

**Houston Zoo, Inc.**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2021 and 2020

# Houston Zoo, Inc.

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**Independent Auditors' Report**

To the Board of Directors of  
Houston Zoo, Inc.:

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of Houston Zoo, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Houston Zoo, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Houston Zoo, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

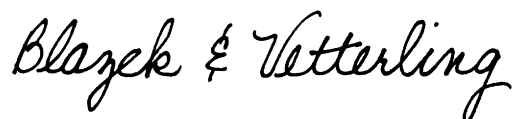
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Houston Zoo, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston Zoo, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

#### **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2022 on our consideration of Houston Zoo Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Houston Zoo, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Houston Zoo, Inc.'s internal control over financial reporting and compliance.



June 7, 2022



## Houston Zoo, Inc.

### Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE:</b>			
Fees and program revenue ( <i>Note 12</i> ):			
Admission fees	\$ 17,936,166		\$ 17,936,166
City management fee	10,461,221		10,461,221
Guest program fees	8,806,179		8,806,179
Membership admission fees	7,418,011		7,418,011
Concession contract income	5,121,786		5,121,786
Educational program fees	734,356		734,356
Contributions:			
Government grants ( <i>Note 13</i> )		\$ 17,461,519	17,461,519
Other contributions	2,817,284	8,741,041	11,558,325
Net investment return	1,239,902	880,571	2,120,473
Special events	1,838,432		1,838,432
Cost of benefits provided to donors	(275,399)		(275,399)
Other income	<u>53,440</u>		<u>53,440</u>
Total revenue	56,151,378	27,083,131	83,234,509
Net assets released from restrictions:			
Program expenditures	19,419,039	(19,419,039)	
Expiration of time restrictions	1,022,714	(1,022,714)	
Capital expenditures	<u>661,291</u>	<u>(661,291)</u>	
Total	<u>77,254,422</u>	<u>5,980,087</u>	<u>83,234,509</u>
<b>EXPENSES:</b>			
Zoo programs:			
Exhibition facility operations	19,788,653		19,788,653
Depreciation	9,399,451		9,399,451
Admissions and guest relations	4,613,191		4,613,191
Education and conservation programs	4,166,729		4,166,729
Guest program events	<u>2,752,523</u>		<u>2,752,523</u>
Total zoo programs	40,720,547		40,720,547
Advertising and marketing costs	1,935,833		1,935,833
Membership development	1,315,559		1,315,559
Management and general	2,537,686		2,537,686
Fundraising	<u>1,906,275</u>		<u>1,906,275</u>
Total expenses	<u>48,415,900</u>		<u>48,415,900</u>
CHANGES IN NET ASSETS BEFORE CHANGE IN VALUE OF DERIVATIVE AGREEMENT	28,838,522	5,980,087	34,818,609
Change in value of derivative agreement ( <i>Note 7</i> )	<u>(525,185)</u>		<u>(525,185)</u>
CHANGES IN NET ASSETS	28,313,337	5,980,087	34,293,424
Net assets, beginning of year	<u>182,264,146</u>	<u>67,492,477</u>	<u>249,756,623</u>
Net assets, end of year	<u>\$ 210,577,483</u>	<u>\$ 73,472,564</u>	<u>\$ 284,050,047</u>

*See accompanying notes to financial statements.*

## Houston Zoo, Inc.

### Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Fees and program revenue (Note 12):			
Admission fees	\$ 9,342,777		\$ 9,342,777
City management fee	10,317,516		10,317,516
Guest program fees	4,409,409		4,409,409
Membership admission fees	5,056,070		5,056,070
Concession contract income	1,924,771		1,924,771
Educational program fees	243,600		243,600
Contributions:			
Government grants (Note 13)		\$ 5,665,025	5,665,025
Other contributions	3,921,956	11,950,428	15,872,384
Net investment return	1,272,973	849,850	2,122,823
Special events	1,036,276		1,036,276
Cost of benefits provided to donors	(69,676)		(69,676)
Loss on disposal of property and equipment	(261,306)		(261,306)
Other income	39,978		39,978
Total revenue	37,234,344	18,465,303	55,699,647
Net assets released from restrictions:			
Program expenditures	9,869,284	(9,869,284)	
Expiration of time restrictions	899,256	(899,256)	
Capital expenditures	18,562,449	(18,562,449)	
Total	66,565,333	(10,865,686)	55,699,647
EXPENSES:			
Zoo programs:			
Exhibition facility operations	20,709,344		20,709,344
Depreciation	8,883,772		8,883,772
Admissions and guest relations	3,371,708		3,371,708
Education and conservation programs	3,705,135		3,705,135
Guest program events	1,795,340		1,795,340
Total zoo programs	38,465,299		38,465,299
Advertising and marketing costs	1,953,184		1,953,184
Membership development	1,155,481		1,155,481
Management and general	2,282,092		2,282,092
Fundraising	1,482,037		1,482,037
Total expenses	45,338,093		45,338,093
CHANGES IN NET ASSETS	21,227,240	(10,865,686)	10,361,554
Net assets, beginning of year	161,036,906	78,358,163	239,395,069
Net assets, end of year	\$ 182,264,146	\$ 67,492,477	\$ 249,756,623

See accompanying notes to financial statements.

