Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2020

CohnReznick
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Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

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Independent Auditor's Report

To the Board of Trustees
Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

We have audited the accompanying consolidated financial statements of Zoological Society of San Diego dba San Diego Zoo Wildlife Alliance ("SDZWA"), which comprise the consolidated statement of financial position as of December 31, 2020, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the period from December 30, 2019 through December 31, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SDZWA as of December 31, 2020, and the changes in its net assets and its cash flows for the period from December 30, 2019 through December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

San Diego, California
April 22, 2021

Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

Consolidated Statement of Financial Position
December 31, 2020
(In thousands)

Assets

Cash and cash equivalents	$	47,884
Operating investments		26,822
Accounts receivable, net		11,892
Inventories, net		3,456
Prepaid expenses and other assets		11,206
Cash restricted for long-term capital projects and endowments		79,116
Unconditional promises to give, net		18,846
Split-interest agreements		37,970
Beneficial interests in assets held by others		15,377
Endowments		
Investments		215,156
Promises to give, net		20,325
Split-interest agreements		706
Property and equipment, net		338,428
Total assets	$	827,184

Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

Consolidated Statement of Financial Position
December 31, 2020
(In thousands)

Liabilities and Net Assets

Liabilities		
Accounts payable	$	16,312
Accrued salaries and salary related expenses		28,557
Deferred support and revenue		22,895
Liabilities under split interest arrangements		16,371
Liability for pension benefits		121,344
Debt, net		59,687
Other accrued expenses		590
Total liabilities		265,756
Commitments and contingencies		
Net assets		
Without donor restrictions		
Undesignated		188,209
Designated by the Board for endowment		86,599
		274,808
With donor restrictions		
Perpetual in nature		138,958
Purpose restrictions		118,720
Time-restricted for future periods		28,942
		286,620
Total net assets		561,428
Total liabilities and net assets	$	827,184

See Notes to Consolidated Financial Statements.

Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

Consolidated Statements of Activities and Changes in Net Assets
Period from December 30, 2019 through December 31, 2020
(In thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues and support			
Admissions and memberships	$ 68,723	$ -	$ 68,723
Auxiliary activities	59,443	-	59,443
Contributions	15,783	81,087	96,870
Tax revenue and other	18,360	-	18,360
Net assets released from restrictions	59,228	(59,228)	-
Total revenue and support	221,537	21,859	243,396
Expenses			
Program services expense			
Zoological habitat and wildlife care	207,123	-	207,123
Research and conservation	24,104	-	24,104
Education and outreach	6,828	-	6,828
Total program services expense	238,055	-	238,055
Supporting services expense			
Management and general	39,466	-	39,466
Fundraising and development	9,330	-	9,330
Total supporting services expense	48,796	-	48,796
Total expenses	286,851	-	286,851
Change in net assets from operating activities	(65,314)	21,859	(43,455)
Other changes in net assets			
Investment income, net	12,585	12,683	25,268
Interest expense	(7,988)	-	(7,988)
Change in value of split-interest agreements	-	2,309	2,309
Distributions from and change in value of beneficial interest in assets held by others	-	696	696
Pension-related change other than net periodic pension cost	(48,662)	-	(48,662)
Change in net assets	(109,379)	37,547	(71,832)
Net assets at beginning of year	384,187	249,073	633,260
Net assets at end of year	$ 274,808	$ 286,620	$ 561,428

See Notes to Consolidated Financial Statements.

Zoological Society of San Diego
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Consolidated Statement of Functional Expenses
Period from December 30, 2019 through December 31, 2020
(In thousands)

	Program services	Management and general	Fundraising and development	Total
Salaries and benefits	$ 134,385	$ 23,488	$ 5,390	$ 163,263
Outside services and professional fees	9,639	5,383	410	15,432
Advertising and promotion	9,610	26	593	10,229
Operating supplies and equipment	7,310	731	30	8,071
Forage	4,228	126	-	4,354
Occupancy	10,594	1,356	29	11,979
Bank and credit card fees	2,109	202	9	2,320
Information technology	1,524	2,614	255	4,393
Insurance	2,360	676	41	3,077
Postage and freight	365	43	483	891
Grants and assistance to others	2,803	-	-	2,803
Depreciation and amortization	30,153	2,416	-	32,569
Repairs and maintenance	7,735	886	98	8,719
Travel	541	194	37	772
Office expense and meetings	1,487	1,225	1,876	4,588
Cost of goods sold	11,975	-	-	11,975
Fundraising direct costs for events	-	-	230	230
Other	1,237	100	79	1,416
Total expenses by function	238,055	39,466	9,560	287,081
Less expenses included with revenues on the statement of activities				
Fundraising direct costs for events	-	-	(230)	(230)
Total expenses included in the expense section on the statement of activities	$ 238,055	$ 39,466	$ 9,330	$ 286,851

See Notes to Consolidated Financial Statements.

Zoological Society of San Diego
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Consolidated Statement of Cash Flows
Period from December 30, 2019 through December 31, 2020
(In thousands)

Cash flow from operating activities	
Change in net assets	$ (71,832)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	32,569
Amortization of debt issuance costs	29
Amortization of discount on bequests and contributions receivable	(1,836)
Provision for uncollectable receivables	1,761
Net realized (gain)/loss on sale of investments and investment income	(5,387)
Net loss on disposal of property and equipment	35
Interest earned on beneficial trust	(696)
Change in split interest	(2,266)
Net unrealized (gain)/loss on investments	(16,938)
Cash restricted for long-term capital projects and endowments	(51,568)
Changes in operating assets and liabilities:	
Accounts receivable, net	(1,049)
Inventories	(725)
Prepaid expenses and other assets	(3,471)
Unconditional promises to give, net	13,171
Split-interest agreements	(4,751)
Accounts payable and other accrued expenses	(6,275)
Accrued salaries and salary-related expenses	(1,387)
Deferred support and revenue	721
Liability for pension benefits	46,592
Net cash used in operating activities	(73,303)
Cash flow from investing activities	
Proceeds from sale of marketable securities	50,239
Purchase of marketable securities	(72,186)
Proceeds from sale of property and equipment	8
Purchase of property and equipment	(58,896)
Net cash used in investing activities	(80,835)

Zoological Society of San Diego
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Consolidated Statement of Cash Flows
Period from December 30, 2019 through December 31, 2020
(In thousands)

Cash flow from financing activities	
Proceeds from financing	59,687
Payment of debt and swap termination	(46,447)
Endowment contributions	20,752
Contributions for long-term capital improvements	30,816
Net cash provided by financing activities	64,808
Net decrease in cash, cash equivalents, and restricted cash	(89,330)
Cash, cash equivalents, and restricted cash at beginning of year	216,330
Cash, cash equivalents, and restricted cash at end of year	$ 127,000
Supplemental schedule of noncash financing activities	
Cash paid for interest during the year	$ 8,004
Change in accrued construction costs	$ (1,895)

See Notes to Consolidated Financial Statements.

