



OMAHA ZOOLOGICAL SOCIETY

Financial Statements

December 31, 2021

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 300
1212 N. 96th Street
Omaha, NE 68114-2274

Suite 1120
1248 O Street
Lincoln, NE 68508-1493

Independent Auditors' Report

The Audit Committee
Omaha Zoological Society:

Qualified Opinion

We have audited the financial statements of the Omaha Zoological Society (the Society), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Qualified Opinion

As more fully disclosed in Note 1 to the financial statements, the Society has not consolidated the Omaha Zoo Foundation (the Foundation) in the accompanying financial statements, but rather the Society has recorded the beneficial interest in certain net assets of the Foundation. If the Foundation's financial statements were consolidated, assets and net assets of the Society would be increased by \$128.0 million and \$126.1 million, respectively. U.S. generally accepted accounting principles require consolidation.

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 Financial Statements section of our report. We are required to be independent of the Society 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 qualified audit opinion.

Report on Summarized Comparative Information

We have previously audited the Society's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society'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.

KPMG LLP

Omaha, Nebraska
April 18, 2022

OMAHA ZOOLOGICAL SOCIETY

Statement of Financial Position

December 31, 2021

(with summarized financial information as of December 31, 2020)

Assets	2021	2020
Cash and cash equivalents	\$ 39,931,851	9,371,305
Beneficial interest in net assets of related organization	30,675,738	40,797,041
Gift shop and food/beverage inventory	653,427	574,066
Receivables	140,236	247,989
Pledge receivable	1,330,504	—
Grants receivable	400,233	575,518
Prepaid expense	547,022	572,068
Structures and equipment, net	291,179,687	288,947,402
Total assets	\$ <u>364,858,698</u>	<u>341,085,389</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,467,581	1,807,605
Accrued payroll	1,293,195	105,913
Payroll taxes withheld	516,123	768,932
Deferred membership revenue	4,679,836	3,420,436
Scholarships payable	11,250	11,750
Due to Omaha Zoo Foundation	26,126	98,580
Bonds payable (net of issuance costs)	14,960,664	14,948,714
Accrued interest payable	54,392	54,392
Total liabilities	<u>26,009,167</u>	<u>21,216,322</u>
Net assets:		
Without donor restrictions	296,652,387	277,412,648
With donor restrictions	42,197,144	42,456,419
Total net assets	<u>338,849,531</u>	<u>319,869,067</u>
Total liabilities and net assets	\$ <u>364,858,698</u>	<u>341,085,389</u>

See accompanying notes to financial statements.

OMAHA ZOOLOGICAL SOCIETY

Statement of Activities

Year ended December 31, 2021

(with summarized financial information for the year ended December 31, 2020)

	2021			2020 Total
	Without donor restrictions	With donor restrictions	Total	
Changes in net assets:				
Revenues and gains:				
City of Omaha subsidy	\$ 2,373,748	—	2,373,748	2,250,000
COVID related grants	10,000,000	—	10,000,000	10,000,000
Douglas County grant	278,201	—	278,201	288,807
Admissions	18,021,628	—	18,021,628	6,364,881
Food/beverage	7,607,713	—	7,607,713	3,010,269
Giant screen theater	174,233	—	174,233	53,306
Gift shop	7,204,140	—	7,204,140	2,327,214
Skyfari	1,212,929	—	1,212,929	565,829
Train	978,443	—	978,443	—
Tram	243,725	—	243,725	25,496
Carousel	275,900	—	275,900	80,279
Special exhibit	815,659	—	815,659	113,822
Membership fees	11,391,878	—	11,391,878	8,410,713
Education programs	1,065,401	—	1,065,401	516,462
Investment income	3,122	—	3,122	5,444
Donations	461,120	10,000,000	10,461,120	208,372
Animal disposition	—	—	—	10,000
Grants	215,850	1,244,817	1,460,667	2,248,964
Miscellaneous	646,258	—	646,258	334,095
Gain on sale of assets	—	—	—	7,350
Net assets released from restrictions	1,382,789	(1,382,789)	—	—
Total revenues and gains	64,352,737	9,862,028	74,214,765	36,821,303
Expenses and losses:				
Salaries and wages	19,765,840	—	19,765,840	15,996,447
Employee benefits	4,770,028	—	4,770,028	4,444,115
Animal acquisition and transport	121,581	—	121,581	32,177
Animal supplies and forage	1,347,098	—	1,347,098	1,207,662
Repairs and maintenance	5,253,931	—	5,253,931	2,821,546
Telephone and utilities	3,024,360	—	3,024,360	2,712,716
Insurance	1,206,787	—	1,206,787	1,118,545
Office supplies and postage	118,782	—	118,782	93,122
Advertising	576,405	—	576,405	389,353
Use and unrelated business income tax	147,229	—	147,229	100,948
Other	3,186,880	—	3,186,880	1,729,772
Grants	1,506,539	—	1,506,539	1,385,232
Depreciation	15,488,599	—	15,488,599	14,120,338
Loss on disposal of assets	34,445	—	34,445	—
Amortization	11,950	—	11,950	11,950
Cost of goods sold	4,480,673	—	4,480,673	1,582,262
Interest	321,000	—	321,000	321,000
Total expenses and losses	61,362,127	—	61,362,127	48,067,185
Increase (decrease) in net assets prior to transfers and change in beneficial interest	2,990,610	9,862,028	12,852,638	(11,245,882)
Transfers from (to) Omaha Zoo Foundation:				
Change in beneficial interest in related organization	—	(10,121,303)	(10,121,303)	(7,080,287)
Distribution – investment income	1,735,000	—	1,735,000	1,735,000
Distribution – construction/debt service costs	13,307,767	—	13,307,767	39,435,964
Contribution from – other	1,206,362	—	1,206,362	1,927,056
Total transfers from (to) Omaha Zoo Foundation, net	16,249,129	(10,121,303)	6,127,826	36,017,733
Increase (decrease) in net assets	19,239,739	(259,275)	18,980,464	24,771,851
Net assets at beginning of year	277,412,648	42,456,419	319,869,067	295,097,216
Net assets at end of year	\$ 296,652,387	42,197,144	338,849,531	319,869,067