## Houston Zoo, Inc.

### Statements of Cash Flows for the years ended December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 34,293,424	\$ 10,361,554
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	9,399,451	8,883,772
Net realized and unrealized gain on investments	(1,557,362)	(1,809,418)
Contributions restricted for <i>Centennial</i> campaign	(6,969,832)	(8,649,916)
Contributions restricted for permanent endowment funds	(50)	(100,000)
Change in value of derivative agreement	525,185	
Loss on disposal of property and equipment		261,306
Changes in operating assets and liabilities:		
Accounts receivable	(554,756)	36,703
Prepaid insurance and other assets	(322,309)	203,206
Operating contributions receivable	1,145,361	(232,634)
Accounts payable and accrued expenses	858,528	(719,787)
Accrued salaries and benefit costs	686,207	(318,216)
Funds held for others	(60,379)	(47,400)
Refundable advances	834,459	
Deferred revenue	<u>(4,680,895)</u>	<u>5,080,235</u>
Net cash provided by operating activities	<u>33,597,032</u>	<u>12,949,405</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(32,678,913)	(33,533,703)
Purchases of investments	(36,648,976)	(15,401,433)
Proceeds from sale of investments	17,209,675	15,009,564
Net change in money market mutual funds held as investments	<u>(739,141)</u>	<u>(21,688)</u>
Net cash used by investing activities	<u>(52,857,355)</u>	<u>(33,947,260)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for <i>Centennial</i> campaign	10,105,974	9,894,332
Proceeds from notes payable	20,550,664	12,418,482
Principal repayments of notes payable	(8,470,621)	
Proceeds from contributions restricted for permanent endowment funds	<u>50</u>	<u>100,000</u>
Net cash provided by financing activities	<u>22,186,067</u>	<u>22,412,814</u>
<b>NET CHANGE IN CASH</b>	<b>2,925,744</b>	<b>1,414,959</b>
Cash, beginning of year	<u>31,015,525</u>	<u>29,600,566</u>
Cash, end of year	<u>\$ 33,941,269</u>	<u>\$ 31,015,525</u>
<i>Reconciliation of cash:</i>		
Restricted or designated cash	\$ 28,791,613	\$ 26,100,918
Other cash	<u>5,149,656</u>	<u>4,914,607</u>
Total cash	<u>\$ 33,941,269</u>	<u>\$ 31,015,525</u>
<i>Supplemental disclosure of cash flow information:</i>		
Contributions of marketable securities	\$1,149,367	\$1,233,009

*See accompanying notes to financial statements.*

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## Houston Zoo, Inc.

### Statement of Functional Expenses for the year ended December 31, 2021

	ZOO PROGRAMS	ADVERTISING AND MARKETING COSTS	MEMBERSHIP DEVELOPMENT	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries, related taxes, and benefits	\$ 19,895,420	\$ 589,229	\$ 803,804	\$ 1,761,242	\$ 1,513,375	\$ 24,563,070
Depreciation	9,399,451					9,399,451
Professional fees and contract labor	3,003,367	42,028	169,169	551,427	176,941	3,942,932
Supplies, materials and equipment	2,594,934	3,469	13,319	45,336	13,212	2,670,270
Grants made	2,356,074					2,356,074
Occupancy	1,438,935	26	184	342	184	1,439,671
Advertising and marketing	11,856	1,181,519	1,073	2,006	1,294	1,197,748
Credit card fees	612,635	26	182,202	131	38,112	833,106
Information technology	478,304	77,253	45,948	85,333	52,520	739,358
Insurance	595,876	12,090	25,908	46,634	18,999	699,507
Conferences, conventions, and meetings	168,131	2,007	2,242	6,039	72,498	250,917
Printing and postage	89,343	27,830	71,633	29,760	18,686	237,252
Travel	76,221	356	77		454	77,108
Other				9,436		9,436
Total expenses	<u>\$ 40,720,547</u>	<u>\$ 1,935,833</u>	<u>\$ 1,315,559</u>	<u>\$ 2,537,686</u>	<u>\$ 1,906,275</u>	48,415,900
Cost of benefits provided to donors						<u>275,399</u>
Total						<u>\$ 48,691,299</u>

