251	-	1,642,251	1,573,944	-	1,573,944
Membership	910,672	-	910,672	1,438,943	-	1,438,943
Costs of direct benefits to donors	121,088	-	121,088	84,614	-	84,614
	29,559,134	-	29,559,134	32,303,023	-	32,303,023
CHANGE IN NET ASSETS BEFORE IMPAIRMENT OF ASSET	1,226,259	(95,015)	1,131,244	3,024,217	1,507,544	4,531,761
IMPAIRMENT OF ASSET	-	-	-	125,000	-	125,000
CHANGE IN NET ASSETS	1,226,259	(95,015)	1,131,244	2,899,217	1,507,544	4,406,761
NET ASSETS AT BEGINNING OF YEAR	42,014,366	15,534,540	57,548,906	39,115,149	14,026,996	53,142,145
NET ASSETS AT END OF YEAR	$ 43,240,625	$ 15,439,525	$ 58,680,150	$ 42,014,366	$ 15,534,540	$ 57,548,906

* Reclassified to conform to current year presentation

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

		Supporting Services				
	Program Services	Management and General	Fundraising	Membership	Costs of Direct Benefits to Donors	Total
Salaries	$ 11,384,847	$ 1,085,984	$ 819,755	$ 21,319	$ -	$ 13,311,905
Employee benefits	2,253,945	339,961	166,634	75,849	-	2,836,389
Payroll taxes	754,006	74,510	56,244	28,582	-	913,342
Professional fees	53,580	453,550	10,872	1,083	-	519,085
Advertising and promotion	384,548	1,458,075	-	635,099	-	2,477,722
Office expense and printing	1,143,314	138,351	52,069	50,314	-	1,384,048
Utilities	1,089,969	77	159	13,601	-	1,103,806
Travel	38,456	13,230	721	-	-	52,407
Interest	-	611	-	-	-	611
Depreciation	2,770,218	129,748	267,554	73,857	-	3,241,377
Insurance	233,257	18,842	38,855	10,726	-	301,680
Animal collection	1,147,685	-	-	-	-	1,147,685
Cost of event food and product	359,381	-	130,123	-	121,088	610,592
Repairs and maintenance	407,148	6,978	-	-	-	414,126
Vendor commission	448,304	-	44,078	-	-	492,382
Grants	59,363	-	-	-	-	59,363
Other	562,011	75,174	55,187	242	-	692,614
TOTAL EXPENSES	$ 23,090,032	$ 3,795,091	$ 1,642,251	$ 910,672	$ 121,088	$ 29,559,134

See accompanying notes.

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

		Supporting Services				
	Program Services	Management and General	Fundraising	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 event food and product	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 STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,131,244	$ 4,406,761
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,241,377	2,977,936
Impairment of asset	-	125,000
Loss on disposal of asset	1,058	5,839
Non-cash contribution of property and equipment	-	(137,800)
Non-cash capital contribution in RCSP HAWAII, LLC	(1,776,270)	-
(Gain) loss on investments in limited liability companies	(5,161)	(1,006,264)
Non-cash contribution of stock	(218,980)	(418,439)
Contributions restricted for capital campaign	(1,360,303)	(1,531,189)
Change in fair value of beneficial interest in perpetual trusts	12,019	53,411
Realized and unrealized (gain) loss on investments	405,301	92,687
Change in valuation allowance for accounts receivable	(3,000)	(4,000)
Change in valuation allowance for promises to give	(5,000)	18,000
Change in discount on long-term promises to give	(92,000)	(31,000)
(Increase) decrease in:		
Accounts receivable	138,531	(40,264)
Promises to give	(539,825)	(90,091)
Inventories	(13,083)	(10,188)
Prepaid expenses	145,991	36,326
Other assets	9,698	(942)
Increase (decrease) in:		
Accounts payable	(567,031)	185,056
Accrued expenses	(258,407)	(76,039)
Deferred revenue	835,533	278,887
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,081,692	4,833,687
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,233,649)	(936,653)
Proceeds from maturities and sales of investments	1,410,746	750,778
Proceeds from sale of asset	2,500	-
Purchases of property, equipment and construction in progress	(2,867,783)	(4,797,398)
NET CASH USED IN INVESTING ACTIVITIES	(4,688,186)	(4,983,273)