See accompanying notes to financial statements.

OMAHA ZOOLOGICAL SOCIETY

Statement of Cash Flows

Year ended December 31, 2021

(with summarized financial information for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 18,980,464	24,771,851
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,488,599	14,120,338
Amortization	11,950	11,950
Loss/(gain) on sale of assets	34,445	(7,350)
Change in beneficial interest in related organization	10,121,303	7,080,287
Distribution from Omaha Zoo Foundation – investment income	(1,735,000)	(1,735,000)
Distribution from Omaha Zoo Foundation – construction and debt service costs	(13,307,767)	(39,435,964)
Distribution (from) to Omaha Zoo Foundation – contributions	(1,206,362)	(1,927,056)
Decrease (increase) in:		
Gift shop and food/beverage inventory	(79,361)	(62,054)
Receivables	107,753	(224,697)
Pledge receivable	(1,330,504)	—
Grants receivable	175,285	(575,518)
Prepaid expense	25,046	(27,083)
Increase (decrease) in:		
Accounts payable	1,558,264	(2,559,377)
Accrued liabilities	934,473	(94,415)
Scholarships payable	(500)	(7,500)
Due to (from) Omaha Zoo Foundation	(72,454)	42,834
Deferred membership revenue	1,259,400	(195,806)
Net cash provided by (used in) operating activities	<u>30,965,034</u>	<u>(824,560)</u>
Cash flows from investing activities:		
Purchase of structures and equipment	(16,619,172)	(37,391,003)
Proceeds from sale of assets	(34,445)	7,350
Net cash used in investing activities	<u>(16,653,617)</u>	<u>(37,383,653)</u>
Cash flows from financing activities:		
Repayments of term note	—	(3,242)
Distribution from Omaha Zoo Foundation – investment income	1,735,000	1,735,000
Transfers from Omaha Zoo Foundation – construction and debt service costs	13,307,767	39,435,964
Transfers from Omaha Zoo Foundation – contributions	1,206,362	1,927,056
Net cash provided by financing activities	<u>16,249,129</u>	<u>43,094,778</u>
Net increase (decrease) in cash and cash equivalents	30,560,546	4,886,565
Cash and cash equivalents at beginning of year	<u>9,371,305</u>	<u>4,484,740</u>
Cash and cash equivalents at end of year	\$ <u>39,931,851</u>	\$ <u>9,371,305</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 321,000	321,000
Purchases of structures and equipment in accounts payable	1,101,712	—

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2021

(1) Summary of Significant Accounting Policies

The Omaha Zoological Society (the Society), a Nebraska nonprofit corporation, was organized to operate Omaha's Henry Doorly Zoo & Aquarium, as resolved by the City Council of the City of Omaha (the City) on September 8, 1964. The significant accounting policies followed by the Society are described below:

(a) Basis of Presentation

The Society maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. The financial statements of the Society, which have been prepared on the accrual basis of accounting, have been prepared to focus on the Society as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

The accompanying financial statements do not include the assets, liabilities, revenues, and expenses of the Society's related support organization, the Omaha Zoo Foundation (the Foundation), that should be consolidated in order for them to conform to U.S. generally accepted accounting principles (GAAP). The Society has recorded its beneficial interest in certain net assets of the Foundation. The summarized condensed financial statements of the Foundation are presented in note 2.

