

**LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)**

Financial Statements and Independent Auditor's Report

October 31, 2020 and 2019

**LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lehigh Valley Zoological Society
Schnecksville, PA

We have audited the accompanying financial statements of Lehigh Valley Zoological Society (a nonprofit corporation), which comprise the statements of financial position as of October 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 and fair presentation 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 Lehigh Valley Zoological Society as of October 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.

Congbell, Rappold & Yamasita LLP

March 22, 2021

LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
October 31, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,052,413	\$ 1,044,521
Contributions Receivable	53,300	31,023
Grant Receivable	315,460	-
Prepaid Expenses	13,315	10,818
Inventories	97,735	97,400
Construction in Progress	47,059	30,312
Leasehold Improvements and Equipment, Net of Accumulated Depreciation (Note 3)	1,574,794	1,671,576
Zoological Collection (Note 2)	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 3,154,076</u></u>	<u><u>\$ 2,885,650</u></u>
Liabilities and Net Assets		
Accounts Payable	\$ 64,443	\$ 53,889
Sales Tax Payable	-	790
Wages and Taxes Payable	59,099	95,848
Deferred Revenue	265,042	118,898
Accrued Liabilities	21,307	974
Line of Credit (Note 4)	38,747	38,698
Capital Leases Payable (Note 5)	-	9,404
Loans Payable (Note 6)	<u>509,100</u>	<u>-</u>
Total Liabilities	<u>957,738</u>	<u>318,501</u>
Net Assets		
Without Donor Restrictions	2,123,649	2,500,349
With Donor Restrictions (Note 7)	<u>72,689</u>	<u>66,800</u>
Total Net Assets	<u>2,196,338</u>	<u>2,567,149</u>
Total Liabilities and Net Assets	<u><u>\$ 3,154,076</u></u>	<u><u>\$ 2,885,650</u></u>

See independent auditor's report and notes to financial statements.

LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
STATEMENTS OF ACTIVITIES
For the Years Ended October 31, 2020 and 2019

	Year Ended October 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues, Gains and Other Support:</u>			
From County of Lehigh			
Feed and Care for County Animals	\$ 119,625	\$ -	\$ 119,625
Contributions	266,661	63,555	330,216
COVID-19 Grants	315,460	-	315,460
Memberships	272,416	-	272,416
Special Events	181,088	-	181,088
Admissions	1,349,850	-	1,349,850
Gift Shop	433,392	-	433,392
Cafe	77,997	-	77,997
Education Programs	91,434	-	91,434
Camps	40,908	-	40,908
Animal Feeding	29,027	-	29,027
Zoo Rental	15,297	-	15,297
Services	45,440	-	45,440
Miscellaneous	104	-	104
Gain (Loss) on Disposal of Fixed Assets	-	-	-
Interest	166	-	166
<u>Net Assets Released from Restrictions:</u>			
Satisfaction of Program Restrictions	57,666	(57,666)	-
 Total Revenues, Gains and Other Support	 3,296,531	 5,889	 3,302,420
<u>Expenses:</u>			
Program Services:			
Animal Care	734,522	-	734,522
Education	338,483	-	338,483
Guest Services	1,234,330	-	1,234,330
Facilities and Grounds	306,107	-	306,107
Veterinary Services	245,984	-	245,984
Supporting Services:			
Development and Marketing-Special Events	36,250	-	36,250
Development and Marketing-Other	389,387	-	389,387
Administration and Finance	278,763	-	278,763
 Total Expenses	 3,563,826	 -	 3,563,826
 CHANGE IN NET ASSETS	 \$ (267,295)	 \$ 5,889	 \$ (261,406)
 Net Assets, Beginning of Year	 2,390,944	 66,800	 2,457,744
 NET ASSETS, End of Year	 \$ 2,123,649	 \$ 72,689	 \$ 2,196,338

See independent auditor's report and notes to financial statements.

