Arizona Center for Nature Conservation and Affiliate

Consolidated Financial Statements

June 30, 2023 and 2022

Independent Auditors' Report

Board of Trustees
Arizona Center for Nature Conservation and Affiliate

Opinion

We have audited the consolidated financial statements of Arizona Center for Nature Conservation (an Arizona nonprofit organization) and Phoenix Zoo Holdings, LLC (an Arizona limited liability company), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Arizona Center for Nature Conservation and Affiliate (the Organization) as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the consolidated financial statements, on July 1, 2022 the Organization adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update 2016-02, *Leases* (Topic 842) and its related amendments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Tempe, Arizona
December 6, 2023

Arizona Center for Nature Conservation and Affiliate

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 14,128,938	$ 28,020,127
Treasury bills, short-term	20,202,057	-
Accounts receivable, net of allowance	230,190	98,879
Promises to give, current portion	101,516	151,182
CARES Act Employee Retention Tax Credit receivable	-	1,027,837
Inventory, net of reserve	127,428	126,452
Prepaid expenses	253,278	393,338
Total current assets	35,043,407	29,817,815
Investments		
Operating investments	2,349,751	2,135,314
Endowment investments	10,911,205	9,782,403
457 deferred compensation plans	1,538,185	1,047,580
Charitable gift annuities	57,392	53,508
	14,856,533	13,018,805
Investments in Limited Liability Companies	77,697	2,380,827
Assets Restricted for Long-Term Purposes		
Cash and cash equivalents	5,784,889	4,370,106
Promises to give, net of discount and allowance	1,673,627	1,061,643
	7,458,516	5,431,749
Operating Lease Right-of-Use Assets	355,042	-
Property and Equipment, Net	37,607,746	33,148,726
Beneficial Interest in Perpetual Trust	5,363,696	5,164,049
Other Assets	31,222	24,371
Total assets	$ 100,793,859	$ 88,986,342

See notes to consolidated financial statements

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 350,477	$ 344,660
Accrued expenses	2,424,236	2,407,649
457 deferred compensation liability	1,538,185	1,047,580
Deferred revenue	5,387,427	4,690,300
Current portion of operating lease liabilities	68,174	-
Total current liabilities	9,768,499	8,490,189
Operating Lease Liabilities, Net of Current Portion	286,638	-
Total liabilities	10,055,137	8,490,189
Net Assets		
Without donor restrictions:		
Board designated, projects	4,149,949	2,858,903
Board designated, endowment	8,959,365	7,896,514
Undesignated	54,554,295	51,772,616
	67,663,609	62,528,033
With donor restrictions	23,075,113	17,968,120
Total net assets	90,738,722	80,496,153
Total liabilities and net assets	$ 100,793,859	$ 88,986,342