Note 1 - Nature of operations

The Zoological Society of San Diego dba San Diego Zoo Wildlife Alliance ("SDZWA") was incorporated in 1916 as a private, nonprofit corporation directed by a Board of Trustees (the "Board"). SDZWA is an international, nonprofit conservation organization with two front doors: the San Diego Zoo and the San Diego Zoo Safari Park. SDZWA is committed to saving species worldwide by uniting our expertise in animal care and conservation science with our dedication to inspiring passion for nature. Conservation is at the heart of everything the organization pursues and it starts with connecting people with wildlife through our zoological parks and education programs, inspiring and educating our guests every day. Because when wildlife thrives, all life thrives. SDZWA is dedicated to conservation work supporting eight hubs located around the globe, across six continents. Wildlife care and conservation science expertise anchors conservation projects in these regions driving greater impact for wildlife. Program activities are supported through admissions, memberships, donations, grants, partners, and sales at both facilities.

SDZWA is accredited by the Association of Zoos and Aquariums and the American Association of Museums as a museum and as a botanical garden. SDZWA formed the Foundation of the Zoological Society of San Diego (the "Foundation") in 2007. The Foundation is a related supporting organization which was formed to solely support fund-raising activities for SDZWA. Funds raised by the Foundation are received directly by SDZWA and recorded as contribution revenue in SDZWA's consolidated statements of activities and changes in net assets. SDZWA formed San Diego Zoo Global - Peru ("SDZG Peru") in 2012. SDZG Peru is a related nonprofit association incorporated in Cusco, Peru. The purpose of SDZG Peru is to perform, in the Republic of Peru, the promotion and development of programs for the protection and conservation of the environment, including operating and managing the Cocha Cashu Biological Field Research Station. The activities of the Foundation and SDZG Peru are included in SDZWA's consolidated financial statements. All significant intercompany balances and transactions are eliminated in consolidation.

Note 2 - Basis of presentation and summary of significant accounting policies

Accounting period

Prior to 2020, SDZWA reported on a 52-week fiscal year ending on a Sunday nearest to December 31. In 2020, a transition was made to report on a calendar year end for 2020. The accounting period for 2020, as presented in these consolidated financial statements, started on December 30, 2019 and ended on December 31, 2020 ("Fiscal 2020").

Net asset classification

To ensure compliance with restrictions placed on the resources available to SDZWA, SDZWA's accounts are maintained in accordance with the principles of fund accounting, a procedure by which resources are classified for accounting and reporting into funds established according to their nature and purpose. SDZWA reports information regarding its financial position and activities according to two classes of net assets: Without donor restrictions and with donor restrictions. They are described as follows:

Net Assets Without Donor Restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve through a Board-designated endowment.

Net Assets with Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition
SDZWA records admissions, auxiliary activities, and grants as earned. The Organization recognizes revenue from ticket sales at the time of admission. Tickets sold in advance to travel and tourism companies are deferred until used. Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Organization recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately.

SDZWA records gifts of long-lived assets as revenue at their fair value when they are received. SDZWA reports contributions of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Assets with donor restrictions are reclassified to net assets without donor restrictions when an event occurs that satisfies the donor-imposed restriction. When a donor restriction expires, the related net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Income with donor restrictions which is received and expended in the current period is recorded as unrestricted income.

SDZWA recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. In addition, SDZWA has federal and state contracts and grants which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2020, conditional contributions with a future value of $4,971 for which no amounts had been received in advance, have not been recognized in the accompanying consolidated financial statements.

Auxiliary activities
SDZWA's auxiliary activities include retail merchandise, food and beverage, transportation operations, educational activities, Safari Park parking, and other similar support activities. The Organization recognizes revenue from auxiliary activities at the time of purchase by the customer. Cost of goods sold on retail merchandise and food and beverage is included in zoological habitat and wildlife care in the expense section of the consolidated statements of activities and changes in net assets and amounted to $11,975 in 2020.

Tax revenue and other
SDZWA receives partial funding from property taxes due to a voter-approved section of the San Diego City Charter ("Section 77a"). Section 77a was originally approved in 1934 and amended in 1941. Section 77a monies are used exclusively for the maintenance of zoological habitats at the San Diego Zoo facility. SDZWA recognized $15,064 in Section 77a revenue in 2020. Tax revenue and other

includes Section 77a property tax allocation, sponsorships, advertising and other miscellaneous activities.

Animal and horticultural collections
In accordance with customary practice among zoological organizations, animal and horticultural collections are recorded at the nominal amount of one dollar, as there is no objective basis for establishing value. Additionally, animal and horticultural collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Expenditures related to animal and horticultural acquisitions are expensed in the period of acquisition.

In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, SDZWA shares animals with other organizations. Consistent with industry practice, SDZWA does not record any asset or liability for such sharing arrangements.

Cash and cash equivalents
SDZWA considers short-term investments with a maturity date of 90 days or less from the date of purchase to be cash equivalents.

Reconciliation of cash and cash equivalents
Cash and cash equivalents totaled $47,884, cash restricted for long-term capital projects and endowments totaled $79,116, and are shown on the Consolidated Statement of Financial Position at December 31, 2020, the total of which is $127,000 and is included on the Consolidated Statement of Cash Flows for the period ended December 31, 2020.

Cash restricted for long-term capital projects and endowments
Cash restricted for long-term capital projects and endowments primarily consists of contributions received that are restricted for the construction of major habitats at the San Diego Zoo and the San Diego Zoo Safari Park facilities. In addition, SDZWA held a small amount of contributions restricted in perpetuity for endowments as restricted cash. The endowment contributions were received just prior to the end of the fiscal year end and not yet transferred to the endowment investment account at the fiscal year end.

Accounts receivable, net
Accounts receivable primarily consists of trade receivables and grants receivable. Trade receivables consist of outstanding balances from travel and tourism companies that purchase and then resell admission tickets to SDZWA's facilities. Grants receivable consist of amounts billed and unbilled from government agencies and various foundations. The allowance for doubtful accounts totals $163 at December 31, 2020, which represents SDZWA's estimate of uncollectible accounts receivable based on historical experience. Write-offs are deducted from the allowance for doubtful accounts, and subsequent recoveries are added.

At period-end 2020, SDZWA has a receivable of $6,158 of Section 77a property tax proceeds held by the City of San Diego (the "City").

Investments
Investments with readily determinable fair values are measured at fair value in the consolidated statement of financial position. Investment income or loss (including realized and unrealized gains

and losses on investments, interest and dividends) is included in the consolidated statements of activities and changes in net assets.