The Society reports amounts for its total assets, liabilities, and net assets in a statement of financial position, the changes in its net assets in the statement of activities, and the changes in its cash and cash equivalents in a statement of cash flows.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and the changes therein are classified as follows:

- *Net assets without donor restrictions* – Net assets and contributions not subject to donor-imposed stipulations. The Society further tracks the delineation of net assets without donor restrictions between undesignated and board designated.
- *Net assets with donor restrictions* – Net assets and contributions subject to donor-imposed stipulations outlining a specific use or time restriction. After the donor-imposed time or purpose restriction is satisfied or after the board appropriates their expenditures in the case of gains and income realized on permanent endowment funds, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported within the statement of activities as net assets released from restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

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Notes to Financial Statements

December 31, 2021

(b) Cash and Cash Equivalents

Cash and cash equivalents represent cash and investments with original maturities of three months or less when purchased.

(c) Gift Shop and Food/Beverage Inventory

Gift shop and food/beverage inventory are stated at the average historical cost.

(d) Receivables

Receivables are recorded at the invoiced amount and do not bear interest. Amounts collected on receivables are included in net cash provided by operating activities in the statement of cash flows. Receivables are net of an allowance for doubtful accounts based on historical write-off experience. As of December 31, 2021, no allowance was recorded.

(e) Structures and Equipment

Structures and equipment assets are recorded at cost or at appraised value at date of contribution. Depreciation of structures and equipment is provided over the estimated useful lives of the respective assets, which range from 3 to 39 years using the straight-line method.

(f) Animal Collection

The Society does not capitalize the animal collection due to the difficulty in establishing the value of animal accessions and deaccessions. Accordingly, sales and purchases of animals are recorded as increases or decreases in net assets as paid or received.

(g) Membership Income

Memberships sold are valid for one year from the date of purchase. Revenue is recognized and deferred on a straight-line basis over the period for which the membership is valid.

(h) Contributed Services

A substantial number of unpaid volunteers have donated a significant amount of time for the Society's program services. The estimated fair value of this contributed time is not reflected in the statement of activities as it is not practicable to estimate, and these services do not require specialized skills.

(i) Contributions

Contributions, including unconditional promises to give due in future periods, are recognized as revenues in the period received. Contributions of cash, property, and equipment received without donor-imposed restrictions are reported as revenues of the net assets without restrictions class. Contributions of cash or other assets to be used to acquire or construct property and equipment are reported as revenues of the net assets with restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of assets other than cash are recorded at their estimated fair value at the date received.

(j) Grants

Grant agreements are generally considered nonexchange transactions and are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met.

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Notes to Financial Statements

December 31, 2021

(k) Long-Lived Assets

Long-lived assets, such as property, plant, equipment, and structures, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If carrying value is not recoverable, an impairment is recognized. During 2021, no assets were impaired.

(l) Use of Estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management of the Society to make estimates and assumptions that affect the amounts reported in the statement of financial position and accompanying notes. Actual results could differ from those estimates.

(m) Tax-Exempt Status

The Society has been recognized as a not-for-profit corporation by the Internal Revenue Service as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Society applies the provisions included in Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*. ASC Subtopic 740 provides specific guidance on how to address uncertainty in accounting for income tax assets and liabilities, prescribing recognition thresholds and measurement attributes. At December 31, 2021, the Society had no uncertain tax positions.

(n) Revenue

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied. Generally, this occurs at the point in time a sale is made for admissions, gift, food and beverage, etc. Membership revenue is recognized on a pro-rata basis over the term of the one-year membership agreement during which services are provided.

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services. Sales, value add, and other taxes the Society collects concurrent with revenue-producing activities are excluded from revenue.