Arizona Center for Nature Conservation and Affiliate

Consolidated Statements of Activities
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Admissions and memberships	$ 28,725,162	$ -	$ 28,725,162	$ 23,170,083	$ -	$ 23,170,083
Educational services	610,310	-	610,310	439,261	-	439,261
Group services	1,713,900	-	1,713,900	1,179,980	-	1,179,980
Food services	1,410,611	-	1,410,611	1,205,713	-	1,205,713
Retail	3,605,564	-	3,605,564	3,454,231	-	3,454,231
Contributions	797,244	8,055,356	8,852,600	2,358,683	2,602,819	4,961,502
CARES Act Employee Retention Tax Credit	-	-	-	1,294,042	-	1,294,042
Shuttered Venues Operator grant	-	-	-	10,000,000	-	10,000,000
Donated materials and services	450,708	-	450,708	490,315	-	490,315
Special events revenue	301,710	-	301,710	310,627	-	310,627
Special events, contributions	35,696	-	35,696	66,354	-	66,354
Investment income (loss)	2,340,276	189,370	2,529,646	(1,014,190)	(207,369)	(1,221,559)
Gain on investments in limited liability companies	-	8,100	8,100	-	171,918	171,918
Change in fair value of beneficial interest in perpetual trusts	-	199,647	199,647	-	(828,074)	(828,074)
Other income (expense)	35,850	-	35,850	(30,278)	-	(30,278)
Release of restriction through a distribution from limited liability companies	2,311,230	(2,311,230)	-	300,000	(300,000)	-
Releases from time and purpose restriction	1,034,250	(1,034,250)	-	1,746,860	(1,746,860)	-
	43,372,511	5,106,993	48,479,504	44,971,681	(307,566)	44,664,115
Expenses						
Program services	31,096,544	-	31,096,544	24,615,305	-	24,615,305
Management and general	3,596,791	-	3,596,791	3,133,689	-	3,133,689
Fundraising	1,509,162	-	1,509,162	1,537,028	-	1,537,028
Membership	1,942,109	-	1,942,109	1,576,883	-	1,576,883
Costs of direct benefits to donors	92,329	-	92,329	86,971	-	86,971
	38,236,935	-	38,236,935	30,949,876	-	30,949,876
Change in net assets	5,135,576	5,106,993	10,242,569	14,021,805	(307,566)	13,714,239
Net Assets, Beginning	62,528,033	17,968,120	80,496,153	48,506,228	18,275,686	66,781,914
Net Assets, Ending	$ 67,663,609	$ 23,075,113	$ 90,738,722	$ 62,528,033	$ 17,968,120	$ 80,496,153

See notes to consolidated financial statements

Arizona Center for Nature Conservation and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Membership	Costs of Direct Benefits to Donors	Total
Salaries	$ 15,813,809	$ 1,546,461	$ 907,214	$ 718,134	$ -	$ 18,985,618
Employee benefits	2,313,605	226,252	132,728	105,065	-	2,777,650
Payroll taxes	1,083,713	105,978	62,171	49,213	-	1,301,075
Professional fees	110,026	405,677	20,543	20,280	-	556,526
Advertising and promotion	596,496	615,739	-	895,419	-	2,107,654
Office expense and printing	1,771,768	135,145	65,099	53,080	-	2,025,092
Utilities	1,467,053	5,247	6,868	2,834	-	1,482,002
Travel	83,539	83,437	1,151	783	-	168,910
Depreciation	2,772,267	146,524	191,790	79,134	-	3,189,715
Insurance	379,754	32,324	42,311	17,458	-	471,847
Animal collection	1,355,910	-	-	-	-	1,355,910
Cost of event food and product	723,126	-	-	-	92,329	815,455
Repairs and maintenance	648,633	8,179	-	-	-	656,812
Vendor commission	508,886	-	9,689	-	-	518,575
Grants	290,691	450	-	-	-	291,141
Bad debt expense and allowance adjustment	2,112	102,000	-	-	-	104,112
Other	1,175,156	183,378	69,598	709	-	1,428,841
Total expenses	$ 31,096,544	$ 3,596,791	$ 1,509,162	$ 1,942,109	$ 92,329	$ 38,236,935

See notes to consolidated financial statements

Arizona Center for Nature Conservation and Affiliate

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Membership	Costs of Direct Benefits to Donors	Total
Salaries	$ 12,206,709	$ 1,295,210	$ 853,273	$ 514,633	$ -	$ 14,869,825
Employee benefits	2,183,414	231,830	152,625	92,052	-	2,659,921
Payroll taxes	802,955	85,199	56,128	33,852	-	978,134
Professional fees	34,665	271,237	11,418	-	-	317,320
Advertising and promotion	311,477	826,343	-	774,907	-	1,912,727
Office expense and printing	1,461,434	140,040	58,337	54,647	-	1,714,458
Utilities	1,313,866	3,086	7,925	2,758	-	1,327,635
Travel	27,723	19,275	585	-	-	47,583
Depreciation	2,775,020	98,695	259,804	88,198	-	3,221,717
Insurance	310,594	17,721	45,513	15,836	-	389,664
Animal collection	1,196,447	-	-	-	-	1,196,447
Cost of event food and product	451,732	-	-	-	86,971	538,703
Repairs and maintenance	471,973	1,193	-	-	-	473,166
Vendor commission	486,920	-	12,244	-	-	499,164
Grants	144,697	-	-	-	-	144,697
Bad debt expense and allowance adjustment	-	59,000	-	-	-	59,000
Other	435,679	84,860	79,176	-	-	599,715
Total expenses	$ 24,615,305	$ 3,133,689	$ 1,537,028	$ 1,576,883	$ 86,971	$ 30,949,876