ARIZONA CENTER FOR NATURE CONSERVATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted for capital campaign	1,497,648	1,457,662
Proceeds from long-term debt	160,000	-
Payments on capital lease obligation	-	(8,560)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,657,648	1,449,102
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,948,846)	1,299,516
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,019,930	9,720,414
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 9,071,084	$ 11,019,930
RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents - current	$ 7,630,753	$ 8,979,473
Cash and cash equivalents - long-term purposes	1,440,331	2,040,457
	$ 9,071,084	$ 11,019,930
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Noncash investing transaction:		
Investment return on deferred compensation investment	$ 88,825	$ 39,079
Contributions made to the deferred compensation plan	$ 25,000	$ 38,500

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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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 with readily determinable fair values 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)

Investments

The Organization holds a 60% share of the capital of RCSP HAWAII, LLC as a member. The managing member of the LLC and 40% shareholder has sole management, consent, approval, voting and veto rights of the LLC. Management believes that the Organization has an economic interest in the LLC but does not have control and therefore the 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.

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.

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

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 continues in perpetuity.

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, 2020, the Board of Trustees plans to maintain these funds as reserves.

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

Endowment Funds (Continued)

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.

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 beneficial interest in perpetual trusts with donor restrictions.

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

Revenue Recognition and Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an organization should recognize revenue to reflect the transfer of goods and services in an amount equal to the consideration the organization receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted ASC 606 with a date of the initial application of July 1, 2019.

The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Organization's evaluation of its contracts with members, guests and donors, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Earned revenues where performance obligations are satisfied at a point in time with a single performance obligation consist of admissions, educational and group services, retail sales of merchandise and food and beverages, and ticket revenue for special events. Payment for these services are due in advance of guest admission or event attendance, or at the time the goods and services are transferred. Retail sales revenue is reported net of sales tax.

Earned revenues where performance obligations are satisfied over time consist primarily of membership dues. Membership dues revenue is recognized over the term of the membership agreement as the membership benefits are relatively equally provided to the members on a monthly basis over the membership term. Membership dues are generally due to be paid by the beginning of the membership term.

Contract liabilities (deferred revenue) include proceeds from membership dues and tickets and event revenues received prior to the fiscal year in which the event occurs, which are presented as deferred revenue.

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

Contributions

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made by clarifying whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional or unconditional. The change in accounting principle was adopted on a modified prospective basis on July 1, 2019. As a result, there was no cumulative-effect adjustment to beginning net assets as of July 1, 2019.

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, 2020 and 2019, the Organization received the benefit of approximately 1,175 and 1,600 volunteers, respectively, and approximately 54,000 and 80,000 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 $740,000 and $1,014,000 for the years ended June 30, 2020 and 2019, respectively, not including in-kind donations of approximately $1,103,000 and $1,888,000, respectively, as described in Note 16.

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

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.

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.

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

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, 2020 and 2019, 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 $1,848,000 and $1,432,000 for the years ended June 30, 2020 and 2019, respectively.

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. During the year ended June 30, 2020, ACNC incurred income tax expense of approximately $10,281 relating to UBTI. There was no UBTI incurred during the year ended June 30, 2019. 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, 2020 and 2019, 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, 2020 and 2019, the Organization did not have any income tax related interest and penalty expense.

Operating Agreement

In November 2015 the Organization entered into a five-year operating and maintenance agreement with the City of Phoenix to provide educational programming and host events at the South Mountain Environmental Education Center, a City owned facility. The terms of the agreement allowed for termination at any time by mutual written consent. During March 2020, the Organization initiated early termination of its five-year agreement to cease operations as of May 31, 2020, otherwise due to expire in November 2020. In mutual agreement, the City of Phoenix accepted the early termination without any further obligation required of the Organization.

NOTE 1 NATURE OF OPERATIONS AND 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 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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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 7, 2020, the date the consolidated financial statements were available to be issued.