Investments without readily determinable fair values are measured using valuations provided by external investment managers. These investments are generally less liquid than other investments, and the values reported by the general partner or investment manager may differ from the values that would have been reported had a ready market for these securities existed. SDZWA exercises due diligence in assessing the policies, procedures and controls implemented by its external investment managers and believes the carrying amount of these assets is a reasonable estimate of fair value.

SDZWA has elected to measure certain investments without readily determinable fair values at cost minus impairment. These investments are reviewed on an annual basis on a qualitative basis considering impairment indicators to evaluate whether the investment is impaired. There was no impairment identified as of December 31, 2020.

Concentration of credit risk

Financial instruments that potentially subject SDZWA to concentrations of credit risk consist primarily of cash and cash equivalents, investments, accounts receivable, split-interest agreements, and bequests and contributions receivable. SDZWA maintains its cash and cash equivalents with various financial institutions and may be exposed from to time to time to credit risk with bank deposits in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. Investments are managed within guidelines established by the Board which, as a matter of policy, limits the amounts which may be invested with one issuer.

SDZWA had cash and cash equivalents which exceeded FDIC insured limits at certain financial institutions as of period-end 2020.

Approximately 65% of accounts receivable was from two payors as of period-end 2020. Approximately 41% of bequests and contributions receivable was from two donors as of period-end 2020.

SDZWA had approximately 37 government contracts in 2020 from federal sources. The largest contract was for the federally funded program for the U.S. Army Corps of Engineers totaling approximately $1,400 during 2020. This contract ended in October 2020.

Inventories

SDZWA's inventories are valued at the lower of cost or net realizable value, and accounted for using a weighted-average cost basis.

Property and equipment

Property and equipment with an acquisition cost of $5 or greater are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, which are generally from three to 25 years. No depreciation is taken on assets until they are placed in service. Assets acquired under capital leases are recorded at the net present value of the minimum lease payments. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

Impairment of long-lived assets and long-lived assets to be disposed of

SDZWA assesses potential impairment to any of its long-lived assets when there is evidence that events or changes in circumstances have made full recovery of the asset's carrying value unlikely.

An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying value of the asset. Should impairment exist, the impairment loss would be measured based on the excess of the carrying value of the asset over the asset's fair value. No impairment charges were recognized on long-lived assets during 2020.

Split-interest agreements

SDZWA is licensed by the State of California Department of Insurance as a Grants and Annuities Society. As such, SDZWA may issue charitable gift annuity contracts. SDZWA had 97 outstanding annuity contracts entered into 65 separate donors as of period-end 2020. The present value of the life annuities associated with these contracts is included in liabilities under split-interest agreements in the consolidated statements of financial position.

For charitable gift annuity agreements, SDZWA receives cash or marketable securities from a donor in exchange for an annuity to be distributed for a fixed amount over the lifetime or lifetimes of the donor or other beneficiaries. Upon the death of the annuitant or survivor of the annuitant, SDZWA is entitled to full use of the remainder. The issuance of gift annuities is regulated under the California Insurance Code. Pursuant to charitable gift annuity regulations, amounts held are invested in a trust account segregated from other assets and are within investment limitations, with equities allowed to comprise up to 50% of the reserve fund, and mutual funds allowed within that 50%. In addition, the reserves on the outstanding annuity agreements are at least equal to the reserves' present value of annuity liabilities calculated using the prescribed mortality table and discount rate assumptions. Charitable gift annuity assets are recorded at fair value. A liability is then recorded for the amount of the annuity payments payable to the donor based on the actuarial life of the donor. The liability for charitable gift annuity agreements is included in liabilities under split-interest agreements in the consolidated statements of financial position and totaled $16,371 at period-end 2020. Changes in charitable gift assets and liabilities are included in the change in value of split-interest agreements in the consolidated statements of activities and changes in net assets.

SDZWA is the beneficiary of assets held in two irrevocable split-interest agreement pooled income funds administered by bank trustees. The assets of the pooled income funds are recorded at fair value. The difference between the fair market value of the assets in the pooled income fund and the present value of estimated future contributions to be received has been recorded as deferred revenue. The amortization of discount and changes in actuarial assumptions are included in the change in value of split-interest agreements in the consolidated statements of activities and changes in net assets.

SDZWA is the beneficiary in 30 irrevocable charitable trusts in 2020 for which SDZWA is not the trustee. Each trust names SDZWA as a residual beneficiary following the death of one or more life income beneficiaries. The fair value of the assets to be received under each trust, discounted for the estimated time until receipt, is recorded in beneficial interest in charitable remainder trusts included in split-interest agreements in the consolidated statements of financial position and in temporarily restricted net assets until trust termination. The current fiscal year change in the valuation of beneficial interest in charitable remainder trusts is included in the change in value of split-interest agreements in the consolidated statements of activities and changes in net assets.

SDZWA estimates fair value of split-interest agreements by using net present value calculations with a discount rate of 2.09% for 2020 and estimated life expectancies based upon the mortality rate tables published by the Internal Revenue Service.

Beneficial interests in assets held by others
SDZWA has beneficial interests in perpetual trusts held by third-party trustees. Under the perpetual trust arrangements, SDZWA has recorded the assets and has recognized donor restricted contribution revenue at the fair value of SDZWA's beneficial interest in the trusts' assets. Distributions received on the trusts' assets are recorded as donor restricted investment income in the consolidated statements of activities and changes in net assets. Subsequent changes in fair value of the beneficial interest in the trusts' assets are included in the change in value of split-interest agreements on the consolidated statements of activities and changes in net assets.

Unconditional promises to give, net
Promises to give are primarily comprised of bequest agreements, which include irrevocable trusts, and pledged gift agreements. Promises to give are recorded as revenue upon the receipt of the unconditional promise to give. Conditional promises to give are not recognized until the conditions are substantially met.

Promises to give that are expected to be collected in less than one year are recorded at net realizable value. Promises to give that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible promises to give is determined based on management's evaluation of the collectability of individual promises.

Operating agreements
SDZWA operates the San Diego Zoo and the San Diego Zoo Safari Park pursuant to lease and operating agreements with the City. The agreements provide that title to SDZWA's collections, property, equipment and habitats is vested in the City. However, SDZWA's assets are recorded on the books of SDZWA as SDZWA is permitted to pledge these assets. The San Diego Zoo lease agreement expires in 2034.

The San Diego Zoo Safari Park operates under a renewable short-term operating agreement with the City of San Diego Water Utilities Department. Every five years, the fair rental value of the land is evaluated and the annual rent amount adjusted. SDZWA paid $170 as annual rent in 2020.

Consistent with prior years, the fair values of the leases have not been reflected in the accompanying consolidated financial statements because objective valuation information is not available due to the unique characteristics and public park locations of the facilities.

Income taxes
SDZWA, a California nonprofit public benefit corporation, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, and the Revenue and Taxation Code of the State of California.