See notes to consolidated financial statements

Arizona Center for Nature Conservation and Affiliate

Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ 10,242,569	$ 13,714,239
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,189,715	3,221,717
Amortization of right-of-use assets	40,640	-
(Gain) loss on disposal of asset	(2,700)	66,113
Non-cash contribution of property and equipment	-	(38,693)
(Gain) loss on investments in limited liability companies	(108,100)	(171,918)
Non-cash contribution of stock	-	(166,775)
Contributions restricted for capital campaign	(2,725,120)	(1,023,000)
Change in fair value of beneficial interest in perpetual trusts	(199,647)	828,074
Realized and unrealized (gain) loss on investments	(1,145,099)	1,839,133
Change in valuation allowance for accounts receivable	3,000	-
Change in valuation allowance for promises to give	84,000	34,000
Change in discount on long-term promises to give	145,000	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(134,311)	27,956
Promises to give	120,942	1,169,497
Employee Retention Tax Credit receivable	1,027,837	(252,360)
Inventories	(976)	(25,953)
Prepaid expenses	140,060	(153,552)
Other assets	(6,851)	(5,000)
Increase (decrease) in:		
Accounts payable	5,817	169,740
Accrued expenses	16,587	981,301
Deferred revenue	697,127	878,691
Operating lease liabilities	(40,870)	-
Net cash provided by operating activities	11,349,620	21,093,210
Cash Flows From Investing Activities		
Purchases of investments	(22,696,024)	(3,871,972)
Distributions from limited liability companies	2,411,230	300,000
Proceeds from maturities and sales of investments	2,291,943	560,011
Proceeds from sale of asset	8,700	22,500
Purchases of property, equipment and construction in progress	(7,654,735)	(3,878,927)
Net cash used by investing activities	(25,638,886)	(6,868,388)
Cash Flows From Financing Activities		
Collection of contributions restricted for capital campaign	1,812,860	712,538
Net cash provided by financing activities	1,812,860	712,538
Net increase (decrease) in cash and cash equivalents	(12,476,406)	14,937,360
Cash and Cash Equivalents, Beginning	32,390,233	17,452,873
Cash and Cash Equivalents, Ending	$ 19,913,827	$ 32,390,233
Reconciliation to Statements of Financial Position		
Cash and cash equivalents, current	$ 14,128,938	$ 28,020,127
Cash and cash equivalents, long-term purposes	5,784,889	4,370,106
	$ 19,913,827	$ 32,390,233
Supplemental Cash Flow Disclosures		
Noncash investing transaction:		
Investment return on deferred compensation investment	$ 133,036	$ (172,281)
Contributions made to the deferred compensation plan	$ 250,462	$ 115,000

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

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, 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 90 days or less at date of acquisition to be cash equivalents. Cash and money market funds held in investment accounts are reported as investments as they represent accounts used for the purchases and sales of investments and are excluded from this definition. 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.

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.

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.

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 $10,000 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 seven 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, 2023, 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.

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. 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.

Revenue Recognition

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.

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 as the membership benefits are 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 ticket sales, membership dues and group event revenues received prior to the fiscal year in which the event occurs. Changes in deferred revenue for the years ended June 30 are as follows:

	Ticket Sales and Memberships	Group Events and Other	Total
Balance at June 30, 2021	$ 3,392,213	$ 419,396	$ 3,811,609
Amounts received	23,787,788	1,440,966	25,228,754
Revenue recognized	(23,170,083)	(1,179,980)	(24,350,063)
Balance at June 30, 2022	4,009,918	680,382	4,690,300
Amounts received	28,215,364	1,713,900	29,929,264
Revenue recognized	(27,391,343)	(1,840,794)	(29,232,137)
Balance at June 30, 2023	$ 4,833,939	$ 553,488	$ 5,387,427

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. Conditional contributions are recognized when the conditions on which they depend are substantially met.

