

NASHVILLE ZOO INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

NASHVILLE ZOO INC.
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Report of Independent Auditor

To the Board of Directors
Nashville Zoo Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Nashville Zoo Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Zoo Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of an Error

As discussed in Note 17 to the financial statements, an error in previously reported deferred revenue relating to memberships, was discovered by management of Nashville Zoo Inc. during the current year. Accordingly, Nashville Zoo Inc. restated deferred revenue and net assets at January 1, 2019 in order to properly state amounts deferred related to memberships at that date. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 16, toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which has negatively impacted the Organization's operations. Although it is not possible to reliably estimate the length or severity of this outbreak and, hence, its financial impact, COVID-19 has created uncertainties that could affect results of operations and cause other material, adverse effects to the Organization. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Cheryl Beckett LLP". The signature is written in a cursive, flowing style.

Nashville, Tennessee
April 15, 2021

NASHVILLE ZOO INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019 (as restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 22,628,138	\$ 21,194,796
Contributions receivable, net	410,200	524,339
Prepaid expenses and other assets	552,767	538,414
Total Current Assets	23,591,105	22,257,549
Contributions receivable, net of current portion	4,883,726	5,328,563
Prepaid membership	47,579	46,242
Investments	21,930,089	19,584,491
Construction in progress	5,027,907	4,541,748
Property and equipment, net	61,098,444	61,642,787
Total Assets	\$ 116,578,850	\$ 113,401,380
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,201,149	\$ 1,385,857
Deferred revenue	2,280,384	2,234,160
Total Current Liabilities	3,481,533	3,620,017
Deferred revenue, concessionaire	2,196,481	772,667
Total Liabilities	5,678,014	4,392,684
Net Assets:		
Without donor restrictions	78,371,376	76,102,522
With donor restrictions	32,529,460	32,906,174
Total Net Assets	110,900,836	109,008,696
Total Liabilities and Net Assets	\$ 116,578,850	\$ 113,401,380

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

NASHVILLE ZOO INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Contributions	\$ 3,137,655	\$ 3,400,325	\$ 6,537,980
Gate admissions	3,058,014	-	3,058,014
Park income and events	2,225,436	-	2,225,436
Memberships	2,658,045	-	2,658,045
Special events	1,151,179	-	1,151,179
Grants	2,728,380	-	2,728,380
Other	225,927	-	225,927
Education	142,625	-	142,625
Investment gain	2,549,640	-	2,549,640
Total Public Support and Revenues	17,876,901	3,400,325	21,277,226
Net assets released from restrictions	3,777,039	(3,777,039)	-
	21,653,940	(376,714)	21,277,226
Expenses:			
Program	16,158,223	-	16,158,223
Management and general	1,579,163	-	1,579,163
Fundraising	1,647,700	-	1,647,700
Total Expenses	19,385,086	-	19,385,086
Change in net assets	2,268,854	(376,714)	1,892,140
Net assets, beginning of year	76,102,522	32,906,174	109,008,696
Net assets, end of year	\$ 78,371,376	\$ 32,529,460	\$ 110,900,836

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

NASHVILLE ZOO INC.
STATEMENT OF ACTIVITIES (AS RESTATED)

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Contributions	\$ 1,225,296	\$ 6,518,302	\$ 7,743,598
Gate admission	6,942,636	-	6,942,636
Park income and events	5,204,425	-	5,204,425
Memberships	4,266,449	-	4,266,449
Special events	2,559,824	-	2,559,824
Grants	1,709,617	-	1,709,617
Other	486,301	-	486,301
Education	440,793	-	440,793
Investment gain	3,221,560	-	3,221,560
Total Public Support and Revenues	26,056,901	6,518,302	32,575,203
Net assets released from restrictions	2,729,331	(2,729,331)	-
	28,786,232	3,788,971	32,575,203
Expenses:			
Program	17,612,165	-	17,612,165
Management and general	2,245,450	-	2,245,450
Fundraising	2,203,250	-	2,203,250
Total Expenses	22,060,865	-	22,060,865
Change in net assets	6,725,367	3,788,971	10,514,338
Net assets, beginning of year, as restated (Note 17)	69,377,155	29,117,203	98,494,358
Net assets, end of year	\$ 76,102,522	\$ 32,906,174	\$ 109,008,696