Year Ended October 31, 2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 118,500	\$ -	\$ 118,500
233,402	80,023	313,425
466,529	-	466,529
144,739	-	144,739
1,807,526	-	1,807,526
566,654	-	566,654
137,577	-	137,577
250,169	-	250,169
50,742	-	50,742
101,328	-	101,328
54,109	-	54,109
102,838	-	102,838
1,933	-	1,933
(4,000)	-	(4,000)
487	-	487
54,700	(54,700)	-
4,087,233	25,323	4,112,556
699,726	-	699,726
338,113	-	338,113
1,394,529	-	1,394,529
301,537	-	301,537
285,060	-	285,060
70,687	-	70,687
466,924	-	466,924
428,190	-	428,190
3,984,766	-	3,984,766
\$ 102,467	\$ 25,323	\$ 127,790
2,397,882	41,477	2,439,359
<u>\$ 2,500,349</u>	<u>\$ 66,800</u>	<u>\$ 2,567,149</u>

LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
For the Years Ended October 31, 2020 and 2019

	Year Ended October 31, 2020	Year Ended October 31, 2019
<u>Cash Flows from Operating Activities:</u>		
CHANGE IN NET ASSETS	\$ (261,406)	\$ 127,790
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	146,235	146,444
Loss on Disposal of Fixed Assets	-	(4,000)
(Increase) Decrease in Assets:		
Accounts Receivable	(22,277)	18,462
Grants Receivable	(315,460)	32,000
Prepaid Expenses	(2,497)	44,194
Inventories	(335)	(37,637)
Increase (Decrease) in Liabilities:		
Accounts Payable	10,554	(96,832)
Sales Tax Payable	(790)	(1,702)
Wages and Taxes Payable	(36,749)	(8,613)
Deferred Revenue	36,738	23,679
Accrued Liabilities	20,333	(4,220)
Contributions with Donor Imposed Restrictions	(63,555)	(80,023)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(489,209)	159,542
<u>Cash Flows from Investing Activities:</u>		
Construction in Progress Payments	(21,959)	(30,312)
Purchases of Capital Assets	(44,240)	(79,210)
NET CASH USED BY INVESTING ACTIVITIES	(66,199)	(109,522)
<u>Cash Flows from Financing Activities:</u>		
Net Borrowings (Payments) on Line of Credit	49	(20,000)
Principal Payments on Capital Leases Payable	(9,404)	(13,278)
Proceeds from Loans	509,100	-
Contributions with Donor Imposed Restrictions	63,555	80,023
NET CASH PROVIDED BY FINANCING ACTIVITIES	563,300	46,745
Net Increase in Cash and Cash Equivalents	\$ 7,892	\$ 96,765
Cash and Cash Equivalents, Beginning	1,044,521	947,756
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,052,413</u>	<u>\$ 1,044,521</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Interest Paid	<u>\$ 1,825</u>	<u>\$ 4,350</u>

See independent auditor's report and notes to financial statements

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LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended October 31, 2020

	Program Services			
	Animal Care	Education	Guest Services	Facilities and Grounds
Wages	\$ 376,574	\$ 244,537	\$ 328,964	\$ 118,664
Payroll Taxes	34,413	22,542	31,081	10,685
Benefits	37,257	18,092	33,619	8,094
	<u>448,244</u>	<u>285,171</u>	<u>393,664</u>	<u>137,443</u>
Uniforms	525	300	-	75
HR Expense	-	118	-	-
Office Supplies	914	98	481	-
Copies/Printing	-	1,704	8,521	-
Signage	-	-	-	-
Graphics and Interpretives	-	20	36	-
Communications	-	-	-	-
Postage	350	-	-	110
Telephone	1,676	1,676	1,676	335
Information Technology	1,180	7,636	1,278	236
Advertising	-	10,479	87,302	-
Utilities/Electric	20,739	3,797	7,379	10,010
Professional/Contract Services	1,139	183	1,868	49,441
Insurance	26,586	4,867	9,460	12,833
Payroll Preparation	2,300	1,401	2,253	678
Fees and Service Charges	-	3,863	33,062	-
Permits and Licenses	75	-	-	1,574
Dues and Memberships	4,288	651	190	-
Exhibit Maintenance	769	-	-	11,306
Vehicle Maintenance	-	-	-	4,070
Equipment Maintenance	-	17	7	3,640
Building Maintenance	-	-	-	11,045
Operating Supplies	8,977	3,345	46,322	11,850
Janitorial	1,826	83	6,442	1,931
Pest Control	-	-	-	3,866
Pharmacy	-	-	-	-
Animal Enrichment/Research	671	-	-	-
Equipment	4,431	483	46	3,129
Professional Development	47	2,120	80	120
Library and Subscriptions	-	-	-	-
Travel	-	1,694	82	-
Hospitality	414	50	-	-
Fuel	9,571	146	454	11,401
Merchandise	-	-	175,336	-
Food and Beverages	-	-	14,092	-
Services	-	-	560	-
Animal Purchases and Transport	665	-	-	-
Animal Food	103,225	-	-	-
Plant Materials	-	-	-	2,357
Activities	-	-	12,580	-
Partnership Expense	-	-	412,135	-
Program/Event Production	-	4,670	-	-
Conservation Expense	23,483	-	-	-
Interest	-	-	-	-
Depreciation	72,427	3,911	19,024	28,657
	<u>\$ 734,522</u>	<u>\$ 338,483</u>	<u>\$ 1,234,330</u>	<u>\$ 306,107</u>

LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
For the Year Ended October 31, 2020

Veterinary Services	Total Program Services	Supporting Services		Total for the Year Ended October 31, 2020
		Development and Marketing	Administration and Finance	
\$ 128,346	\$ 1,197,085	\$ 280,642	\$ 103,774	\$ 1,581,501
11,145	109,866	11,562	14,154	135,582
12,289	109,351	29,858	10,170	149,379
151,780	1,416,302	322,062	128,098	1,866,462
75	975	1,684	-	2,659
100	218	-	11,156	11,374
213	1,706	555	3,134	5,395
-	10,225	6,154	4,261	20,640
-	-	7,913	-	7,913
-	56	-	-	56
-	-	-	-	-
392	852	2,529	790	4,171
670	6,033	1,676	1,004	8,713
589	10,919	2,489	1,181	14,589
-	97,781	10,479	-	108,260
8,100	50,025	4,014	3,272	57,311
32,831	85,462	3,453	63,236	152,151
10,384	64,130	5,146	4,195	73,471
731	7,363	1,414	1,317	10,094
-	36,925	5,327	4,257	46,509
450	2,099	406	13,147	15,652
905	6,034	1,114	20,418	27,566
-	12,075	-	-	12,075
-	4,070	-	-	4,070
3,314	6,978	422	26	7,426
-	11,045	-	-	11,045
2,705	73,199	8,094	6,169	87,462
-	10,282	-	-	10,282
-	3,866	-	-	3,866
16,780	16,780	-	-	16,780
-	671	-	-	671
189	8,278	195	-	8,473
480	2,847	333	1,236	4,416
-	-	31	67	98
-	1,776	36	3,131	4,943
160	624	2,435	1,162	4,221
27	21,599	-	-	21,599
-	175,336	-	-	175,336
-	14,092	-	-	14,092
-	560	-	-	560
-	665	-	-	665
-	103,225	-	-	103,225
-	2,357	-	-	2,357
-	12,580	-	-	12,580
-	412,135	-	-	412,135
-	4,670	36,250	-	40,920
-	23,483	-	-	23,483
-	-	-	1,825	1,825
15,109	139,128	1,426	5,681	146,235
<u>\$ 245,984</u>	<u>\$ 2,859,426</u>	<u>\$ 425,637</u>	<u>\$ 278,763</u>	<u>\$ 3,563,826</u>

LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended October 31, 2019

	Program Services			
	Animal Care	Education	Guest Services	Facilities and Grounds
Wages	\$ 331,781	\$ 224,044	\$ 352,741	\$ 104,252
Payroll Taxes	36,204	26,880	41,286	11,419
Benefits	42,676	18,630	34,107	8,136
	<u>410,661</u>	<u>269,554</u>	<u>428,134</u>	<u>123,807</u>
Uniforms	1,231	1,045	646	70
HR Expense	108	240	-	-
Office Supplies	901	274	475	-
Copies/Printing	-	2,366	11,179	-
Signage	-	-	38	-
Graphics and Interpretives	-	-	-	-
Communications	-	-	-	-
Postage	72	20	38	-
Telephone	1,398	1,398	1,398	280
Information Technology	1,481	3,507	1,481	370
Advertising	-	18,134	109,617	-
Utilities/Electric	25,328	4,637	9,012	12,225
Professional/Contract Services	7,781	-	1,170	31,329
Insurance	24,671	4,517	8,779	11,908
Payroll Preparation	2,992	1,945	3,331	877
Fees and Service Charges	-	3,920	36,407	-
Credit Card Acceptance Fees	-	-	-	-
Permits and Licenses	235	-	-	1,746
Dues and Memberships	860	1,456	108	-
Exhibit Maintenance	4,684	55	2,134	16,917
Vehicle Maintenance	-	-	-	5,883
Equipment Maintenance	-	-	-	6,964
Building Maintenance	-	-	-	17,659
Operating Supplies	9,576	4,720	50,876	15,885
Janitorial	602	2	9,560	1,791
Pest Control	-	-	-	5,339
Pharmacy	-	-	-	-
Animal Enrichment/Research	3,847	-	-	-
Equipment	5,975	895	208	2,620
Professional Development	2,662	1,855	70	105
Library and Subscriptions	171	-	-	-
Travel	8,241	4,693	1,383	280
Hospitality	1,043	346	724	-
Fuel	14,535	237	1,982	13,354
Merchandise	-	-	226,325	-
Food and Beverages	-	-	36,000	-
Services	-	-	22,746	-
Animal Purchases and Transport	-	505	-	-
Animal Food	104,287	-	-	-
Plant Materials	-	-	-	2,787
Activities	-	-	5,766	-
Partnership Expense	-	-	407,564	-
Program/Event Production	-	7,704	-	-
Conservation Expense	-	-	-	-
Interest	-	-	-	-
Depreciation	<u>66,384</u>	<u>4,088</u>	<u>17,378</u>	<u>29,341</u>
	<u>\$ 699,726</u>	<u>\$ 338,113</u>	<u>\$ 1,394,529</u>	<u>\$ 301,537</u>

LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
For the Year Ended October 31, 2019

Veterinary Services	Total Program Services	Supporting Services		Total for the Year Ended October 30, 2019
		Development and Marketing	Administration and Finance	
\$ 121,807	\$ 1,134,625	\$ 299,191	\$ 248,372	\$ 1,682,188
13,136	128,925	33,332	9,886	172,143
8,728	112,277	18,429	26,508	157,214
143,671	1,375,827	350,952	284,766	2,011,545
59	3,051	982	74	4,107
717	1,065	-	16,726	17,791
21	1,671	2,262	7,384	11,317
-	13,545	4,994	1,666	20,205
-	38	10,360	-	10,398
-	-	-	-	-
-	-	7,075	141	7,216
1,048	1,178	6,227	1,646	9,051
559	5,033	1,398	1,119	7,550
231	7,070	3,505	1,853	12,428
-	127,751	18,134	-	145,885
9,893	61,095	4,902	3,997	69,994
72,045	112,325	2,954	12,976	128,255
-	49,875	4,775	3,893	58,543
1,058	10,203	2,530	3,120	15,853
-	40,327	5,831	6,359	52,517
-	-	-	-	-
1,754	3,735	230	14,672	18,637
925	3,349	1,173	20,272	24,794
1,759	25,549	-	-	25,549
-	5,883	-	-	5,883
-	6,964	-	386	7,350
-	17,659	-	-	17,659
4,697	85,754	30,719	7,553	124,026
1,854	13,809	353	-	14,162
-	5,339	-	-	5,339
22,871	22,871	-	-	22,871
-	3,847	-	-	3,847
2,335	12,033	601	-	12,634
1,335	6,027	1,019	3,047	10,093
-	171	30	-	201
2,740	17,337	778	10,192	28,307
1,036	3,149	3,684	8,466	15,299
86	30,194	30	71	30,295
-	226,325	-	-	226,325
-	36,000	-	-	36,000
-	22,746	-	-	22,746
-	505	-	-	505
-	104,287	-	-	104,287
-	2,787	-	-	2,787
-	5,766	-	-	5,766
-	407,564	-	-	407,564
-	7,704	70,687	-	78,391
-	-	-	-	-
-	-	-	4,350	4,350
14,366	131,557	1,426	13,461	146,444
<u>\$ 285,060</u>	<u>\$ 3,018,965</u>	<u>\$ 537,611</u>	<u>\$ 428,190</u>	<u>\$ 3,984,766</u>

LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
October 31, 2020 and 2019

1. Nature of Activities

On November 1, 2004, the Lehigh Valley Zoological Society (the "Society") assumed management of the 29-acre Lehigh Valley Zoo (the "Zoo") located at the Trexler Nature Preserve. The Trexler Nature Preserve, founded by General Harry C. Trexler in 1906, is owned and operated by the County of Lehigh (the County). The Zoo, founded in 1974, was formerly operated by the County.