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Notes to Financial Statements

December 31, 2021

The following table disaggregates revenues and gains by major source for the year ended December 31, 2021:

Revenues:

Revenues from contracts with customers under ASC 606:	
Admission	\$ 18,021,628
Memberships	11,391,878
Food and beverage	7,607,713
Gift retail	7,204,140
Other revenue	<u>5,412,548</u>
Total revenues from contracts with customers	49,637,907
Grants, donations and investment income (1)	<u>24,576,858</u>
Total revenues	<u>\$ 74,214,765</u>

- (1) Grants, donations and investment income do not represent revenues recognized from contracts with customers under ASC 606, and continue to be accounted for under ASC 958 *Not-for-profit entities*.

Payment for memberships and other revenue are due upon issuance of the membership or sale of the good to be provided. In instances where the timing of revenue recognition differs from the timing of invoicing, the Society has determined that contracts generally do not include a significant financing component.

The Society records unearned revenue when consideration is received, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of service agreements. Unearned revenue from service agreements, which represents a contract liability, is recorded for fees that have been charged to the customer prior to the completion of performance obligations. Unearned revenue is recognized in the subsequent fiscal year. Unearned revenue earned in the current year totaled \$3,420,436. The Society expects to recognize all of the deferred membership revenue associated with service agreements as of December 31, 2021, in the subsequent fiscal year over the term of the membership agreement.

Under the revenue standard, companies may elect various practical expedients upon adoption. As a result, the Society elected the short term contract exemption associated with its membership revenue. The Society also elected to exclude sales taxes from transaction prices.

(2) Omaha Zoo Foundation

In 1984, the Foundation, a nonprofit corporation, was organized to solicit and receive contributions, gifts, grants, devises, and bequests, and to distribute and apply such assets and/or the income therefrom to or for the benefit of the Society. A majority of the board of directors of the Foundation are members of the board of directors of the Society. In connection with the organization of the Foundation, the Society transferred all endowment funds, including those designated by the board for that purpose, to the Foundation. The Society has elected not to consolidate the Foundation, which is required by GAAP. The

OMAHA ZOOLOGICAL SOCIETY

Notes to Financial Statements

December 31, 2021

Society has recorded an investment in certain restricted net assets with donor restrictions of \$29,047,701 at December 31, 2021, held by the Foundation for the benefit of the Society. For the year ended December 31, 2021, the Society has recorded its change in beneficial interest of \$(10,121,303). If the Society were to consolidate the Foundation, assets and net assets would be increased by \$128,001,138 and \$126,062,327, respectively.

For the year ended December 31, 2021, \$13,307,767 was transferred from the Foundation to the Society for construction and debt service costs, \$1,735,000 of investment income was distributed to the Society, and a \$1,206,362 contribution was made by the Foundation to the Society.

In 2021, the Foundation forwent the management fees for staff salaries and park operating costs related to the housing and care of Society owned animals due to the potential of negative impacts of COVID-19 on the Society's operations. The Society received \$128,022 from the Foundation in 2021 for human resource, accounting, and administrative services, which is recorded within miscellaneous revenue on the Society statement of activities.

A summary of the Foundation's statement of financial position and statement of activities as of and for the year ended December 31, 2021 is as follows:

Total assets	\$	158,676,876
Total liabilities	\$	1,938,811
Total net assets		<u>156,738,065</u>
Total liabilities and net assets	\$	<u><u>158,676,876</u></u>
Total revenues and gains	\$	25,357,027
Total expenses and losses		(5,789,195)
Transfers to Society – investment income		(1,735,000)
Transfers to Society – construction/debt service costs		(13,307,767)
Transfer from Society – contribution		<u>(1,206,362)</u>
Increase in net assets		3,318,703
Net assets at beginning of year		<u>153,419,362</u>
Net assets at end of year	\$	<u><u>156,738,065</u></u>

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Notes to Financial Statements

December 31, 2021

(3) Structures and Equipment

Structures and equipment consist of the following at December 31, 2021:

Structures, exhibits, and improvements	\$	436,632,505
Furniture, fixtures, and equipment		9,389,880
Aerial tram		1,498,371
Train		2,619,515
Tram		195,346
Construction in progress		<u>3,320,881</u>
		453,656,498
Less accumulated depreciation		<u>(162,476,811)</u>
Net structures and equipment	\$	<u><u>291,179,687</u></u>

(4) City Subsidy

The Society extended its agreement to 2064 with the City to construct, operate, and maintain a zoo for the benefit of the general public. The agreement, as amended, provides that operating subsidies are to be provided by the City, dependent upon the Society and Foundation raising additional funds for endowment. Revenue of the Society from admissions and concessions must be used for the operation and maintenance of the zoo. At the expiration of the agreement, or if mutually terminated prior thereto, the Society agrees to convey right, title, and interest to all zoo property, both real and personal, to the City for the use and benefit of the City, and the general public.