Donated Materials and Services

Contributions of donated nonmonetary assets (in-kind donations) are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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, 2023 and 2022, the Organization received the benefit of approximately 400 and 300 volunteers, respectively, and approximately 37,000 and 27,000 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 $964,000 and $844,000 for the years ended June 30, 2023 and 2022, respectively, not including in-kind donations of approximately $248,000 and $293,000, respectively, as described in Note 14.

Animal Collection

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. The proceeds from sales of animals may be used for acquisitions of new animals or the direct care of existing animals.

As an accredited member of the Association of Zoos and Aquariums (AZA), the Organization adheres to the comprehensive animal wellbeing and veterinary care standards prescribed by AZA. The standards are met and evaluated to maintain accreditation in this professional organization. The Organization has adopted a definition of direct care which includes utilization of professional animal care staff, highly qualified veterinarians and animal health care staff, access to modern veterinary facilities and equipment, species-specific diet and nutritional services, behavioral enrichment and preventative veterinary medicine. These high standards for direct care are designed to ensure the wellbeing of the animals in their collection, so that they may continue to benefit the public through exhibition and education.

Purchases of animal collections are recorded as decreases in net assets without donor restrictions if purchased with assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Acquisition costs of animal collections for the years ended June 30, 2023 and 2022 totaled approximately $95,000 and $64,400, respectively. Contributions of animal collections are not recognized in the consolidated statements of activities.

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 utilization by 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, with claims in excess of that amount being covered by stop loss insurance. 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 $1,373,000 and $1,850,000 for the years ended June 30, 2023 and 2022, 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 years ended June 30, 2023 and 2022, ACNC incurred income tax expense of approximately $34,000 and $100, respectively, relating to UBTI. UBTI is related to income from investments in Limited Liability Company's and advertising revenue.

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, 2023 and 2022, 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, 2023 and 2022, 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.

Adoption of New Accounting Standard

Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of $48,141 and $46,936, respectively.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;

- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets;

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and non-lease components for all asset classes.

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 13.

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 6, 2023, the date the consolidated financial statements were available to be issued.

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, 2023 and 2022, 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.

	2023	2022
Current assets	$ 35,043,407	$ 29,817,815
Operating investments	2,349,751	2,135,314
Estimated amounts appropriated for expenditure from endowment funds	83,000	77,000
	37,476,158	32,030,129
Amounts not available in the next year:		
Inventory, included in current assets	(127,428)	(126,452)
Prepaid expenses	(253,278)	(393,338)
Board designated projects	(1,283,000)	(838,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 35,812,452	$ 30,672,339

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. Of the Board-designated reserve funds in the amount of $4,149,949 and $2,858,903 as of June 30, 2023 and 2022, $1,283,000 and $838,000 are authorized to be spent on eligible projects and are therefore deducted from the analysis as they are not available to meet operating needs at June 30, 2023 and 2022, respectively. These funds as well as board designated endowments of $8,959,365 and $7,896,514 at June 30, 2023 and 2022, respectively, 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 operating activities for the years ended June 30, 2023 and 2022.

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.

4. Promises to Give

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

	2023	2022
Capital campaign and other capital projects	$ 1,870,436	$ 1,053,176
Bequests and trusts	159,540	276,024
Other	95,167	4,625
Total promises to give	2,125,143	1,333,825
Discount to present value	(169,000)	(24,000)
Allowance for uncollectible promises	(181,000)	(97,000)
Net promises to give	$ 1,775,143	$ 1,212,825

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:

	2023	2022
Promises to give due within one year	$ 705,869	$ 995,465
Promises to give due in one to five years	1,069,274	217,360
	$ 1,775,143	$ 1,212,825

The Organization's promises to give consist of contributions from individuals, charitable foundations and companies. At June 30, 2023, approximately 74% of gross promises to give are amounts due from three donors. At June 30, 2022, approximately 68% of gross promises to give are amounts due from two 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.