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

NASHVILLE ZOO INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 5,993,229	\$ 969,906	\$ 1,043,535	\$ 8,006,670
Depreciation	4,385,459	-	-	4,385,459
Benefits	1,321,831	204,165	219,664	1,745,660
Repairs and maintenance	821,010	28,361	87,236	936,607
Utilities	899,089	-	-	899,089
Office supplies	629,158	53,741	166,295	849,194
Animal care	649,869	-	62	649,931
Information technology	365,830	25,000	-	390,830
Conservation	335,164	-	-	335,164
Advertising and promotion	319,959	-	7,574	327,533
Bank and investment fees	-	208,005	78,033	286,038
Insurance	258,854	-	-	258,854
Other	23,824	60,011	7,710	91,545
Dues and subscriptions	57,556	298	-	57,854
Conference, convention and meetings	16,483	9,616	19,591	45,690
Park services	44,652	-	-	44,652
Grants awarded	31,254	-	-	31,254
Business licenses and permits	2,595	16,242	-	18,837
Donor development	-	-	15,806	15,806
Travel expenses	2,407	3,818	86	6,311
Fundraising fees	-	-	2,108	2,108
	<u>\$ 16,158,223</u>	<u>\$ 1,579,163</u>	<u>\$ 1,647,700</u>	<u>\$ 19,385,086</u>

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

NASHVILLE ZOO INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 6,622,311	\$ 1,040,639	\$ 874,573	\$ 8,537,523
Depreciation	4,247,521	-	-	4,247,521
Fundraising fees	717,459	-	1,093,199	1,810,658
Benefits	1,056,774	180,371	177,679	1,414,824
Animal care	993,012	-	-	993,012
Repairs and maintenance	985,397	-	-	985,397
Other	617,613	247,682	-	865,295
Utilities	834,702	-	-	834,702
Conservation	537,620	-	-	537,620
Advertising and promotion	457,282	-	-	457,282
Bank and investment fees	-	395,975	-	395,975
Insurance	378,157	-	-	378,157
Office supplies	-	313,567	-	313,567
Park services	88,849	-	-	88,849
Business licenses and permits	75,468	-	-	75,468
Travel expenses	-	67,216	-	67,216
Donor development	-	-	57,799	57,799
	<u>\$ 17,612,165</u>	<u>\$ 2,245,450</u>	<u>\$ 2,203,250</u>	<u>\$ 22,060,865</u>

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

NASHVILLE ZOO INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019 (as restated)
Cash flows from operating activities:		
Change in net assets	\$ 1,892,140	\$ 10,514,338
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Noncash contributions of property and equipment	-	(34,979)
Depreciation and amortization	4,385,459	4,247,521
Realized and unrealized gain on investments	(2,089,168)	(2,553,134)
Discount on contributions receivable	60,238	(17,155)
Contributions restricted for long-term purposes	-	(350,000)
Grants received for long-term purposes	-	(1,683,215)
Receipt of donated stock	(2,806,906)	(5,147,161)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(14,353)	850
Prepaid membership	(1,337)	(4,382)
Accounts payable and accrued expenses	(184,708)	(592,568)
Deferred revenue	1,470,038	(23,845)
Net cash flows from operating activities	<u>2,711,403</u>	<u>4,356,270</u>
Cash flows from investing activities:		
Purchases of property and equipment and construction in progress	(4,327,275)	(5,941,524)
Purchases of investments	(5,839,481)	(8,339,424)
Sales of investments	8,389,957	13,073,301
Net cash flows from investing activities	<u>(1,776,799)</u>	<u>(1,207,647)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	498,738	1,496,567
Grants received for long-term purposes	-	1,944,469
Net cash flows from financing activities	<u>498,738</u>	<u>3,441,036</u>
Change in cash and cash equivalents	1,433,342	6,589,659
Cash and cash equivalents, beginning of year	21,194,796	14,605,137
Cash and cash equivalents, end of year	<u>\$ 22,628,138</u>	<u>\$ 21,194,796</u>
Supplemental schedule of noncash investing and financing activities:		
Receipt of donated property and equipment	<u>\$ -</u>	<u>\$ 34,979</u>
Receipt of donated stock	<u>\$ 2,806,906</u>	<u>\$ 5,147,161</u>