*See accompanying notes to financial statements.*

## Houston Zoo, Inc.

### Statement of Functional Expenses for the year ended December 31, 2020

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	ZOO PROGRAMS	ADVERTISING AND MARKETING COSTS	MEMBERSHIP DEVELOPMENT	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries, related taxes, and benefits	\$ 20,111,946	\$ 580,315	\$ 697,404	\$ 1,521,507	\$ 1,122,987	\$ 24,034,159
Depreciation	8,883,772					8,883,772
Professional fees and contract labor	2,034,884	38,574	193,164	432,588	125,651	2,824,861
Supplies, materials and equipment	2,692,979	4,000	12,520	90,671	15,714	2,815,884
Grants made	2,228,013					2,228,013
Occupancy	1,199,613	803	1,605	6,421	803	1,209,245
Advertising and marketing	4,064	1,235,529	562	2,247	548	1,242,950
Credit card fees	313,282		114,809	261	37,882	466,234
Information technology	170,263	55,511	35,538	142,151	20,196	423,659
Insurance	538,428	8,773	24,125	32,898	13,159	617,383
Conferences, conventions, and meetings	85,002	307	4,700	7,974	77,537	175,520
Printing and postage	125,992	26,778	70,984	17,181	61,161	302,096
Travel	77,061	2,594	70	4,651	944	85,320
Other				23,542	5,455	28,997
Total expenses	<u>\$ 38,465,299</u>	<u>\$ 1,953,184</u>	<u>\$ 1,155,481</u>	<u>\$ 2,282,092</u>	<u>\$ 1,482,037</u>	45,338,093
Cost of benefits provided to donors						<u>69,676</u>
Total						<u>\$ 45,407,769</u>

*See accompanying notes to financial statements.*

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## Houston Zoo, Inc.

Notes to Financial Statements for the years ended December 31, 2021 and 2020

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Ninety-nine years ago, the City of Houston (the City) created a zoo program and facility to benefit the citizens of Houston and surrounding areas. In 2002, the zoo was privatized by order of the City and operates as Houston Zoo, Inc. (the Houston Zoo).

The Houston Zoo is a conservation, education, and recreation organization dedicated to the reproduction, protection, and exhibition of animals in their habitats. The Houston Zoo provides a fun, unique and inspirational experience fostering appreciation, knowledge and care for the natural world 363 days a year.

Federal income tax status – The Houston Zoo is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Cash – Bank deposits exceed the federally insured limit per depositor per institution.

Accounts receivable primarily represent amounts due from a concession contract and is based on amounts that reflect the consideration to which the Houston Zoo expects to be entitled to in exchange for performance obligations already satisfied. The Houston Zoo assesses collectability of concessionaires at contract inception and does not require collateral or provide financing. An allowance for accounts receivable is established when changed circumstances indicate that the balance may no longer be collected in full. The Houston Zoo believes that all accounts receivable at December 31, 2021 will be fully collected. Accordingly, no allowance for doubtful accounts has been provided.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions revenue. An allowance for uncollectible contributions receivable is provided when it is believed balances may not be collected in full. The amount of loss on contributions recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and individual account-by-account analysis of receivable balances. At December 31, 2021, management has determined that an allowance for uncollectible contributions receivable is not necessary.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment management and custodial expenses.

Property and equipment are reported at cost, if purchased, or at fair value at the date of gift, if donated. The Houston Zoo capitalizes property and equipment that has a cost or fair value of \$10,000 or greater and an estimated useful life of more than one year. The Houston Zoo recognizes depreciation using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years.

Animal and horticultural collections – In accordance with industry practice, the Houston Zoo does not capitalize animal and horticultural collections; acquisitions are reported as expenditures in the period of acquisition. The Houston Zoo is responsible for the health and welfare of its animal and horticultural collections. The Houston Zoo maintains records of its collections and any exchanges with other organizations. Under the direction of the Board of Directors (the Board) of the Houston Zoo, the President, and the curatorial staff, collections continue to be cared for, used, and expanded. In 2021 and 2020, the Houston Zoo expended approximately \$43,000 and \$9,100, respectively, to expand its collections.

In an ongoing commitment to enhance worldwide reproduction and conservation of animals, the Houston Zoo exchanges animals with other organizations. Consistent with industry practice, the Houston Zoo does not record any liability for such exchange arrangements as generally these arrangements are without monetary consideration.