5. Investments and Fair Value of Financial Instruments

The total investment balance consists of the following accounts as presented on the consolidated statements of financial position as of June 30:

	2023	2022
Operating investments	$ 2,349,751	$ 2,135,314
Endowment investments	10,911,205	9,782,403
Treasury bills	20,202,057	-
457 deferred compensation plans	1,538,185	1,047,580
Charitable gift annuities	57,392	53,508
	$ 35,058,590	$ 13,018,805

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 (Level 1). 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 (Level 3).

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and money market funds	$ 1,828,681	$ -	$ -	$ 1,828,681
Fixed income	3,104,204	-	-	3,104,204
Equity funds	7,520,501	-	-	7,520,501
Treasury bills	20,202,057	-	-	20,202,057
Exchange traded funds	807,570	-	-	807,750
Total investments	33,463,013	-	-	33,463,013
457 deferred compensation plans:				
Equity funds	1,538,185	-	-	1,538,185
	1,538,185	-	-	1,538,185
Charitable gift annuities:				
Exchange traded funds	57,392	-	-	57,392
	57,392	-	-	57,392
Total investments	35,058,590	-	-	35,058,590
Beneficial interest in perpetual trusts			5,363,696	5,363,696
	$ 35,058,590	$ -	$ 5,363,696	$ 40,422,286

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and money market funds	$ 1,745,799	$ -	$ -	$ 1,745,799
Bond funds	2,676,229	-	-	2,676,229
Equity funds	6,656,543	-	-	6,656,543
Debt instruments	323,914	-	-	323,914
Exchange traded funds	515,232	-	-	515,232
Total investments	11,917,717	-	-	11,917,717
457 deferred compensation plans:				
Equity funds	1,047,580	-	-	1,047,580
	1,047,580	-	-	1,047,580
Charitable gift annuities:				
Cash and money market funds	570	-	-	570
Exchange traded funds	52,938	-	-	52,938
	53,508	-	-	53,508
Total investments	13,018,805	-	-	13,018,805
Beneficial interest in perpetual trusts	-	-	5,164,049	5,164,049
	$ 13,018,805	$ -	$ 5,164,049	$ 18,182,854

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, 2021	$ 5,992,123
Change in fair value	(828,074)
Balance at June 30, 2022	5,164,049
Change in fair value	199,647
Balance at June 30, 2023	$ 5,363,696

Investment income/(loss) is summarized as follows for the years ended June 30:

	2023	2022
Interest and dividends	$ 1,151,803	$ 367,022
Distributions from trusts	274,243	283,906
Realized gains/(losses)	(46,959)	153,850
Unrealized gains/(losses)	1,192,058	(1,992,983)
Investment fees	(41,499)	(33,354)
Total investment income/(loss)	$ 2,529,646	$ (1,221,559)

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 the 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 the 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. During the year ended June 30, 2023, the rental property was sold, with the final distribution paid to the Organization.

The activity for investments in limited liability companies for the years ended June 30, 2023 and 2022 are as follows:

	KEMF DCLL, LLC	RCSP Hawaii, LLC	Total
Membership capital, June 30, 2021	$ 847,795	$ 1,661,114	$ 2,508,909
Allocation of operating income (loss)	(72,593)	244,511	171,918
Distributions	(200,000)	(100,000)	(300,000)
Membership capital, June 30, 2022	575,202	1,805,625	2,380,827
Allocation of operating income (loss)	2,495	5,605	8,100
Distributions	(500,000)	(1,811,230)	(2,311,230)
Membership capital, June 30, 2023	$ 77,697	$ -	$ 77,697

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, 2023 and 2022 based upon the Organization's respective interest in the value of the underlying assets held by the trust. For the years ended June 30, 2023 and 2022, distributions from the perpetual trusts totaled approximately $274,000 and $284,000, respectively, and are included in investment income without donor restrictions in the accompanying consolidated statements of activities.