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, 2020 and 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.

	2020	2019
Current assets	$ 9,017,507	$ 9,871,504
Investments	9,597,552	7,781,378
Amounts appropriated for expenditure from endowment funds	392,550	310,300
	19,007,609	17,963,182
Amounts not available in the next year:		
Inventory, included in current assets	(119,221)	(106,138)
Prepaid expenses	(121,460)	(267,451)
Board designated projects and endowment net assets	(9,788,453)	(9,880,897)
Donor restricted endowments	(1,412,901)	(1,419,329)
Donations restricted for purpose	(489,001)	(556,887)
Investments held for long-term purposes	(772,142)	(592,870)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,304,431	$ 5,139,610

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 $9,788,453 and $9,880,897 are deducted from the analysis as they are currently unavailable to meet operating needs for the years ended June 30, 2020 and 2019, respectively. 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 2020 and 2019.

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:

	2020	2019
Capital campaign and other capital projects	$ 2,758,808	$ 2,826,154
Bequests and trusts	1,078,962	495,094
Other	33,785	147,827
Total promises to give	3,871,555	3,469,075
Discount to present value	(38,000)	(130,000)
Allowance for uncollectible promises	(228,000)	(233,000)
Net promises to give	$ 3,605,555	$ 3,106,075

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:

	2020	2019
Promises to give due within one year	$ 1,104,519	$ 341,357
Promises to give due in one to five years	2,501,036	2,764,718
	$ 3,605,555	$ 3,106,075

NOTE 4 PROMISES TO GIVE (Continued)

The Organization's promises to give consist of contributions from individuals, charitable foundations and companies. At June 30, 2020, approximately 68% of gross promises to give are amounts due from five donors. At June 30, 2019, approximately 56% of gross promises to give is an amount due from three donors. 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, 2020:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and money market funds	$ 2,094,233	$ -	$ -	$ 2,094,233
Bond funds	1,947,170	-	-	1,947,170
Equity funds	5,504,592	-	-	5,504,592
	9,545,995	-	-	9,545,995
Charitable gift annuities:				
Cash and money market funds	1,536	-	-	1,536
Exchange traded funds	50,021	-	-	50,021
	51,557	-	-	51,557
Total investments	9,597,552	-	-	9,597,552
Beneficial interest in perpetual trusts	-	-	4,936,396	4,936,396
	$ 9,597,552	$ -	$ 4,936,396	$ 14,533,948

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, 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
Total investments	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

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, 2018	$ 5,001,826
Change in fair value	(53,411)
Balance at June 30, 2019	4,948,415
Change in fair value	(12,019)
Balance at June 30, 2020	$ 4,936,396

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

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

	2020	2019
Interest and dividends	$ 303,802	$ 294,678
Distributions from trusts	219,175	292,924
Realized gains/(losses)	1,485	(16,377)
Unrealized gains/(losses)	(406,786)	(76,310)
Investment fees	(27,188)	(22,262)
Total investment income	$ 90,488	$ 472,653

NOTE 6 INVESTMENTS IN LIMITED LIABILITY COMPANIES

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 flows 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.

In November 2019, the Robert Kemper Corrigan Foundation (RKCF) gifted the Organization a 60% membership interest in RCSP HAWAII, LLC (RCSP), a general partnership formed to hold for investment a residential rental property in Koloa, Hawaii. RKCF, the managing member, has assigned the Organization the rights to receive distributions of certain net cash flow from RCSP in proportion to its membership interest. Additionally, the Organization does not have any obligations to make capital contributions to RCSP and is not able to withdraw any capital contributions, money or property from RCSP without written consent of RKCF. Per the operating agreement between RKCF 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 RKCF.