In accordance with accounting standards for income taxes, income tax benefits and/or liabilities are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. SDZWA has analyzed the tax positions taken in its filings with the Internal Revenue Service and the California Franchise Tax Board. SDZWA believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on SDZWA's consolidated financial condition, change in net assets or cash flows. Accordingly, SDZWA has not recorded any reserve or related accruals for interest and penalties for uncertain income tax positions at year-end 2020.

SDZWA's U.S. federal and state income tax returns prior to fiscal years 2018 and 2017, respectively, are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Management is not aware of any pending reviews or examinations.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the debt to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Interest rate swap
SDZWA utilized interest rate swap contracts to manage the risk associated with fluctuations in interest rates on its variable rate debt. In August 2020, SDZWA terminated its interest rate swap agreements at market rate, incurring termination fees of $7,100. No swap agreements were outstanding at December 31, 2020.

Advertising costs
Advertising costs are expensed as incurred and totaled $10,359 for 2020. This includes transactions for bartered admission tickets valued at $210.

Barter transactions
SDZWA enters into barter transactions with certain vendors to receive goods or services in exchange for admission tickets to the San Diego Zoo or the San Diego Zoo Safari Park facilities. Fair market value ("FMV") is determined based upon the value of the goods or services received. If the FMV of goods or services received is not readily determinable, then the FMV of the admissions tickets is used as the basis for valuing the transaction. Barter transactions are recognized in the period in which they occur. For the period ended 2020, SDZWA recorded barter transactions totaling $233 in admissions and memberships, zoological habitat and wildlife care, and administration in the consolidated statements of activities and changes in net assets.

Contributed services
Contributed services are reflected in the accompanying consolidated financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation. Contributed services totaling $21 was recorded for 2020, primarily for specialty veterinary care.

SDZWA also receives contributed services through various volunteer programs at the facilities and on certain conservation projects. Volunteers contributed approximately 244,789 hours in 2020. Contributed services through volunteers are not recorded in the consolidated statements of activities and changes in net assets as they generally do not meet the criteria described above.

Functional allocation of expenses
The costs of program and supporting service activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural

(All dollar amounts in thousands)

classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are tracked using direct identification methodology of charging specific expenses as either program, management and general, or fundraising and development. The consolidated financial statements report certain categories of expense that are attributable to one or more programs of supporting functions. Those expenses include occupancy, which are allocated based on square footage, as well as the president's office, which is allocated based on estimates of time and effort.

Use of estimates
In accordance with its established practices, management of SDZWA has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities in order to prepare its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

Adoption of New Accounting Pronouncements
In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. This guidance results in a more faithful representation of the rights and obligations arising from operating and capital leases in the balance sheet and to disclose qualitative and quantitative information about lease transaction, such as information about variable lease payments and options to renew and terminate leases.

On April 21, 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* and Leases *(Topic 842): Effective Dates for Certain Entities*. The amendments in this update defer the required effective date of ASC 606 and ASC 842 for certain entities that have not issued their financial statements (or made financial statements available for issuance).

The Organization adopted ASC 606 in 2019 and has elected to apply the deferrals provided by ASU 2020-05, and therefore expects to adopt Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis with a cumulative effect transition adjustment as of the beginning of the period that includes initial adoption of the standard. The Company is currently evaluating the potential impacts of adopting Topic 842 on its consolidated financial statements.

Note 3 - Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, or due for release of restrictions within 12 months of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 47,884
Accounts receivable, net	11,892
Operating investments	26,822
Promises to give	5,080
Long-term investments appropriated for current use	1,053
	$ 92,731

SDZWA's endowment funds consist of donor restricted endowments and funds designated by the board as endowments. Income from donor restricted endowments is restricted for specific purposes, with the exception of amounts available for general expenditure. Donor restricted endowment funds are not available for general expenditure.

A portion of the Board-designated endowments totaling $64,299 is subject to an annual spending rate of 3.2% for 2021 as described in Note 12. In addition, the Board-designated endowments include an additional emergency reserve of $22,300, which is not subject to annual spending. Although SDZWA does not intend to spend from these Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. However, a portion of the Board-designated endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Note 2 for disclosures about investments). In addition, security requirements under the credit facility may limit the amount of funds that can be made available (see Note 10 for disclosures about debt).

As part of its liquidity management plan, SDZWA invests in excess of daily requirements in short-term investments, CDs, and money market funds. To help manage unanticipated liquidity needs, SDZWA has committed a line of credit of $40 million, which it could draw upon.

Note 4 - Fair value

Fair value of financial instruments

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

- The carrying values of cash and cash equivalents and accounts and other receivables approximate the fair value of these financial instruments.
- Investments reported as Level 1 assets are reported at fair value based on quoted market prices. Investments reported as Level 2 assets are reported at fair value based on inputs other than Level 1 that are observable. Investments reported as Level 3 assets are reported at fair value based on unobservable inputs that are supported by little or no market activity.
- The carrying values of split-interest agreements and bequests and contributions receivable approximate fair value because these contributions, which are anticipated to be collected in cash, are either short-term receivables or are recorded at the net present value of the amounts pledged.
- The carrying value of the bonds payable obligation approximates fair value because the obligation is recorded based on a fixed rate that determines market value.
- The carrying value of the term loan obligation approximates fair value because the obligation is recorded based on a fixed rate that determines market value.
- The carrying value of the line of credit obligation approximates fair value because the obligations are recorded at the net present value of future payments at market interest rates.

Fair value measurements
Fair value accounting standards define fair value, establish a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhance disclosures about fair value measurements. Fair value is defined under this standard as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under this standard must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the tables below:

a. Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

b. Cost approach: Amount that would be required to replace the service capacity of an asset (replacement cost).

c. Income approach: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

Asset classes
SDZWA invests across a broad range of asset classes, including domestic common stocks, foreign stocks, mutual funds - equity, mutual funds - fixed income, and partnerships and other. SDZWA may invest directly in the securities of these asset classes, or indirectly through interests in funds and limited partnerships. Securities held directly by SDZWA are valued at their observable market prices. The value of holdings in funds and limited partnerships are in accordance with valuations provided by their investment managers. Funds and limited partnerships may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. Managers of investment funds and limited partnerships value those investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. If no public market exists for the investments, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the investment, prices of recent significant placements of similar investments of the same issuer and subsequent developments concerning the companies to which the investments relate.

Investments held by SDZWA's investment pool are categorized as follows:

Domestic common stocks - This category includes investments in publicly traded equity securities of U.S. companies. These investments bring diversity to SDZWA's portfolio with the objective of long-term growth in SDZWA's endowment funds. The majority of these investments are highly liquid with settlements from 1 to 30 days.

Foreign stocks - This category includes investments in publicly traded equity securities of international entities including entities in emerging markets. The investments follow a value-based stock selection approach, buying companies whose shares appear under-valued on the basis of long-term earning power or asset backing. The majority of these investments are highly liquid with settlements from 1 to 30 days.