8. Property and Equipment

Property and equipment consisted of the following at June 30:

	2023	2022
Exhibits and enclosures	$ 33,420,747	$ 33,236,637
Buildings and improvements	30,370,795	29,865,754
Ground installations	11,482,193	11,209,859
Machinery and equipment	13,073,626	11,543,157
Vehicles	1,449,291	1,429,324
	89,796,652	87,284,731
Accumulated depreciation	(61,268,540)	(58,114,960)
	28,528,112	29,169,771
Construction-in-progress	9,079,634	3,978,955
	$ 37,607,746	$ 33,148,726

Construction-in-progress includes design and construction costs related to various contracts for capital projects to improve animal exhibits and other areas within ACNC facilities with an estimated cost of $11,578,000. The remaining commitment on these contracts is approximately $2,063,000 and $3,826,000 at June 30, 2023 and 2022, respectively.

Depreciation expense was $3,189,715 and $3,221,717 for the years ended June 30, 2023 and 2022, respectively.

9. Endowment Funds

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 8,959,365	$ -	$ 8,959,365
Donor-restricted:			
Original donor-restricted amount	-	1,665,493	1,665,493
Accumulated investment earnings	-	286,347	286,347
Total endowment funds	$ 8,959,365	$ 1,951,840	$ 10,911,205

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 7,896,514	$ -	$ 7,896,514
Donor-restricted:			
Original donor-restricted amount	-	1,665,493	1,665,493
Accumulated investment earnings	-	220,396	220,396
Total endowment funds	$ 7,896,514	$ 1,885,889	$ 9,782,403

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2021	$ 8,324,971	$ 2,138,994	$ 10,463,965
Investment income	227,939	51,900	279,839
Realized and unrealized losses	(1,138,679)	(259,269)	(1,397,948)
Board designations	519,663	-	519,663
Amounts expended	(37,380)	(45,736)	(83,116)
Balance at June 30, 2022	7,896,514	1,885,889	9,782,403
Investment income	478,282	99,068	577,350
Realized and unrealized gains	435,963	90,302	526,265
Board designations	170,160	-	170,160
Amounts expended	(21,554)	(123,419)	(144,973)
Balance at June 30, 2023	$ 8,959,365	$ 1,951,840	$ 10,911,205

10. Net Assets With Donor Restrictions

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

	2023	2022
Purpose restricted:		
Interest in perpetual trusts	$ 5,363,696	$ 5,164,049
Time and purpose restricted:		
Capital campaign and other capital projects	14,034,064	7,889,660
Investments in limited liability companies	77,697	2,380,827
Promises to give, net	167,540	266,649
Conservation field support	269,623	229,601
Other	1,210,653	151,445
	15,759,577	10,918,182
Endowment funds:		
Portion of perpetual endowment funds that is required to be retained permanently	1,665,493	1,665,493
Investment income subject to a time restriction under MCFA	286,347	220,396
	1,951,840	1,885,889
	$ 23,075,113	$ 17,968,120

11. Employee Retention Tax Credit

During the year ended June 30, 2022, the Organization applied for the Employee Retention Tax Credit, which is a refundable credit to be applied against certain employment taxes for qualified wages. The Employee Retention Tax Credit is available for organizations that fully or partially suspend operations during any calendar quarter in 2020 or 2021 due to orders from an appropriate authority limiting commerce due to COVID-19 or experience a significant decline in gross receipts during the calendar quarter. As a result, the Organization received a tax benefit of approximately $1,294,000 for the year ended June 30, 2022. This was applied to the Organization's employment tax liabilities incurred during the period January 1, 2021 through June 30, 2022. Any amounts that exceed the Organization's employment tax liabilities as of June 30, 2022 was recognized as a receivable as these amounts will be refunded or used to offset future employment tax liabilities. The Organization is subject to possible audit or investigation by the IRS to determine whether the tax credit amounts were used for allowable purposes and whether the Organization met the eligibility requirements relating to decreased revenue.