NOTE 6 INVESTMENTS IN LIMITED LIABILITY COMPANIES (Continued)

The activity for investments in limited liability companies for the years ended June 30, 2020 and 2019 are as follows:

	KEMF DCLL, LLC	RCSP HAWAII, LLC	TOTAL
Membership capital - June 30, 2018	$ 228,530	$ -	$ 228,530
Allocation of operating loss	(43,695)	-	(43,695)
Allocation of Section 1231 gain	1,049,959	-	1,049,959
Membership capital - June 30, 2019	1,234,794	-	1,234,794
Contribution of capital interest	-	1,776,270	1,776,270
Allocation of operating income	12,947	(7,786)	5,161
Membership capital - June 30, 2020	$ 1,247,741	$ 1,768,484	$ 3,016,225

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, 2020 and 2019 based upon the Organization's respective interest in the value of the underlying assets held by the trust. For the years ended June 30, 2020 and 2019, distributions from the perpetual trusts totaled approximately $219,000 and $293,000, 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:

	2020	2019
Exhibits and enclosures	$ 32,998,856	$ 30,612,234
Buildings and improvements	29,752,382	27,113,487
Ground installations	11,009,508	10,867,014
Machinery and equipment	10,917,038	10,389,268
Vehicles	1,430,115	1,457,058
	86,107,899	80,439,061
Accumulated depreciation	(52,000,755)	(48,792,765)
	34,107,144	31,646,296
Construction-in-progress	341,117	3,179,117
	$ 34,448,261	$ 34,825,413

Construction-in-progress includes costs related to various capital projects to improve animal exhibits and other areas within ACNC facilities. Depreciation expense was $3,241,377 and $2,977,936 for the years ended June 30, 2020 and 2019, respectively.

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. During the year ended June 30, 2019, the Organization recorded an impairment loss in the amount of $125,000 based on a letter of intent from an unrelated third party to purchase the property. This brought the recorded value of the property down to $430,000. During the year ended June 30, 2020, the Organization entered into a real estate purchase agreement for the sale of the property for $430,000, which closed escrow on November 30, 2020. The value of the real property is included in other assets in the accompanying consolidated statements of financial position as of June 30, 2019. Proceeds from the sale of this property have been restricted by the donor for the capital campaign.

NOTE 10 LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2020:

Economic Injury Disaster Loan with the Small Business Administration due in monthly installments of $641, including interest of 2.75%, beginning in May 2021. This loan is secured by all tangible property and matures in April 2050.	$ 150,000
Payroll Protection Program loan, due in monthly installments of approximately $427 per month including interest at 1% beginning in September 2021. This loan matures in August 2023 and is unsecured.	10,000
	160,000
Less current portion	-
Non-current portion	$ 160,000

Annual maturities of long-term debt outstanding as of June 30, 2020 are as follows:

Years Ending June 30,	
2021	$ -
2022	7,586
2023	8,704
2024	4,573
2025	3,824
Thereafter	135,313
	$ 160,000

NOTE 11 ENDOWMENT FUNDS

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 6,584,745	$ -	$ 6,584,745
Donor-restricted			
Original donor-restricted amount	-	1,265,493	1,265,493
Accumulated investment earnings	-	147,408	147,408
Total endowment funds	$ 6,584,745	$ 1,412,901	$ 7,997,646

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

NOTE 11 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, 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
Investment income	64,401	13,818	78,219
Realized and unrealized losses	(94,362)	(20,247)	(114,609)
New board designations	127,799	-	127,799
Amounts expended	(198,712)	-	(198,712)
Balance at June 30, 2020	$ 6,584,745	$ 1,412,901	$ 7,997,646

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Purpose restricted:		
Interest in perpetual trusts	$ 4,936,396	$ 4,948,415
Time and purpose restricted:		
Capital campaign and other capital projects	4,449,809	6,736,925
Investments in limited liability companies	3,016,225	1,234,794
Promises to give	1,111,746	638,190
Conservation field support	300,274	354,283
Other	212,174	202,603
	9,090,228	9,166,795
Endowment funds:		
Portion of perpetual endowment funds that is required to be retained permanently	1,265,493	1,265,493
Investment income subject to a time restriction under MCFA	147,408	153,837
	1,412,901	1,419,330
	$ 15,439,525	$ 15,534,540