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

NASHVILLE ZOO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1—Nature of organization and summary of significant accounting policies

Nashville Zoo Inc. (the “Organization”) was chartered in November 1989 as a Tennessee nonprofit corporation. The Organization’s mission is to inspire a culture of understanding and discovery of our natural world through conservation, innovation, and leadership. During March 2004, the Organization was granted accreditation by the Association of Zoos and Aquariums (“AZA”), assuring that the Organization meets the highest standards of animal care and husbandry. This accreditation makes the Organization eligible for funding and grants from certain foundations, corporations, and other sources. The Organization is required to apply for accreditation every five years and was awarded accreditation most recently in March 2019.

The Organization receives funding from private contributions, government grants, program fees, and admissions. The Organization’s significant accounting policies are as follows:

Financial Statement Presentation – In accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a restriction expires, 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.

Revenue Recognition, Accounts Receivable, Allowance for Doubtful Accounts, and Deferred Revenue – See Note 2.

Contributions – In accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for nonprofit organizations, contributions, and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as increases in net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional contributions are recognized when the specified donor conditions have been met.

In-Kind Contributions – The Organization records various types of in-kind support including contributed materials, equipment, and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The value of animals borrowed from other organizations or individuals is generally not included in revenue or expense since no objective basis is available to measure such donation. In addition, the Organization receives a significant amount of contributed services not meeting the criteria for recognition.

Animal Collection – Purchases of the Organization’s animal collection are accounted for as an expense in the period acquired. Proceeds, if any, from the sale of any animals are accounted for as revenue in the period sold. No cost is assigned to animals born at the Organization.

NASHVILLE ZOO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1—Nature of organization and summary of significant accounting policies (continued)

Cash and Cash Equivalents – The Organization considers all cash funds, cash bank accounts, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Property and Equipment – Property and equipment are recorded at cost and are depreciated over their estimated useful lives using a straight-line method. Estimated useful lives of major classes of property and equipment are as follows:

Buildings, exhibits, and improvements	5-40 years
Equipment	3-10 years
Vehicles	3-8 years

Functional Expenses – The cost of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While most costs have been directly assigned to a functional category, certain salaries and wages have been allocated to program, management and general, and fundraising based on time and effort estimates made by management.

Advertising Costs – Advertising costs are generally expensed as incurred. Advertising and promotion expenses totaled \$327,533 and \$457,282 during 2020 and 2019, respectively.

Income Taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Organization follows FASB ASC guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no significant tax penalties or interest reported in the accompanying financial statements.

Restricted Endowment Funds – The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures not previously required.

Reclassifications – Certain reclassifications have been made to 2019 balances to conform with 2020 presentation.

Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

NASHVILLE ZOO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1—Nature of organization and summary of significant accounting policies (continued)

Accounting Policies for Future Pronouncement – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending December 31, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 2—Revenue

On January 1, 2019, the Organization adopted FASB Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under ASC 606, revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Performance Obligations and Revenue Recognition – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The contract obligation for gate admissions, park income and events revenue, and education revenue is generally satisfied at the time these services are provided or when a good is transferred to the customer. The contract performance obligation for memberships and sponsorship agreements is performed over the membership or contract period.

The Organization also recognizes commission revenues for sales of food, concessions, and products sold in the gift shop under agreements with its third party concessionaire, generally on a monthly basis. In addition to commission revenue, the Organization also may receive one-time payments from the concessionaire for infrastructure build out. Such payments are recognized ratably over the related concession agreement (Note 15).

Grants received from governmental agencies are generally recognized as related costs are incurred.