The mission of the Society is to create a safe, engaging and enlightening wildlife experience for guests of all ages as it demonstrates leadership in the cultural, scientific and conservation communities.

On March 21, 2006, the Zoo became accredited by the Association of Zoos and Aquariums. Accreditation places the Zoo in the top 10% of animal attractions in North America and indicates the Zoo's commitment to education, conservation and top-quality animal care. The Zoo was reaccredited in 2015.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors.

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, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resource 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.

LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
October 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, the Society considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. The reclassifications had no impact on the changes in net assets as previously reported.

Inventory

The merchandise inventory consists of items purchased for sale in the gift shops. Items purchased for resale are valued at the lower of cost or market, cost being determined on a first-in-first-out basis.

Leasehold Improvements and Equipment

The Society capitalizes expenditures for assets that cost \$1,000 or more, with at least a three-year life expectancy. Leasehold improvements and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Equipment	3-7 years
Leasehold Improvements	15-39 years

All land and buildings located at the Society on October 31, 2020 and 2019 are the property of the County and are not included in these financial statements. The Zoo is being leased from the County for \$1 per year. In the event the Zoo would cease operations, all leasehold improvements would become property of the County. Due to the unusual nature of the below market value of the lease, management has elected not to record the value in the financial statements.

All repairs and maintenance are expensed in the period incurred.

LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
October 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Zoological Collection

Animals acquired either through purchase or donations are not capitalized. Purchases of animals are recorded as decreases in net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with donor restricted assets. Contributions of animals are not recognized in the Statements of Activities. Proceeds from deaccessions are reflected in the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions.

Contributions and Grants Receivable

Contributions and grants receivable that represent unconditional promises to give are recognized as revenues when the promise is received. Contributions and grants receivable that are expected to be collected in less than one year are reported at net realizable value. Those expected to be collected in more than one year are recorded at fair value at the date of promise.

All of the Society's contributions and grants receivable are expected to be collected within one year and are reported at net realizable value in these financial statements. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with the donors and grantors.

Contributions and Grant Revenue

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and/or the nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

The Society reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports expirations of donor restriction when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. The Society receives a significant amount of donated services however, the services have not met the criteria for recognition for the years ended October 31, 2020 and 2019.

LEHIGH VALLEY ZOOLOGICAL SOCIETY
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
October 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Contributions and Grant Revenue (Continued)

Revenue from grants is recognized according to the specific agreement. Generally, revenues from restricted grants are recognized in the period of the grant award while revenues from cost reimbursement contracts are recognized to the extent of project expenses incurred. Based on prior experience, the Society's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Society.

Revenue Recognition

The Society recognizes revenues from grants, contributions, rental income, and zoo admission/services, that are outside the scope of ASC 606. The Society's revenue streams are accounted for in the following segments:

- **Zoo Admissions and Zoo Services** – The Society provides admissions to the Zoo, as well as different services available while in the Zoo. These range from concession sales, to gift shop sales, and tours/programs for visitors. All services and programs are recognized as a fee-for-service and all revenue from these services are recognized in the period earned.
- **Contributions and Grants** – During the course of the year the Zoo will receive different kinds of contributions and grants from outside sources. All revenue earned from contributions and grants is realized in the period that it is earned.
- **Memberships** – The Society offers individuals the ability to become members of the zoo. All revenue from taking in members are recognized as revenue in the period in which the costs are incurred and the service is provided. Unearned membership revenue is reflected in deferred revenue at the end of the fiscal year.

Advertising Costs

The Society's policy is to expense advertising costs as the costs are incurred. Advertising expense was \$108,260 and \$145,885 for the years ending October 31, 2020 and 2019, respectively.

Allocation of Expenses by Function

As reported in the Statements of Functional Expenses, expenses of the Society have been allocated to the following functional reporting classifications:

Animal Care
Education
Guest Services
Facilities and Grounds
Veterinary Services
Development and Marketing
Administration and Finance

LEHIGH VALLEY ZOOLOGICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (Continued)

Allocation of Expenses by Function (Continued)

The Society's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel among functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Concentration of Risk

The Society's activities are limited to operating a Zoo located on land owned by the County. Ongoing, the Society receives infrastructure support determined on an annual basis and subject to County preapproval.