12. Employee Benefit Plans

The Organization has a 401(k) defined contribution savings plan. The Organization matches employee contributions to the 401(k) 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, 2023 and 2022 totaled approximately $293,000 and $240,000, respectively.

The Organization also has both a 457(b) and 457(f) nonqualified deferred compensation retirement plan covering the current Chief Executive Officer and other officers 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 $182,000 and $185,000 for the years ended June 30, 2023 and 2022, respectively, and are included in accrued liabilities in the accompanying consolidated statements of financial position. While the Organization has segregated funds totaling approximately $1,538,000 and $1,048,000 as of June 30, 2023 and 2022, respectively, these funds remain available to the general creditors of the Organization.

13. Commitments and Contingencies

Leasing Activities

The Organization leases office equipment, land and building under several operating leases, with varying expiration dates requiring monthly payment of approximately $8,400. Total lease payments under this lease for the year ended June 30, 2023 were $40,550.

Right-of-use assets represent the Organization’s right to use an underlying asset for the lease term, while lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization’s long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.

- Determined whether contracts contain embedded leases.

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

The Organization does not have any leasing transactions with related parties.

The following table summarizes the operating lease right-of-use asset and lease liability as of June 30, 2023:

Operating leases:	
Operating lease right-of-use asset	$ 355,042
Current operating lease liability	68,174
Long-term operating lease liability	286,638
Total	$ 354,812

The right-of-use assets and lease liability were calculated using a weighted average discount rate of 3.78%. As of June 30, 2023, the weighted average remaining lease term was 4.89 years.

The table below summarizing the Organization's scheduled future minimum lease payments for years ending after June 30, 2023:

Years ending June 30:	
2024	$ 79,384
2025	74,809
2026	77,747
2027	80,813
2028	69,741
Thereafter	4,925
Total lease payments	387,419
Less present value discount	(32,607)
Total lease liabilities	354,812
Less current portion	(68,174)
Long-term lease liabilities	$ 286,638

The following table includes supplemental cash flow and noncash information related to the lease for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 40,870
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	$ 347,541

14. Donated Materials and Services

Donated materials and services consisted of the following for the year ended June 30, 2023:

	Programs	Management and General	Fundraising and Membership Development	Assets	Total
Advertising	$ -	$ 248,182	$ -	$ -	$ 248,182
Rent	-	64,200	-	-	64,200
Other	19,600	-	105,964	12,762	138,326
Total donated materials and services	$ 19,600	$ 312,382	$ 105,964	$ 12,762	$ 450,708

Donated materials and services consisted of the following for the year ended June 30, 2022:

	Programs	Management and General	Fundraising and Membership Development	Assets	Total
Advertising	$ -	$ 293,497	$ -	$ -	$ 293,497
Rent	-	64,200	-	-	64,200
Other	-	-	93,925	38,693	132,618
Total donated materials and services	$ -	$ 357,697	$ 93,925	$ 38,693	$ 490,315

Advertising is valued based on current rates of advertising services provided in the Phoenix metropolitan area by the advertising company. Rent is valued based on estimated market rental rates for similar properties in the vicinity of the Organization in the state of Arizona. Other donated materials and services are valued based on the current rates that would be used to purchase the material or the service that was provided by vendors in the Phoenix metropolitan area.

None of the donated materials and services provided for the years ended June 30, 2023 and 2022 were restricted by the donors.

15. Related-Party Transactions

During the years ended June 30, 2023 and 2022, the Organization recognized donations in the amounts of approximately $1,768,000 and $177,000, respectively, from Board members, employees, and volunteers. Included in total promises to give at June 30, 2023 and 2022 is approximately $774,000 and $14,000, respectively, due from Board members, employees, and volunteers.