Contract Balances – Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying statements of financial position totaled \$4,476,865 and \$3,006,827 as of December 31, 2020 and 2019, respectively. Deferred revenue represents income from membership dues, event fees, and gift certificates. These are deferred when received and amortized over the terms of the membership or contract period. Rental income is derived from rental of the Organization’s campus for weddings, corporate events, and similar activities. Other revenues are received for special events. Revenues received in advance are deferred and recognized in the period the related event takes place. The deferred income related to gift certificates is recognized when redeemed.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Revenue (continued)

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2020:

	Membership Dues	Gift Certificates	Concessionaire	Other	Total
Deferred revenue, beginning of year	\$ 1,592,008	\$ 519,835	\$ 772,667	\$ 122,317	\$ 3,006,827
Revenue recognized that was included in deferred revenue at the beginning of year	(1,592,008)	(322,122)	(177,210)	(71,109)	(2,162,449)
Increase in deferred revenue due to cash received during the year	1,601,724	339,069	1,601,024	90,670	3,632,487
Deferred revenue, end of year	<u>\$ 1,601,724</u>	<u>\$ 536,782</u>	<u>\$ 2,196,481</u>	<u>\$ 141,878</u>	<u>\$ 4,476,865</u>

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2019, as restated:

	Membership Dues	Gift Certificates	Concessionaire	Other	Total
Deferred revenue, beginning of year	\$ 1,670,259	\$ 422,555	\$ 869,250	\$ 68,608	\$ 3,030,672
Revenue recognized that was included in deferred revenue at the beginning of year	(222,125)	(324,006)	(96,583)	(7,150)	(649,864)
Increase in deferred revenue due to cash received during the year	143,874	421,286	-	60,859	626,019
Deferred revenue, end of year	<u>\$ 1,592,008</u>	<u>\$ 519,835</u>	<u>\$ 772,667</u>	<u>\$ 122,317</u>	<u>\$ 3,006,827</u>

Note 3—Liquidity and availability of resources

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. 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. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	2020	2019
Financial assets:		
Cash and equivalents	\$ 22,628,138	\$ 21,194,796
Contributions receivable, net, current portion	410,200	524,339
Less amounts not available to be used within one year:		
Donor-restricted cash and cash equivalents	(15,576,398)	(15,454,386)
Contributions receivable with donor restrictions	(410,200)	(524,339)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,051,740</u>	<u>\$ 5,740,410</u>

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 3—Liquidity and availability of resources (continued)

The Organization's endowment funds consist of donor-restricted funds. Generally, donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes. Donor-restricted endowment funds are not available for general expenditure (see Note 9).

Note 4—Contributions receivable

Unconditional promises to give are due from individuals, foundations, and corporations located in the Middle Tennessee area and are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 5,535,200	\$ 6,033,938
Less discount on contributions receivable	<u>(241,274)</u>	<u>(181,036)</u>
Net contributions receivable	<u>\$ 5,293,926</u>	<u>\$ 5,852,902</u>

The discount rate used to determine the present value of contributions receivable was 3.25% at December 31, 2020 and 2019. Balances of contributions receivable in less than one year are considered to approximate fair value.

Contributions receivable are scheduled to be received as follows at December 31, 2020:

Receivable in less than one year, net	\$ 410,200
Receivable in one to five years, net	<u>4,883,726</u>
	<u>\$ 5,293,926</u>

Contributions receivable are considered fully collectible and no allowance for doubtful accounts has been provided. Additionally, 92% and 85% of the Organization's contributions receivable at December 31, 2020 and 2019, respectively, were due from one donor. This donor has been a long-term supporter of the Organization and the receivable is deemed to be fully collectible.

Note 5—Fair value measurements

The Organization has adopted the fair value measurement topic of FASB ASC, which establishes a framework for measuring fair value. The framework 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

NASHVILLE ZOO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 5—Fair value measurements (continued)

The three levels of the fair value hierarchy are described below:

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 the following:

- 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; and
- 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 (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. Unobservable inputs are developed based on the best information available in the circumstances. The reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in valuation methodologies during 2020 or 2019.

A description of the valuation methodologies used for assets measured at fair value is as follows:

Mutual Funds – Valued based upon independent third party pricing for the majority of fund holdings. Independent third party pricing sources are used to price all security positions for which a readily determinable market price is available. Securities for which third party pricing sources are not available are priced on a "fair value" basis as determined by the fund's management.

Hedge Funds – The Organization invests in funds that use derivative financial instruments to hedge against adverse changes in interest rates and foreign exchange rates. The underlying investments of the derivative funds are valued by the custodian based on the last, prior sales price on the principal board of trade or other contracts market or by quotations from the contra party bank.