Mutual funds - equity - This category includes investments in funds that invest primarily in publicly traded equity securities of U.S.-based as well as international companies. These investments bring diversity to SDZWA's portfolio with the objective of long-term growth in SDZWA's endowment funds. The majority of these investments are highly liquid with settlements from 1 to 30 days.

Mutual funds - fixed income - This category includes investments in bond funds that invest in domestic instruments and sovereign debt instruments of global markets. These investments are both highly liquid with settlements from 1 to 30 days.

Mutual funds – balanced – This category includes investments in funds that are a mix of publicly traded equity securities, bonds, and/or a money market component. These investments are both highly liquid with settlements from 1 to 30 days.

Partnerships and other at NAV - This category includes investments in hedge funds, partnerships, and private equity funds that invest in many different holdings in a wide variety of industries. This category is intended to reduce volatility of the overall portfolio as well as provide for long-term growth. Investment redemptions within this category are varied, ranging from monthly to annually, with prior notification. Certain partnerships and private equity fund investments require long-term commitment of funds, usually over 10 years. SDZWA does not have any redemption rights in these investments and the investments have remaining lives between 1 and 10 years.

Investments at cost – This category represents an investment in a limited partnership without readily determinable fair value that the Company has elected to record at cost, less any identified impairment. No impairment was identified as of December 31, 2020.

(All dollar amounts in thousands)

The following tables provide the method used to measure the fair value of certain assets and liabilities as of December 31, 2020. Only assets and liabilities measured at fair value are shown on the three-tier value hierarchy.

		Fair value measurements at reporting date using			
	Balance as of December 31, 2020	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Valuation techniques (a,b,c)
Investments					
Domestic common stocks	$ 24,006	$ 24,006	$ -	$ -	a
Foreign stocks	3,044	3,044	-	-	a
Mutual fund - equity	101,409	4,537	96,872	-	a
Mutual fund - fixed income	27,237	-	27,237	-	a
Mutual fund - balanced	1,168	-	1,168	-	a
Partnerships and other at NAV	56,159	(1)	(1)	(1)	c
Investments at cost (3)	28,955	(3)	(3)	(3)	(3)
Total investments	$ 241,978	$ 31,587	$ 125,277	$ -	
Split-interest agreements and beneficial interests					
Pooled income fund	$ 4,048	$ -	$ 4,048	$ -	a
Charitable gift annuities	23,313	23,128	185	-	a
Beneficial interests in perpetual trusts	15,377	-	-	15,377	c
Beneficial interest in charitable remainder trusts	11,315	-	-	11,315	c
Total split-interest agreements	$ 54,053	$ 23,128	$ 4,233	$ 26,692	
Liabilities					
Charitable gift liabilities (2)	15,508	-	15,508	-	c
Total liabilities	$ 15,508	$ -	$ 15,508	$ -	

(1) Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented on this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

(2) Included as a component of liabilities under split-interest agreements on the accompanying consolidated statement of financial position.

(3) Certain investments without readily determinable fair values are recorded at cost, less impairment. The fair value of amounts presented on this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

(All dollar amounts in thousands)

The following table sets forth a summary of changes in the fair value of SDZWA's Level 3 assets for 2020:

	Beneficial interests in perpetual trusts	Charitable remainder trusts	Total
Balance, beginning	$ 10,538	$ 9,808	$ 20,346
Contributions	4,336	1,128	5,464
Distributions	(407)	(234)	(641)
Gains included in change in net assets	910	613	1,523
Balance, end	$ 15,377	$ 11,315	$ 26,692

The following table represents SDZWA's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs for 2020:

Instrument	Fair value	Principal valuation technique	Unobservable inputs	Significant input values	Weighted average
Beneficial interests in perpetual trusts held by others	$ 15,377	Valuation of underlying assets as provided by issuer	Base price	N/A	N/A
Beneficial interests in charitable remainder trusts	$ 11,315	Present value of expected cash flows	Investment yield Discount rate	2.09% 2.09%	N/A

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent)

SDZWA determines the fair value of investments that do not have a readily determinable fair value and has all the attributes of an investment company by estimating fair value using the investment's net asset value ("NAV") per share. The NAV should be calculated at the reporting entity's measurement date and, if not, the NAV must be adjusted for significant market events since its calculation. This precludes a reporting entity from using a practical expedient if it is probable that it will sell the investment at a price other than NAV.

(All dollar amounts in thousands)

The following table lists investments in investment companies that are valued at NAV at December 31, 2020:

Asset category	NAV in funds	No. of funds	Redemption terms	Redemption instructions	Redemption restrictions in place at year end	Unfunded commitments at year end
Partnerships and other	$ 45,802	21	Monthly to semi-annual	30 to 90 days notice	None	$ -
Partnerships and other	10,357	14	Closed end funds not eligible for redemption	Not redeemable	Not redeemable	$ 8,329
	$ 56,159					$ 8,329

Note 5 - Accounts receivable, net

Accounts receivable consist of the following at December 31, 2020:

Trade receivables	$ 1,794
City of San Diego (Section 77a) receivable	6,158
Grants receivable	3,978
Other	125
	12,055
Less allowance for doubtful accounts	(163)
Total accounts receivable, net	$ 11,892

Note 6 - Inventories, net

Inventories consist of the following at December 31, 2020:

Food and merchandise	$ 3,391
Animal food and other	326
	3,717
Less inventory reserve	(261)
Total inventories, net	$ 3,456

(All dollar amounts in thousands)

Note 7 - Split-interest agreements and beneficial interests

Split-interest agreements consist of the following at December 31, 2020:

Pooled income funds	$	4,048
Charitable gift annuities		23,313
Beneficial interests in perpetual trusts		15,377
Beneficial interest in charitable remainder trusts		11,315
Total split-interest agreements	$	54,053

Note 8 - Promises to give, net

Bequests and contributions receivable consist of the following at December 31, 2020:

Irrevocable trusts	$	6,768
Pledged gift agreements		17,087
Endowments		20,325
		44,180
Allowance for uncollectible amounts		(5,009)
Total promises to give, net	$	39,171

Contributions receivable in the form of pledged gift agreements are unconditional promises to give. Pledges are recorded at the applicable risk-adjusted discount rates, which range from 1.97% to 10.66%, established in the year the gift was received and commensurate with the duration of the donor's payment plan

Bequests and contributions receivable are expected to be collected as follows:

Due in one year	$	12,353
Due in two to five years		5,858
Due in more than five years		57,243
		75,454
Unamortized discount		(31,274)
Net present value		44,180
Allowance for uncollectible accounts		(5,009)
Total promises to give, net	$	39,171

(All dollar amounts in thousands)

Note 9 - Property and equipment

Property and equipment consist of the following at December 31, 2020:

Buildings, exhibits and improvements	$	585,259
Transportation and equipment		105,204
Land		3,802
Construction in progress		62,672
		756,937
Less accumulated depreciation and amortization		(418,509)
Total property and equipment, net	$	338,428

Depreciation and amortization expense totaled $32,569 for 2020.