NOTE 13 PAYROLL PROTECTION PROGRAM GOVERNMENT GRANT

During the year ended June 30, 2020, the Organization received proceeds in the amount of $2,771,000 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for funding to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs incurred during the year prior to the loan date of the qualifying business. The total amount and accrued interest are forgivable after 24 weeks as long as the Organization uses the proceeds for eligible purposes, including payroll costs, interest on mortgage obligations, rent and utilities. The amount of the forgiveness will be reduced if the Organization reduces the number of employees or reduces salaries by more than 25% during the 24-week period beginning on the funding date. Any portion of the amount that is not forgiven will be required to be paid back over a 2-year period at an interest rate of 1%. The Organization has determined that the proceeds represent a conditional contribution as they anticipate forgiveness of the majority of the amount received. Conditions to be met for recognition of this contribution include the incurring of eligible expenses as well as maintaining the full-time equivalent employee count. As of June 30, 2020, the Organization has met these conditions and has recorded contribution income relating to the PPP funding in the amount of $2,771,000. In addition to the PPP, the Organization also received a $10,000 Economic Injury Disaster Loan (EIDL) advance through the Small Business Administration. The dollar amount of the forgivable portion of the PPP funding is reduced dollar for dollar by the EIDL advance received. The balance of the PPP funding that is not eligible for forgiveness as of June 30, 2020 is $10,000 and is included in long-term debt on the accompanying statements of financial position.

NOTE 14 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, 2020 and 2019 totaled approximately $441,000 and $345,000, 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 $25,000 for the years ended June 30, 2020 and 2019, respectively, and are included in accrued liabilities in the accompanying consolidated statements of financial position. While the Organization has segregated funds totaling approximately $721,000 and $541,000 as of June 30, 2020 and 2019, respectively, these funds remain available to the general creditors of the Organization.

NOTE 15 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 $7,000.

Approximate minimum future rental payments under non-cancelable leases having initial or remaining terms in excess of one year at June 30, 2020 are as follows:

Years Ending June 30,	
2021	$ 195,900
2022	30,900
2023	5,400
2024	4,400
2025	1,200
Thereafter	9,900
	$ 247,700

The Organization also leases other equipment on a month-to-month basis, as needed. Rent expense for the years ended June 30, 2020 and 2019 amounted to approximately $246,000 and $339,000, respectively. During the years ended June 30, 2020 and 2019, rent expense included the rental of exhibits in the amount of $210,000 and $200,000, respectively.

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.

Additionally, the Organization has an agreement with an unrelated company to lease 1,070 acres of real property located in Pima County, Arizona for $1 per year for the development and/or purpose of raising, caring, studying, managing and grazing of the Zoo's animals as part of its wildlife conservation program. The lease agreement expires in the year 2068 and can be terminated by either party with a one-year written notice.

NOTE 15 COMMITMENTS AND CONTINGENCIES (Continued)

Global Pandemic

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, ACNC is not able to estimate the effect of the COVID-19 outbreak on its results of operations, financial conditions or liquidity for fiscal year 2021.

NOTE 16 DONATED MATERIALS AND SERVICES

Donated materials and services consisted of the following for the year ended June 30, 2020:

	Assets	Programs	Management and General	Fundraising and Membership Development	Total
Advertising	$ -	$ -	$ 1,103,022	$ -	$ 1,103,022
Rent	-	64,200	-	-	64,200
Other	-	45,181	-	104,922	150,103
Total donated materials and services	$ -	$ 109,381	$ 1,103,022	$ 104,922	$ 1,317,325

Total donated materials and services included in special event revenue was approximately $77,000 for the year ended June 30, 2020.

NOTE 16 DONATED MATERIALS AND SERVICES (Continued)

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.

NOTE 17 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, the Organization recognized donations in the amounts of approximately $265,000 and $190,000, respectively, from Board members, employees, and volunteers. Included in total promises to give at June 30, 2020 and 2019 is approximately $203,000 and $126,000, respectively, due from Board members, employees, and volunteers.

NOTE 18 SUBSEQUENT EVENT

Subsequent to year-end, PZH closed on the sale of real property located in Goodyear, Arizona to an unrelated party for a purchase price of $430,000. The carrying value of the real property approximates the purchase price at June 30, 2020.

NOTE 19 NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued ASU No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2021. 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.