(5) Debt Obligations

On April 13, 2015, the Society issued the County of Douglas, Nebraska Zoo Facility Revenue Refunding Bonds (Omaha's Henry Doorly Zoo and Aquarium Project), Series 2015 in the aggregate amount of \$15,000,000. Proceeds of the bonds were used by the Society to refund and redeem the County of Douglas, Nebraska's \$10,700,000 outstanding principal amount less the bond reserve funds on the Zoo Facility Revenue Refunding Bonds Series 2005, as well as other capital improvements. The bonds mature on May 1, 2025, and contain interest payments paid semiannually on May 1 and November 1 at a rate of 2.14%. The bonds issued in 2015 do not require a bond reserve fund. As of December 31, 2021, the Society was in compliance with the financial covenants associated with the outstanding bonds.

Bonds payable is presented on the statement of financial position net of issuance costs totaling \$14,960,664 as of December 31, 2021.

The Foundation has entered into a guaranty agreement, which unconditionally guarantees the full payment of principal and interest on the Society's bonds.

At December 31, 2021, the Society had a line of credit available. The \$10,000,000 line of credit carried a variable interest rate of 150 basis points plus the greater of zero percent or the one-month forward looking term rate based on SOFR, adjusted monthly, with a maturity date of December 15, 2022. At December 31, 2021, the Society did not have a balance drawn on the line of credit.

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Notes to Financial Statements

December 31, 2021

(6) Fair Value Measurements

ASC Topic 820 (Statement 157), *Fair Value Measurements*, establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Society holds cash and cash equivalents valued using Level 1 inputs.

(7) Net Assets with Donor Restrictions

Net assets are available for the following purposes as of December 31, 2021:

Subject to expenditure for a specified purpose:	
Operating purposes	\$ 18,278,242
Deferred grants	1,521,406
New capital construction	20,380,841
Education and other	<u>685,775</u>
	<u>\$ 40,866,264</u>
Not subject to appropriation or expenditure:	
Zoo operations	\$ 1,130,880
Owen sea lion pavilion	<u>200,000</u>
	<u>\$ 1,330,880</u>

(8) Release from Restrictions

Net assets were released for the following purposes for the year ended December 31, 2021:

Purpose restrictions accomplished:	
Deferred grants	\$ 1,382,789

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Notes to Financial Statements

December 31, 2021

(9) Benefit Plan

The Society sponsors a 401(k) retirement plan. The Society contributes to the plan monthly, based on each eligible participant's years of service. Eligible participants can contribute up to the maximum yearly deferral allowed by Internal Revenue Service regulations. Society contributions for the year ended December 31, 2021 were \$604,733, which are recorded within employee benefits on the Society statement of activities.

(10) Functional Expenses

The Society operates Omaha's Henry Doorly Zoo & Aquarium. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Society. Functional expenses by natural classification for the year ended December 31, 2021 are as follows:

	Animal Care and Zoo Operations	Research and conservation	Education	Visitor services and marketing	Management and general	Fundraising	Total
Expenses and losses:							
Salaries and wages	\$ 11,027,605	777,879	616,413	4,794,358	2,183,524	366,061	19,765,840
Employee benefits	2,659,548	188,014	194,076	1,155,628	497,663	75,099	4,770,028
Animal acquisition and transport	121,581	—	—	—	—	—	121,581
Animal supplies and forage	1,347,098	—	—	—	—	—	1,347,098
Repairs and maintenance	3,562,907	376,241	24,889	925,665	331,197	33,032	5,253,931
Telephone and utilities	3,024,360	—	—	—	—	—	3,024,360
Insurance	1,075,080	11,405	12,629	70,292	34,011	3,370	1,206,787
Office supplies and postage	14,942	685	—	25,718	52,417	25,020	118,782
Advertising	—	—	—	576,405	—	—	576,405
Use and unrelated business income tax	—	—	—	147,229	—	—	147,229
Other	304,150	214,073	11,575	1,209,392	1,443,193	4,497	3,186,880
Grants	150,962	815,622	539,825	—	130	—	1,506,539
Depreciation	15,488,599	—	—	—	—	—	15,488,599
Loss on disposal of assets	—	—	—	—	34,445	—	34,445
Amortization	11,950	—	—	—	—	—	11,950
Cost of goods sold	—	7,222	16,678	4,456,773	—	—	4,480,673
Interest	321,000	—	—	—	—	—	321,000
Total expenses and losses	\$ 39,109,782	2,391,141	1,416,085	13,361,460	4,576,580	507,079	61,362,127