Note 10 - Debt

Tax-exempt bonds

On August 10, 2020, SDZWA issued $35,000 in tax-exempt variable rate demand bonds ("Series 2020 Bonds") through the California Municipal Finance Authority ("CMFA") for the purpose of refinancing the outstanding principal of the Series 2012 Bonds. Under a credit facility with a bank, the Series 2020 Bonds bear a fixed rate of 1.43%, payable monthly to the bank. Principal payments are due on August 1 each year, based on a 25-year amortization schedule. SDZWA has the right to make additional prepayment amounts up to 10% of the principal balance each year without prepayment penalties. The maturity date is August 1, 2030, at which time any remaining balance will be due. The outstanding balance was $35,000 at December 31, 2020.

Term loan

On August 10, 2020, SDZWA secured a term loan of $25,000. Proceeds were used to pay off the prior term loan, the outstanding line of credit, and the prepayment termination fees. The loan carries a fixed rate of 1.63%. Interest is paid monthly. Principal payments are to be made monthly beginning August 1, 2021, utilizing an amortization schedule over 25 years. SDZWA has the right to make additional prepayment amounts up to 10% of the principal balance each year without prepayment penalties. The maturity date is August 1, 2030, at which time any remaining balance will be due. The outstanding balance was $25,000 at December 31, 2020.

Line of credit

SDZWA has an unsecured financing agreement with its primary bank that permits multiple borrowings up to $40,000 at variable rates of interest. The financing agreement, which expires on August 10, 2023, provides that SDZWA may elect for each individual borrowing on the line of credit to have interest calculated using the greater of 0.25% or LIBOR Monthly Reset Rate plus 1.5% (1.75% as of December 31, 2020). Any amounts not drawn under the line of credit are subject to an unused commitment fee of 0.25% payable monthly. There was no outstanding balance at December 31, 2020.

SDZWA has outstanding letters of credit for $3,551 under this agreement at period end for 2020, which reduce the amount available for borrowing. There were no amounts drawn on the letters of credit at December 31, 2020.

(All dollar amounts in thousands)

Security Interest and financial covenants
The Series 2020 Bonds and the term loan are secured by certain investments. The security interest will be released upon achievement of certain operating performance measures at which time the Series 2020 Bonds and term loan will become unsecured. SDZWA was in compliance with all financial covenants under the financing agreements at December 31, 2020.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, totaled $313 at December 31, 2020, and are related to the Series 2020 Bonds and term loan issued August 10, 2020. Amortization of debt issuance costs is calculated using the straight-line method, which does not materially differ from the amortization that would be reported under the imputed interest method. The costs have been deferred and included in debt in the consolidated statements of financial position and amortized over the ten-year term using the effective interest method. Unamortized debt issuance costs associated with prior debt paid in full in 2020 were recorded to interest expense in 2020.

Maturities of long-term debt in each of the five years subsequent to period-end 2020 and thereafter are as follows:

2021	$	1,985
2022		2,015
2023		2,045
2024		2,075
2025		2,110
Thereafter		49,770
		60,000
Less unamortized debt issuance cost		(313)
	$	59,687

(All dollar amounts in thousands)

Note 11 - Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2020:

Subject to expenditure for specified purposes:	
Facility operations	
Construction of major habitats	$ 77,384
Zoological habitat and wildlife care	15,753
Research and conservation	9,086
Education and outreach	1,858
Promises to give, the proceeds from which have been restricted by donors for	
Construction of major habitats	11,849
Zoological habitat and wildlife care	794
Research and conservation	1,395
Education and outreach	601
	$ 118,720
Subject to the passage of time	
Beneficial interests in charitable trusts held by others	$ 9,539
Assets held under split-interest agreements	11,674
Donated property	2,350
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	5,379
	$ 28,942
Perpetual in nature	
Subject to appropriation and expenditures when a specified event occurs and restricted by donors for	
Zoological habitat and wildlife care	$ 5,012
Research and conservation	1,153
Education and outreach	14,866
	21,031
Subject to SDZ Global spending policy and appropriation	
Zoological habitat and wildlife care	33,377
Research and conservation	51,695
Education and outreach	16,310
	101,382
Total endowments	122,413

(All dollar amounts in thousands)

Not subject to spending policy or appropriation	
Beneficial interest in assets held by community foundation	2,880
Beneficial interest in perpetual trusts	13,665
Total beneficial interests held by others	16,545
	$ 138,958

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the period ended December 31, 2020:

Satisfaction of purpose restrictions	
Construction of major habitats	$ 228
Zoological habitat and wildlife care	10,265
Research and conservation	12,378
Education and outreach	2,238
Distributions (proceeds not restricted by donors)	
Assets held under split-interest agreements	1,109
Promises to give, net	32,795
Restricted-purpose spending-rate distributions and appropriations	
Zoological habitat and wildlife care	115
Research and conservation	100
Net assets released from restrictions	$ 59,228

Note 12 - Endowment perpetual in nature

Endowment funds: SDZWA's endowment funds were established by donor restricted contributions to provide a permanent endowment, which is to provide a permanent source of income. The portion of a permanent endowment that must be maintained permanently, not used, expended, or otherwise exhausted, is classified as a donor restricted asset. In addition, the Board has earmarked a portion of the SDZWA's net assets without donor restrictions as Board-designated endowment funds to be invested to provide income for a long, but not unspecified period. These designations include a fund for conservation science to provide for conservation and research of rare and endangered species. In addition, the Board has designated amounts for an emergency reserve and a strategic reserve. The emergency reserve is to provide for unexpected or unanticipated expenditures when other sources of funds are not available. The strategic reserve is to provide for future operating needs. The Board-designated endowment funds that result from an internal designation are not donor restricted and are classified as net assets without donor restrictions in the Statement of Financial Position.

Donor restricted endowment funds are restricted for the following purposes as of December 31, 2020:

Zoological habitat and wildlife care	$	47,356
Education and outreach		31,175
Research and conservation		60,427
Total donor-restricted endowment funds	$	138,958

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 requires SDZWA to retain as a fund of perpetual duration. At December 31, 2020, there were no funds with deficiencies reported in net assets with donor restrictions.

Interpretation of relevant law: SDZWA has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the SDZWA has classified as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

a. The duration and preservation of the fund

b. The purpose of SDZWA and the donor restricted endowment fund

c. General economic conditions

d. The possible effects of inflation and deflation

e. The expected total return from income and the appreciation of investments

f. Other resources of SDZWA

g. SDZWA's investment policy

Return objectives and risk parameters: SDZWA has adopted investment and spending policies for endowment assets that are meant to ensure that the endowment's purchasing power is maintained over time by keeping the long-term rate of annual spending from the endowment equal to or less than the long-term real (inflation-adjusted) investment return of the endowment fund.