Concentration of Credit Risk

The Society maintains all its cash accounts in two banks. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC). Maximum FDIC insurance coverage of the Society's deposits was \$250,000 at October 31, 2020 and 2019. The Society had uninsured amounts at October 31, 2020 and 2019 of approximately \$773,000 and \$726,000, respectively. While the Society maintains cash balances which may exceed the FDIC's insured limits, it has not experienced any credit-related losses.

Income Taxes

The Society is a nonprofit Society that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society follows the guidance of ASC-740-10, *Accounting for Uncertainty in Income Taxes*. The Society may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. There were no unrecognized tax benefits identified or liabilities recorded for the years ended October 31, 2020 and 2019.

The Society files its Form 990, Return of Society Exempt from Income Tax, with the United States Internal Revenue Service (IRS). The Society's returns remain open to examination by the Internal Revenue Service for the years ending October 31, 2017, 2018, 2019, and 2020.

Adoption of New Accounting Standards

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that affect the Society's revenue recognition, as note below.

LEHIGH VALLEY ZOOLOGICAL SOCIETY
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October 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standards (Continued)

On November 1, 2019, the Society adopted accounting Standards Update 2014-09 *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict 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 the good or services. This update requires entities to make new judgements and estimates and provide expanded disclosures about revenue and is effective for fiscal years beginning after December 15, 2018.

The Society applied Topic 606 using the modified retrospective method. The new standard's implementation was applied retrospectively with the recorded cumulative adjustment of \$109,405 to the net assets as of November 1, 2019. The adjustment results from deferring membership income over the contract's life instead of at the time of purchase, as previously recorded. As a result of the adoption, deferred revenue increased by \$109,405 on the Statement of Financial Position. Memberships and changes in net assets decreased \$29,538 on the Statement of Activities.

On November 1, 2019, the Society adopted Accounting Standards Update 2018-08 *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. This Update is effective for fiscal years beginning after December 15, 2018.

Accounting for Paycheck Protection Program (PPP)

The Society may account for a Paycheck Protection Program (PPP) loan as a financial liability in accordance with FASB ASC Topic 470, *Debt*, or under other models, if certain conditions are met. If the Society expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven, the Society may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. As of October 31, 2020, management has not evaluated whether the Society will meet the eligibility criteria for full forgiveness of the Loan. For this reason, the Society has elected the debt method. Under this method, the Society recorded a debt liability on the Statement of Financial Position and will subsequently recognize revenue from the extinguishment of debt once forgiveness has been determined by the Small Business Administration. On April 28, 2020, the Society received \$359,200 under the Paycheck Protection Program.

LEHIGH VALLEY ZOOLOGICAL SOCIETY
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3. Leasehold Improvements and Equipment, Net

Leasehold improvements and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Leasehold Improvements	\$ 1,839,868	\$ 1,824,363
Equipment	<u>648,714</u>	<u>635,541</u>
	2,488,582	2,459,904
Accumulated Depreciation	<u>(913,788)</u>	<u>(788,328)</u>
	<u><u>\$ 1,574,794</u></u>	<u><u>\$ 1,671,576</u></u>

Depreciation charged to expense was \$146,235 and \$146,444 for the years ended October 31, 2020 and 2019, respectively.

4. Line of Credit

The Society has a \$250,000 line of credit with a bank. The line of credit is payable on demand. The outstanding balance at October 31, 2020 and 2019 was \$38,747 and \$38,698, respectively. In accordance with the line's debt modification agreement signed August 7, 2015, principal payments are due monthly from April through September each year totaling \$20,000. The line of credit listed above was fully paid off in 2020. The Society entered a new line of credit agreement with the same terms once the previous one was satisfied. On October 31, 2020 and 2019, the interest rate was 3.25% and 4.75% and interest paid on the line of credit was \$1,394 and \$2,909, respectively. Other interest expense was \$431 and \$1,441 for 2020 and 2019, respectively.

5. Leases

On February 12, 2020, the Society entered into a fifteen-year lease (the Lease) for the Zoo with the County. Rent for the facility under the Lease is \$1 per year through January 21, 2035.