Funds held for others – The Houston Zoo holds funds for several organizations. Funds held for others are included in the Houston Zoo’s cash and as a liability of the Houston Zoo.

Deferred City management fee, membership fees and guest program fees result from payments received before the performance obligations are satisfied and are expected to be recognized as revenue in the following year. At December 31, 2021, 2020 and 2019, the deferred City management fee was \$0, \$5,203,811 and \$0, respectively. At December 31, 2021, 2020 and 2019, deferred membership fees are \$3,868,034, \$3,324,528, and \$3,708,382, respectively. At December 31, 2021, 2020 and 2019, deferred guest program fees are \$511,396, \$524,675, and \$291,677, respectively.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Fees and program revenue are derived primarily from admission to the zoo, park management services, guest program services, concessions, and educational programs. Revenue is recognized when the services are provided in an amount that reflects the consideration that the Houston Zoo expects to be entitled to in exchange for those services. The nature of these services does not give rise to contract costs, refunds, warranties or other related obligations.

*Admission fees* are from residents of Houston and the surrounding area for access to the Houston Zoo. Admission fees entitle visitors to a single day access to the zoo and are collected and recognized as revenue at the point of sale.

*City management fee* – The Houston Zoo has a 50-year operating agreement with the Houston Zoo Development Corporation (HZDC), a local government corporation created by the City, to operate, maintain, manage, and develop the zoo premises. HZDC has a 50-year lease agreement with the City for the land, buildings, and improvements of the zoo premises. Under the operating agreement with HZDC, the Houston Zoo receives an annual management fee that increases annually based on the Consumer Price Index. The management fee is subject to annual appropriation and budget approval by the City. The operating agreement can be terminated by the Houston Zoo if the annual appropriation is not approved by the City. Revenue under the operating agreement is recognized ratably over time based on the output method as management services are performed. Payment is due monthly from HZDC.

*Guest program fees* – Guest program fees are recognized at a point in time when the admission or event occurs or service is provided and include admission fees for special exhibits, special events such as Zoo Lights and Feast with the Beast, children carousel rides, giraffe feeding, and facility and stroller rentals. Payment for guest program fees is due when the admission occurs, or services are provided. Facility rentals require a non-refundable deposit due upon execution of a contract with the remaining balance due prior to the event.

*Membership admission fees* – Membership dues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total membership fees paid and the exchange element and are due at the time of purchase. Memberships provide various benefits based on membership level such as admission to the zoo, discounted tickets for admission, special exhibits and events, private tours, discounted facility rentals, discounts at the gift shop and restaurants, and invitations to private events. Membership admission fees represent the fair value of benefits provided to members and are recognized ratably over the annual membership period based on the output method. The fair value of each benefit is based on the expected utilization. Payments for membership admission fees received for performance obligations not yet satisfied are reported as deferred revenue. The excess of membership dues paid over membership admission fees is recognized upon receipt and is reported with contributions.

The Houston Zoo allows visitors to purchase pre-paid tickets for admission, as well as other guest programs. Pre-paid tickets for admission must be utilized for the reserved day. Payments received for pre-paid tickets are reported as deferred guest program fee revenue until the tickets are utilized.

*Concession contract income* – The Houston Zoo has a contract with a concessionaire to operate the gift shop and provide food services. The contract runs through 2027, but by mutual consent can be extended for up to two additional five-year terms. The terms of the agreement provide for variable consideration based on sales by category of goods sold and range of total sales. If the Houston Zoo achieves specified attendance benchmarks, it is entitled to receive a minimum annual guarantee regardless of amount of goods sold. Revenue is recognized over a period of time based on sales for the month. Payment is due monthly based on the prior month's sales.

*Educational program fees* – The Houston Zoo offers educational experiences, including summer camps, training for teens as volunteers for teen zoo crew, overnight campouts, animal encounters and other experiences. Educational program fees are due prior to the scheduled event. Animal encounter fees are recognized when the event occurs while other educational program fees are recognized ratably over the period of time that the program occurs.

Discounts provided to Houston Zoo members and staff for admission, guest program fees, and educational program fees reduce the amount of consideration the Houston Zoo expects to be entitled to receive and the related revenue is presented net of discounts. Admission discounts also are provided to schools, military personnel, METRO riders, City Pass, Lonestar, groups, and corporate partners. Admission fees are reported net of the discounts.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *net assets with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when conditions have been met. Funding received before conditions are met is reported as refundable advances.