Endowment assets include those assets of donor restricted funds that SDZWA must hold in perpetuity or for a donor-specified period as well as Board-designated funds.

The investment objectives of the assets are long-term in nature with an investment horizon of at least 7 to 10 years. The long-term objective is to earn a total rate of return (income plus capital gains) that will exceed the demands placed on the portfolio to support SDZWA's goals in addition to exceeding the rate of inflation, as measured by the U.S. Consumer Price Index ("CPI"). The overall rate of return objective is a reasonable "real" rate consistent with the assumed level of risk. The return objective shall be to exceed the return of a custom index, net of fees. The custom index is defined as a blended benchmark portfolio that reflects the asset allocation targets. The minimum acceptable rate of return is that which equals or exceeds CPI by average spending over a market cycle of five to seven years. It is expected that the level of risk as measured by the annualized standard deviation of returns shall be no greater than that of the custom index as defined above. Spending is based on a total return strategy, which includes both income and appreciation (both realized and unrealized gains). The annual withdrawal target is 5% of the fund's value, based generally on an expected annual total return of approximately 8%, offset by estimated inflation of 3%. Actual returns in any given year may vary from this amount.

(All dollar amounts in thousands)

Strategies employed for achieving objectives: The asset allocation policies are designed to be consistent with the objectives of return and risk. These policies, which consider the historic relationships of return and risk among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest possible risk.

The table below indicates the allowable ranges for each of the major asset categories:

	Range
Domestic common stocks	25 - 50%
Foreign stocks	15 - 40%
Mutual fund - equity	0 - 25%
Mutual fund - fixed income	10 - 40%
Cash	0 - 10%
Partnerships and other	10 - 40%

In order to maintain the risk and return characteristics of the asset allocation plan, it is the policy to rebalance the portfolio towards target allocations when contributions to or distributions from the portfolio are made or when the asset class allocations have fallen outside the allowable ranges established or if allocations have deviated from their target allocations by more than 20% or by more than five percentage points on an absolute basis.

The endowment net asset composition by type of fund consists of the following as of December 31, 2020:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 138,958	$ 138,958
Board-designated endowment funds	86,599	-	86,599
Total endowment funds	$ 86,599	$ 138,958	$ 225,557

(All dollar amounts in thousands)

The following table sets forth a summary of changes in endowment net assets for 2020:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	$ 79,184	$ 95,249	$ 174,433
Net investment income	732	1,688	2,420
Net appreciation (realized and unrealized)	7,208	12,196	19,404
Total investment income	7,940	13,884	21,824
Contributions	843	32,048	32,891
Appropriation of endowment assets for expenditure	(1,368)	(2,223)	(3,591)
Endowment net assets, end	$ 86,599	$ 138,958	$ 225,557

Note 13 - Pension and benefit plans

SDZWA has defined benefit pension plans that cover substantially all of its full-time employees. The plans provide benefits based upon years of service and earnings. SDZWA recognizes the overfunded or underfunded status of its defined pension plans as an asset or liability in its consolidated statements of financial position, and recognizes changes in that funded status in the year in which the changes occur as changes in unrestricted net assets arising from defined benefit plans but not yet included in net periodic benefit cost in the consolidated statements of activities and changes in net assets.

The funded status of SDZWA's pension plans was as follows:

Plan assets at fair value	$ 233,635
Projected benefit obligation	(354,979)
Funded status	$ (121,344)
Accumulated benefit obligation	$ 319,075

Weighted-average assumptions were as follows:

Discount rate	2.60%
Expected return on plan assets	6.25%
Rate of compensation increase	3.00%

The discount rate is the estimated rate at which the obligation for pension benefits could effectively be settled. The expected return on plan assets reflects the average rate of earnings that SDZWA estimates will be generated on the assets of the plans. The rate of compensation increase reflects SDZWA's best estimate of the future compensation levels of the individual employees covered by the plans.

As plan sponsor, SDZWA oversees and administers the assets held by the pension plan entities. Certain disclosures of pension plan assets are included in the consolidated financial statements, but pension plan assets are not included in the consolidated statements of financial position. Plan assets are invested in equity and debt securities using separate investment funds. SDZWA's management and the Board's investment committee monitor performance against benchmark indices.

Return objectives and risk parameters: SDZWA has adopted investment policies for pension assets that are meant to provide funding for pension retirement payments to current and future retirees of SDZWA's pension plans. The primary objectives are to maximize long-term growth and minimize risk of loss of principal. In addition, SDZWA seeks to limit the year-to-year volatility of fluctuations in market valuations, which can impact the cash contributions required to maintain certain funding levels.

Strategies employed for achieving objectives: To meet the objectives, SDZWA maintains a diversified and balanced portfolio for pension investments. The amount of risk that can be controlled by allocating assets among different asset classes depends both on the risk level of each asset class and the degree of correlation between each asset class. An asset allocation model that recognizes the risk and return characteristics, as well as the correlation of each asset class, to create an "efficient" asset allocation target is utilized to develop the asset allocation for an efficient mix to provide the greatest return at each level of risk. The investment strategy utilizes several different asset classes with varying risk/return characteristics. The returns of the asset classes are not expected to move in parallel, which will allow the plan to take part in different parts of the global economic cycle. Equity investments range from 50% to 85% of the total portfolio, utilizing several investment advisors. Holdings include U.S. and foreign securities diversified across numerous industries. Fixed income investments range from 15% to 50% of the total portfolio. These include government and corporate debt securities. Alternative asset investments range from 0% to 5% of the total portfolio, including real estate investments.

The following table shows the asset allocation percentages for pension investments at period end:

Cash and cash equivalents	4%
Mutual fund - equity	37%
Mutual fund - fixed income	9%
Marketable equity securities	0%
Collective investment fund	50%
	100%

(All dollar amounts in thousands)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the tables below:

a. Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

b. Cost approach: Amount that would be required to replace the service capacity of an asset (replacement cost).

c. Income approach: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables provide the method used to measure the fair value of certain assets as of December 31, 2020. Only assets measured at fair value are shown on the three-tier value hierarchy.