Departmental segmentation is used to allocate the natural expenses to the various functions, with the exception of CEO fundraising, employee benefits, insurance (workers compensation, property, general liability), and credit card processing fees. Twenty-five percent of CEO compensation and benefits was reallocated from Management and General to Fundraising. Employee benefits and workers compensation insurance were reallocated from Management and General to all functions based on each function's salaries as a percentage of total salaries. Finally, from Management and General, property and general liability insurance was reallocated to Animal Care & Zoo Operations and credit card processing fees was reallocated to Visitor Services & Marketing.

(11) Financial Assets and Liquidity Resources

As of December 31, 2021, the Society has a working capital balance of \$60,980,289 and average day's cash on hand of 327 days, based on normal expenditures.

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Notes to Financial Statements

December 31, 2021

The following table reflects the Society's financial assets as of December 31, 2021, reduced by amounts not available for general use because of contractual, board or donor-imposed restrictions within one year of the balance sheet date:

Financial assets:	
Cash and cash equivalents	\$ 39,931,851
Less those unavailable for general expenditure within one year due to:	
Funds designated as board designated contingency fund	(2,452,693)
Funds designated to facility renewal and new capital projects	<u>(11,278,789)</u>
	<u>(13,731,482)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,200,369</u>

The Society structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Working capital and cash flows have seasonal variations related to zoo visitation and business levels. The designations related to the contingency funds and the facility renewal and maintenance project funds could be removed if the board approved that action.

(12) Endowment

The Foundation holds endowment funds for support of the programs and operations of the Society. These assets are reflected in the beneficial interest in net assets of related organization on the Society's statement of financial position. As required by GAAP, net assets and the changes therein associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Interest, dividends, and net appreciation of the donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purpose of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation

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Notes to Financial Statements

December 31, 2021

- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policy of the Foundation

Endowment Net Asset Composition by Type of Fund

December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	3,354,987	3,354,987

Changes in Endowment Net Assets

Year ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Net assets, beginning of year	\$ —	2,974,049	2,974,049
Investment return:			
Investment income	—	45,601	45,601
Net appreciation (realized and unrealized)	—	379,392	379,392
Total investment return	—	424,993	424,993
Appropriation of endowment assets for expenditure	—	(44,055)	(44,055)
Endowment net assets, end of year	\$ —	3,354,987	3,354,987

(a) Return Objectives and Risk Parameters

The Foundation's endowment funds are managed to produce a total return that meets its internal objectives over time in terms of generating cash flow to supplement Society operations and achieving some capital growth over the long run in order to protect the endowment capital against inflation. The Foundation's investment policy, investment objectives, target asset allocation, and investment returns as compared to index benchmarks are reviewed periodically by the board of directors. Based on these reviews, the investment policy, investment objectives, and target assets allocation are adjusted from time to time as the Foundation's objectives change and as capital market conditions warrant.

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December 31, 2021

(b) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's endowment funds are managed against long-term asset allocation targets that are designed to meet the Foundation's long-term total return objective. In recent years, the Foundation has increased its allocation to equities in order to generate a higher return over time in order to replace investment income lost due to a declining interest rate environment. The Foundation's investment policy contains a number of risk control parameters, including allowable ranges for various asset classes, quality standards for individual securities, and diversification requirements.

(c) *Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy*

The Foundation appropriates distributions in its annual budget while considering the operations of the Foundation and the Society as well as expected investment returns and new endowment contributions. Annual appropriations generally range between 3% and 6% of the endowment fund's average fair value over the prior 12 quarters. Thus, the Foundation expects to achieve real growth of its endowment assets from the total return on investments as well as from the receipt of new gifts.

(13) COVID-19 Pandemic

The Shuttered Venue Operators Grant (SVOG) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act in December 2020 and amended by the American Rescue Plan Act in March 2021. During 2021, the Society received \$10,000,000 of funding through the SVOG program to assist the organization due to the dramatic loss of revenue caused by the pandemic and related State mandated restrictions. The Society believes that it has met the requirements as outlined in the grant agreements and has recognized them as revenue in the accompanying statement of activities.

(14) Subsequent Events

The Society has evaluated subsequent events from the statement of financial position date through April 18, 2022, the date at which the financial statements were issued.