Private Capital/Partnerships – Valued at prices quoted by various inactive markets and/or independent financial analysts.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 5—Fair value measurements (continued)

The following tables summarize the Organization's major categories of assets measured at fair value on a recurring basis on the statements of financial position, by the ASC 820 valuation hierarchy (as described above), as of December 31, 2020 and 2019, respectively:

	2020			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 2,195,949	\$ -	\$ -	\$ 2,195,949
Public Equity:				
Large cap U.S. equity	8,360,948	436,017	-	8,796,965
International equity	853,451	1,301,848	-	2,155,299
Small/mid cap growth fund	759,519	-	-	759,519
Small/mid cap value fund	1,522,188	-	-	1,522,188
Other	825,788	-	-	825,788
Total Public Equity	12,321,894	1,737,865	-	14,059,759
Fixed Income:				
Intermediate term	1,708,140	-	-	1,708,140
Core strategies	-	932,421	-	932,421
High yield strategies	-	-	-	-
Short duration	-	146,296	-	146,296
Opportunistic	-	-	-	-
Total Fixed Income	1,708,140	1,078,717	-	2,786,857
Other Investments:				
Private equity	-	-	1,531,685	1,531,685
Hedge and low volatility strategies	-	-	841,977	841,977
Private real estate	-	-	513,862	513,862
Total Other Investments	-	-	2,887,524	2,887,524
	\$ 16,225,983	\$ 2,816,582	\$ 2,887,524	\$ 21,930,089

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 5—Fair value measurements (continued)

	2019			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 1,279,812	\$ -	\$ -	\$ 1,279,812
Public Equity:				
Large cap U.S. equity	5,999,989	436,017	-	6,436,006
International equity	1,594,729	1,301,848	-	2,896,577
Small/mid cap growth fund	2,152,663	-	-	2,152,663
Small/mid cap value fund	790,930	-	-	790,930
Other	236,840	-	-	236,840
Total Public Equity	10,775,151	1,737,865	-	12,513,016
Fixed Income:				
Intermediate term	1,243,119	-	-	1,243,119
Core strategies	-	785,962	-	785,962
High yield strategies	234,272	-	-	234,272
Short duration	294,922	170,591	-	465,513
Opportunistic	200,222	-	-	200,222
Total Fixed Income	1,972,535	956,553	-	2,929,088
Other Investments:				
Private equity	-	-	1,494,484	1,494,484
Hedge and low volatility strategies	-	-	823,707	823,707
Private real estate	-	-	544,384	544,384
Total Other Investments	-	-	2,862,575	2,862,575
	<u>\$ 14,027,498</u>	<u>\$ 2,694,418</u>	<u>\$ 2,862,575</u>	<u>\$ 19,584,491</u>

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 5—Fair value measurements (continued)

The following table provides a summary of changes in investments shown as Level 3 within the fair value hierarchy for the years ended at December 31, 2020 and 2019:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Hedge Funds	Private Capital/ Partnerships	Total
Balance at December 31, 2018	\$ 772,725	\$ 1,863,095	\$ 2,635,820
Realized gains	-	41,903	41,903
Unrealized gains relating to instruments still held at the reporting date	50,982	116,634	167,616
Purchases	-	263,242	263,242
Sales	-	(246,006)	(246,006)
Balance at December 31, 2019	823,707	2,038,868	2,862,575
Realized gains	-	64,885	64,885
Unrealized gains relating to instruments still held at the reporting date	18,270	(69,631)	(51,361)
Purchases	-	257,782	257,782
Sales	-	(246,357)	(246,357)
Balance at December 31, 2020	\$ 841,977	\$ 2,045,547	\$ 2,887,524

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements:

The Organization's Level 3 investments have been valued using the unadjusted net asset value of investments or its equivalent. No unobservable inputs internally developed by the Organization have been applied to these investments. Therefore, the table disclosing the valuation techniques used to measure the fair value of those investments and the significant unobservable inputs has been excluded.