Pension assets measured at fair value on a recurring basis are as follows as of December 31, 2020:

		Fair value measurements at reporting date using			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Valuation techniques (a,b,c)
Money market funds	$ 9,605	$ -	$ 9,605	$ -	a
Mutual fund - equity	86,045	-	86,045	-	a
Mutual fund - fixed income	20,662	-	20,662	-	a
Collective investment fund	116,921	-	-	116,921	c
Partnerships and other at NAV	402	(1)	(1)	(1)	c
Total assets	$ 233,635	$ -	$ 116,312	$ 116,921	

(1) Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented on this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

(All dollar amounts in thousands)

The following table sets forth benefit cost and benefits paid for 2020:

Components of net periodic benefit cost		
Actuarial charges (income)		
Interest cost	$	10,725
Expected return on assets		(13,140)
Net prior service cost amortization		574
Net loss amortization		3,014
Total actuarial charges		1,173
Employer service cost		9,970
Periodic benefit cost	$	11,143
Benefits paid	$	9,721
Administrative expenses paid	$	123
Employer contributions	$	13,000

Employer service costs of $9,970, net prior service cost amortization of $574 and net loss amortization of $3,014, are recorded in pension expense for 2020. Prior service cost of $3,638 and a cumulative actuarial loss of $113,279 are included in net assets without donor restrictions at December 31, 2020. SDZWA expects to record $574 of net prior service cost amortization and $4,915 of net loss amortization in 2021.

As part of the transition to a new actuary for the January 1, 2020 valuation, an issue was identified that resulted in an increase in the December 31, 2018 and 2019 plan liabilities. We are not restating the 2018 and 2019 financials for this change; however, the following incremental costs are reflected in our December 31, 2020 financial position:

		2019		2018
Employer Service Cost	$	565		N/A
Net Loss Amortization		251		N/A
Cumulative Actuarial Loss		3,902	$	5,846

SDZWA expects to make a total of $12,000 in pension contributions during 2021.

The following table shows the amounts recognized in the consolidated statements of financial position at December 31, 2020:

Accumulated Other Comprehensive Income	$	116,343
Accrued/(Prepaid) Pension Cost		5,001
Liability for pension benefits	$	121,344

(All dollar amounts in thousands)

The following benefit payments are expected to be paid over the next ten fiscal years:

2021	$	40,788
2022		9,966
2023		10,408
2024		10,989
2025		11,467
2026-2030		65,975
	$	149,593

As part of early retirement and voluntary severance programs by SDZWA in 2020, the pension plans were amended to make available one-time lump sum payments in lieu of monthly pension payments on a temporary basis. The above expected benefit payments in 2021 and beyond are reflective of an assumption that 60% of those eligible will elect a lump sum and 40% will elect an annuity. The actual lump sum elections experienced in 2021 may result in settlement accounting.

SDZWA also maintains a 403(b) defined contribution plan, covering employees who meet certain age and service requirements. Eligible employees may contribute a portion of their earnings each plan year, subject to certain Internal Revenue Service limitations. The 403(b) defined contribution plan allows for employer matching contributions to eligible employees. Matching contributions totaled $1,454 for 2020.

Note 14 - Collective bargaining agreement

SDZWA is a party to a collective bargaining agreement with a labor union. The agreement was recently renewed for an extended period starting February 1, 2021 through January 31, 2025. At December 31, 2020, 1,692 employees, or approximately 64% of total employees, were represented by a labor union.

Note 15 - Commitments and contingencies

Claims and legal actions: SDZWA is subject to claims and legal actions arising in the ordinary course of business. In the opinion of management, based in part upon the advice of legal counsel, these matters are of such a nature that unfavorable disposition would not have a material adverse effect on the consolidated financial position, results of operations, or cash flows of SDZWA.

(All dollar amounts in thousands)

Lease agreements: SDZWA has entered into certain noncancelable lease agreements for a warehouse facility and office space, as well as cancelable and noncancelable lease agreements for computer equipment, vehicles, and office equipment. Rent expense totaled $2,994 for 2020. Minimum lease payments under noncancelable operating leases as of December 31, 2020 are as follows:

2021	$	1,656
2022		1,536
2023		1,120
2024		471
2025		-
Thereafter		-
	$	4,783

Self-Insurance: SDZWA carries an excess workers' compensation liability policy that includes a $250 retained limit per claim up to $4,000 aggregate per year. SDZWA employs a professional third-party administrator to manage workers' compensation claims incurred. SDZWA accrued $5,380 as an estimate of workers' compensation claims incurred but not yet paid or reported as of December 31, 2020. The liability is reflected in accrued salaries and salary related expenses on the accompanying consolidated statements of financial position.

Cooperative endeavor agreement: In 2013, SDZWA entered into a 10-year cooperative endeavor agreement with another conservation organization. The terms of the agreement call for SDZWA to provide a capital investment during the initial five years, which has been met. Payments for capital improvements are included in property and equipment in the consolidated statements of financial position. SDZWA is also required to contribute 50% of each year's operating budget, up to $500 per year, through the term of the agreement. Payments of $832 were made under the agreement in 2020. No outstanding amounts were due at December 31, 2020.

Construction Commitments: As of December 31, 2020, SDZWA had outstanding commitments for future capital expenditures of $30,622.

COVID-19: The COVID-19 virus, the effects of which became known in January 2020 and was declared a global pandemic in March 2020, has caused business disruption in the areas in which SDZWA primarily operates. In consideration of both state and federal COVID-19 guidelines, SDZWA temporarily closed its facilities to the public from March 16, 2020 through June 19, 2020. The facilities reopened on June 20, 2020, after implementing significant measures to comply with and operate under state and federal COVID-19 guidelines. After experiencing a significant increase in the spread of the virus, California state guidelines instituted additional restrictions. This resulted in a second closure of facilities to the public on December 7, 2020. The closures resulted in a significant loss of revenue while SDZWA continued to incur considerable ongoing operational costs to care for wildlife, maintain the facilities, and perform critical conservation activities.

Note 16 - Subsequent events

In preparing the consolidated financial statements, SDZ Global evaluated subsequent events through April 22, 2021, the date that these consolidated financial statements were available to be issued. The closure of SDZWA facilities to the public due to compliance with federal and state COVID-19 guidelines extended through January 29, 2021, and the facilities reopened on January 30, 2021. Compliance measures remain in place, and the duration and extent of COVID-related restrictions remain unknown at this time. Several COVID-19 vaccines are being distributed and administered, and the Centers for Disease Control and Prevention anticipates relaxed restrictions later in 2021.

On March 3, 2021, the organization rebranded from Zoological Society of San Diego, dba San Diego Zoo Global to Zoological Society of San Diego, dba San Diego Zoo Wildlife Alliance. This change was inspired by our desire to evolve and focus on how we show up in support of our conservation mission, including with our partners and allies; and how we bring our guests into our mission at our two front doors, at the San Diego Zoo and San Diego Zoo Safari Park. As the health of wildlife, people, and ecosystems are interconnected, it is important for the organization to connect our conservation work in the field with our work on grounds, so our guests understand our role in conservation. The new SDZWA brand reflects the crucial need to create more allies for wildlife.

The organization transitioned from a 52- to 53-week fiscal year to a calendar year for financial reporting purposes beginning January 1, 2021. The 2021 fiscal year begins on January 1, 2021 and ends on December 31, 2021.

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