The Society leases equipment under long term lease agreements. The equipment leases are capital and operating leases which expire in various years through 2022. Rental expenses for the years ended October 31, 2020 and 2019 were \$17,356 and \$17,986, respectively. During fiscal year 2020 capital leases were paid in full.

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NOTES TO FINANCIAL STATEMENTS
October 31, 2020 and 2019

5. Leases (Continued)

Minimum lease payments for leases as of October 31, 2020 are as follows:

	<u>Capital</u>	<u>Operating</u>
Year ending October 31,		
2021	\$ -	\$ 16,675
2022	-	8,008
Total Minimum Lease Payments	-	<u>\$ 24,683</u>
Less: Interest	-	
Present Value of Minimum Lease Payments	-	
Less: Current Portion	-	
Capital Lease Obligations - Long Term	<u>\$ -</u>	

Equipment includes the following amounts for leases which have been capitalized:

	<u>2020</u>	<u>2019</u>
Telephone System	\$ 13,075	\$ 13,075
Computer Network	19,975	19,975
Laboratory Analyzer	26,834	26,834
WiFi	<u>31,327</u>	<u>31,327</u>
	91,211	91,211
Less: Accumulated Depreciation	<u>(76,614)</u>	<u>(68,306)</u>
	<u>\$ 14,597</u>	<u>\$ 22,905</u>

6. Loans Payable

	<u>2020</u>	<u>2019</u>
Paycheck Protection Program Loan. Payable in monthly installments of \$15,123, principal and interest at 1.00%. Matures October, 2022	\$ 359,200	\$ -
Economic Injury Disaster Loan, Payable in monthly installments of \$625, principal and interest at 2.75%. Matures August, 2050	<u>149,900</u>	<u>-</u>
	<u>\$ 509,100</u>	<u>\$ -</u>

LEHIGH VALLEY ZOOLOGICAL SOCIETY
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October 31, 2020 and 2019

6. Loans Payable (Continued)

Maturities of the long-term debt are as follows:

Year ended October 31,		
	2021	\$ 179,267
	2022	183,941
	2023	3,539
	2024	3,638
	2025	3,739
	Thereafter	<u>134,976</u>
		<u><u>\$ 509,100</u></u>

Interest expense for the related loans was \$-0- for the years ended October 31, 2020 and 2019.

7. Net Assets With Donor Restrictions

The Society's net assets with donor restrictions as of October 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions:		
Marketing-Tourism	\$ 15,000	\$ 15,000
Education	7,500	7,500
Tortoise Exhibit	9,025	9,025
Front Entrance	275	275
Animal Care	5,450	-
Volunteer/Docent	439	-
EITC	18,000	-
Oryx and Camel Exhibit	<u>17,000</u>	<u>35,000</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 72,689</u></u>	<u><u>\$ 66,800</u></u>

LEHIGH VALLEY ZOOLOGICAL SOCIETY
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NOTES TO FINANCIAL STATEMENTS
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8. Net Assets Released From Restrictions

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	<u>2020</u>	<u>2019</u>
Oryx and Camel Exhibit	\$ 18,000	\$ -
Giraffe Care	318	-
Conservation Education	-	19,500
Marketing	32,000	32,000
Snowy Owl Care	3,110	-
Specific Animal Care	426	-
Sloth Exhibit	-	3,200
Volunteer/Docent Program	562	-
Wolf Exhibit	3,250	-
	<u> </u>	<u> </u>
Total Net Assets Released From Restrictions	<u>\$ 57,666</u>	<u>\$ 54,700</u>

9. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date Statements of Financial Position, consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,052,413	\$ 1,044,521
Contributions Receivable	53,300	31,023
Net Assets With Donor Restrictions	<u>(72,689)</u>	<u>(66,800)</u>
	<u>\$ 1,033,024</u>	<u>\$ 1,008,744</u>

As described in Note 4, the Society has a line of credit with available funds of \$211,253 as of October 31, 2020, which it could draw upon in the event of an anticipated liquidity need.

10. Subsequent Events

Management has evaluated subsequent events through March 22, 2021 the date on which the financial statements were available to be issued and has determined that no material subsequent events exist that require disclosure.

In March 2020, the World Health Society declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Society, COVID-19 may impact various parts of its 2021 fiscal year operations and financial results. Management believes the Society is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events continue to occur subsequent to year-end. On February 1, 2021 the Society received a second round of Payroll Protection Program loan in the amount \$359,422.