At December 31, 2020 and 2019, the Organization's investments held for endowment purposes totaled \$20,892,918 and \$18,549,637, respectively, and investments held for unrestricted purposes totaled \$1,037,171 and \$1,034,854, respectively.

The Organization has adopted certain asset allocation policies relating to its investments.

The following schedule summarizes the investment returns for the years ended December 31:

	2020	2019
Interest and dividends	\$ 460,472	\$ 668,426
Realized and unrealized gain, net	2,089,168	2,553,134
Investment gain	\$ 2,549,640	\$ 3,221,560

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 6—Property and equipment

Property and equipment are summarized as follows at December 31:

	2020	2019
Buildings, exhibits, and improvements	\$ 92,690,408	\$ 89,170,517
Land	200,000	200,000
Equipment	5,020,886	4,835,599
Vehicles	874,475	874,475
	98,785,769	95,080,591
Less accumulated depreciation	(37,687,325)	(33,437,804)
Net property and equipment	<u>\$ 61,098,444</u>	<u>\$ 61,642,787</u>

Construction in progress at December 31, 2020 and 2019 represents ongoing construction of various animal exhibits and infrastructure as follows:

	2020	2019
Animal exhibits	\$ 575,142	\$ 245,574
Infrastructure	4,452,765	4,296,174
	<u>\$ 5,027,907</u>	<u>\$ 4,541,748</u>

Note 7—Line of credit

During September 2019, the Organization entered into a line of credit agreement with its principal depository, which provides for maximum borrowings of \$1,500,000. The note evidencing the arrangement accrues interest at a variable rate of LIBOR plus 1.75% and is secured by certain Organization investment accounts. Amounts outstanding are due on demand. In September 2020, the arrangement was amended. The new arrangement allows for maximum borrowings of \$3,000,000 and stipulates a variable rate of interest at LIBOR plus 1.25%, payable monthly. This arrangement matures on August 31, 2022 at which time all principal is due. This arrangement is secured by certain of the Organization's deposits and investments. There were no amounts outstanding under the line of credit arrangement at December 31, 2020 or 2019.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 8—Net assets with donor restrictions

The Organization receives contributions from donors with the stipulation that such contributions are to be used for specific purposes or periods. Such restrictions are available as follows at December 31:

	2020	2019
Subject to expenditure for specified purpose:		
Africa exhibit	\$ 12,314,633	\$ 10,046,715
Capital campaign	6,140,154	6,967,272
Parking garage	767,305	822,244
Komodo	492,910	-
Other	321,129	834,645
Andean bear exhibit	237,300	411,783
Veterinary hospital	226,653	412,488
Tiger exhibit	175,000	275,000
Cougar exhibit	136,190	86,190
Jungle gym	100,000	-
Rhino exhibit	100,000	600,303
Promise Park	63,642	-
Peafowl/shrike	18,053	18,053
Avian department	10,600	8,130
Morton cabin	8,040	5,500
Children's zoo	-	1,000,000
General endowment to be held for production of income	11,417,851	11,417,851
	<u>\$ 32,529,460</u>	<u>\$ 32,906,174</u>

Note 9—Endowment

The Organization's endowment consists of donor-restricted gifts held in investment accounts. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the fiscal year ended December 31, 2020 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,131,786	\$ 11,417,851	\$ 18,549,637
Contributions	-	-	-
Amounts appropriated for expenditure	-	-	-
Investment return:			
Investment income	254,114	-	254,114
Net appreciation (realized and unrealized)	2,089,167	-	2,089,167
Endowment net assets, end of year	<u>\$ 9,475,067</u>	<u>\$ 11,417,851</u>	<u>\$ 20,892,918</u>

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 9—Endowment (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2019 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,184,270	\$ 11,417,851	\$ 15,602,121
Contributions	-	-	-
Amounts appropriated for expenditure	-	-	-
Investment return:			
Investment income	355,601	-	355,601
Net depreciation (realized and unrealized)	2,591,915	-	2,591,915
Endowment net assets, end of year	<u>\$ 7,131,786</u>	<u>\$ 11,417,851</u>	<u>\$ 18,549,637</u>

Interpretation of Relevant Law – The Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as endowment 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 remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions as those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, there were no deficiencies of this nature at December 31, 2020 or 2019.

Endowment Investment Policy and Risk Parameters – The Organization has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity or for a donor-specified period.

Under this policy, the Organization's investment policy is generally to achieve a minimum real rate of return exceeding a blended benchmark comprising major U.S. investment indices by maintaining 20% to 80% of its portfolio in equities, 5% to 50% of its portfolio in fixed income securities, 10% to 40% in alternative assets, with the remaining 0% to 20% in cash equivalents.

Strategies Employed for Achieving Investment Objectives – To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NASHVILLE ZOO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 9—Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Organization has a policy of appropriating, as necessary, dividend and interest income from the endowment fund. Based on the Organization's investment policy statement adopted in September 2015, the Organization may disburse up to 5% of endowment principal market value on an annual basis calculated on a three-year rolling average. Specific agreements with donors for income taken relative to their specific endowment gifts are exempted.

Note 10—In-kind contributions

The Organization received contributed property and equipment, tangible goods, and professional services during 2020 and 2019 meeting the requirements for recognition totaling \$461,848 and \$45,163, respectively.

Note 11—Government grants

Since 2013, the Organization received grants from the Metropolitan Government of Nashville and Davidson County ("Metro") to be used for construction, renovation, and improvements. The first award of \$5,000,000 was utilized by the Organization in 2013-2015. During 2014, the Organization received additional funding of \$10,000,000 to be used for these projects. The funding available under this arrangement was exhausted during 2017. Additionally, during 2015, Metro provided an additional \$10,000,000 in funding subject to the Organization's match of a like amount. For the years ended December 31, 2020 and 2019, the Organization recognized grant revenue totaling \$210,925 and \$1,683,215, respectively, for infrastructure, new exhibits, and the veterinarian hospital. Remaining grant funds are expected to be recognized and received in future years. Amounts receivable under this grant agreement totaled \$-0- at December 31, 2020 and 2019, respectively.

During 2015, the Organization received a grant from the state of Tennessee totaling \$200,000. Under the terms of the grant, the Organization is reimbursed for expenditures related to the entry village project. In October 2017, October 2018 and October 2019, this arrangement was amended to allow for reimbursement of expenditures related to additional construction projects. The most recent amendment extended the contract period through October 31, 2020, and expanded the maximum reimbursement to \$900,000. For the years ended December 31, 2020 and 2019, the Organization recognized grant revenue totaling \$150,000 and \$-0-, respectively, under these grant arrangements. Amounts receivable under these grants totaled \$-0- at December 31, 2020 and 2019.

During fiscal 2020, the Organization received a Paycheck Protection Program loan ("PPP") in the amount of \$1,791,457. The PPP loan was granted by the Small Business Administration under the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization has recognized grant revenue for the full amount of \$1,791,457 for the year ended December 31, 2020, because the conditions for forgiveness had been substantially met at December 31, 2020. Subsequent to December 31, 2020, the Organization received notification of the loan's forgiveness.

NASHVILLE ZOO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 12—Concentrations

At times throughout the year, the Organization may maintain cash balances at financial institutions in excess of Federal Deposit Insurance Corporation insured limits. Amounts in excess of these limits totaled approximately \$22,385,000 and \$21,506,000 at December 31, 2020 and 2019, respectively. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

The Organization utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

During 2017, the Organization recognized a \$5,000,000 contribution from one donor which was outstanding at both December 31, 2020 and 2019. The same donor made a contribution of approximately \$2,766,000 during 2020. This comprised approximately 13% of total public support and revenues. Similarly, during 2019, the same donor made a contribution of approximately \$4,950,000, representing 15% of the total public support and revenues for the year ended December 31, 2019.

Note 13—Leases

During 1997, the Organization executed a lease with Metro with the express purpose of moving the Nashville Zoo from Joelton, Tennessee to Grassmere Wildlife Park. Grassmere Wildlife Park, located within the city of Nashville, Tennessee, contains approximately 182 acres of land with various land improvements and buildings. The lease extends for 40 years and required a payment of \$40 with no further amounts due. Grassmere Wildlife Park is governed by a trust document which restricts the use of the park to nature study and the preservation of animals. At the end of the lease term, all permanent improvements made to the property revert to Metro.

Fair value of the lease has not been reflected in the accompanying financial statements because objective valuation information is not available due to the unique characteristics and public park location of the facilities. Additionally, there are certain restrictions placed on the use of the land by the trust document. Accordingly, no contribution or rental expense has been recorded in the financial statements.

The Organization has also entered into operating leases for various office equipment. The leases require total annual payments of approximately \$18,000 and extend through 2021.

Note 14—Retirement plans

Effective May 1, 2002, the Organization established the Nashville Zoo Inc. 401(k) Plan (the "Plan"). Full time employees over the age of 21 with at least one year of service are eligible to participate in the Plan. Participants may elect to defer a percentage of their pretax annual compensation, subject to certain discrimination tests prescribed by the Internal Revenue Code and other limitations specified in the Plan. Discretionary contributions will be made to the Plan as determined by the Board of Directors. During 2014, the Organization's Board of Directors approved an amendment to the Plan to match 50% of employee contributions up to a 3% match. This amendment was effective July 2015. During 2015, the Board approved an amendment to the Plan to provide safe harbor and matching contributions effective January 1, 2016. Under terms of the Plan amendments, the Organization will match 100% of employees' first 3% of contributions and 50% of employees' next 2% of contributions.

During 2010, the Organization's Board of Directors approved an additional retirement fund for key employees.

Total retirement expense related to all retirement plans for 2020 and 2019 was \$322,717 and \$202,740, respectively.

NASHVILLE ZOO INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 15—Agreements

The Organization has entered into an agreement with a concessionaire for restaurant and gift shop operations at the zoo facility. This agreement began on January 1, 2006. During 2016, this agreement was amended to extend through December 31, 2027. The Organization will receive fees under this agreement based on a percentage of gross receipts. Income from the agreement totaled approximately \$829,646 and \$1,627,000 for 2020 and 2019, respectively, and is included in park income and events in the accompanying statements of activities.

In conjunction with the agreement amendment discussed above, the concessionaire paid the Organization \$1,159,000 in lieu of monthly fees. Such payment is being recognized ratably over the remaining term of the agreement. Accordingly, under this agreement, income of \$96,583 was recognized during 2020 and 2019 and \$676,084 and \$772,667 is included in deferred revenue at December 31, 2020 and 2019, respectively.

During 2019, the concessionaire agreement was amended again to extend through December 31, 2032. Additionally, the concessionaire made another payment to the Organization of \$1,601,024 during 2020 in lieu of monthly fees. Such payment is being recognized ratably over the remaining term of the agreement. Accordingly, under this amendment, income of \$80,627 was recognized during 2020 and \$1,520,397 is included in deferred revenue at December 31, 2020.

During 2017, the Organization entered into a lease arrangement as a lessor with a third party for use of certain barn space for a 12-year term. Under this arrangement, the Organization received a one-time payment of \$75,000, which is being recognized ratably over the lease term. At December 31, 2020 and 2019, \$56,250 and \$61,458 is recorded in deferred revenue, respectively.

Note 16—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak could have a material, adverse impact on the economic and market conditions and trigger a period of global economic shutdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

Note 17—Restatement

Effective January 1, 2019, the Organization restated deferred revenue related to memberships, and net assets to properly state these accounts at that date. This correction resulted in the following restatement:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2019, as previously stated	\$ 70,825,289	\$ 29,117,203	\$ 99,942,492
Restatement of deferred revenue	(1,448,134)	-	(1,448,134)
Net assets, January 1, 2019 as restated	<u>\$ 69,377,155</u>	<u>\$ 29,117,203</u>	<u>\$ 98,494,358</u>

There was no significant change in membership revenue during 2020 or 2019 as a result of this restatement.

NASHVILLE ZOO INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 18—Subsequent events

The Organization evaluated subsequent events through April 15, 2021, when these financial statements were available to be issued.

Subsequent to December 31, 2020, the Organization obtained a federal loan of approximately \$1,806,000 under the second round of the CARES Act Paycheck Protection Program. Similarly to the funding received and recognized in 2020, as described in Note 11, the Organization intends to transition such loan to a grant under the program's loan forgiveness provisions.