Donated materials, use of facilities and services – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During 2021, approximately 500 volunteers contributed approximately 19,000 hours in connection with programs. During 2020, approximately 560 volunteers contributed approximately 15,000 hours in connection with programs. No amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Amounts received for future events represent conditional contributions and are reported in the statement of financial position as deferred revenue until earned. Costs of benefits provided to donors represent the cost of goods and services provided to attendees of special events.

Grants made are recognized as expense at fair value when the Houston Zoo approves an unconditional commitment to a grant recipient. Commitments made but not yet funded are recorded as grants payable and are discounted, if material, to estimate the present value of future cash flows.

Advertising and marketing costs are expensed as incurred.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Membership development activities include soliciting for prospective members and membership dues, membership relations, and similar activities. Management and general activities are not directly identifiable with specific program or other supporting activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Training, postage and delivery, telephone, fuel, uniforms and insurance are allocated based on employee headcount of each department. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for years beginning after June 15, 2021 and requires retrospective application. The Houston Zoo will adopt this ASU in fiscal year 2022.

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Houston Zoo is required to adopt this ASU for fiscal year 2022. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.



### NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Centennial campaign	\$ 56,003,759	\$ 60,202,040
Government agencies	609,185	460,525
Other	<u>2,051,629</u>	<u>3,345,650</u>
Total contributions receivable	58,664,573	64,008,215
Discount to net present value at 0.17% to 2.46%	<u>(4,340,938)</u>	<u>(5,403,077)</u>
Contributions receivable, net	<u>\$ 54,323,635</u>	<u>\$ 58,605,138</u>

Contributions receivable at December 31, 2021 are expected to be collected as follows:

Receivable in less than one year	\$ 9,752,995
Receivable in one to five years	28,911,578
Receivable in more than five years	<u>20,000,000</u>
Total contributions receivable	<u>\$ 58,664,573</u>

At December 31, 2021, approximately 76% of contributions receivable is due from one foundation. At December 31, 2020, approximately 72% of contributions receivable is due from one foundation.

The Houston Zoo has received conditional contributions contingent upon meeting certain criteria specified by donors or government agencies. These amounts are not recorded in these financial statements as the conditions have not been met. At December 31, 2021, the Houston Zoo has approximately \$2,500,000 in conditional contributions receivable. Refundable advances are recorded for amounts received in advance from those conditional contributions receivable, which totaled \$834,459 at December 31, 2021. At December 31, 2021, the Houston Zoo has approximately \$332,000 of conditional contributions from various government agencies which have not been recognized in the accompanying financial statements because the conditions have not been met. The Houston Zoo will recognize these contributions as qualifying grant expenditures are incurred and/or performance requirements are met.

### NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2021</u>	<u>2020</u>
Equity mutual funds	\$ 18,342,548	\$ 10,023,703
Corporate bonds and notes	8,654,367	3,955,564
U. S. Treasury notes	8,001,187	3,464,212
Fixed-income mutual funds	4,865,186	4,191,414
Exchange-traded funds	3,382,249	940,837
Limited partnership select equity funds	2,195,626	1,868,770
Money market mutual funds	<u>2,158,406</u>	<u>1,419,265</u>
Total investments	<u>\$ 47,599,569</u>	<u>\$ 25,863,765</u>

Investments at December 31, 2021 and 2020 are held for the endowment and board-designated operating reserves.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.



## NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with ASU 2015-07, *Fair Value Measurements*, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient have not been categorized in the fair value hierarchy. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity mutual funds:				
Domestic large-cap growth	\$ 11,132,436			\$ 11,132,436
Developed international	7,210,112			7,210,112
Corporate bonds and notes:				
BAA-rated		\$ 4,136,998		4,136,998
A-rated		3,933,488		3,933,488
Other ratings		583,881		583,881
U. S. Treasury notes	8,001,187			8,001,187
Fixed-income mutual funds:				
Corporate bond	1,310,819			1,310,819
High yield bond	1,195,996			1,195,996
Government bond	1,180,949			1,180,949
Asset-backed securities	1,129,094			1,129,094
Inflation protected	48,328			48,328
Exchange-traded funds	3,382,249			3,382,249
Money market mutual funds	<u>2,158,406</u>			<u>2,158,406</u>
Total investments assets in fair value hierarchy	<u>\$ 36,749,576</u>	<u>\$ 8,654,367</u>	<u>\$ 0</u>	45,403,943
Limited partnership select equity funds measured at net asset value using the practical expedient (a)				<u>2,195,626</u>
Total assets measured at fair value				<u>\$ 47,599,569</u>

Liabilities measured at fair value at December 31, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Derivative agreement	<u>\$ 0</u>	<u>\$ 525,185</u>	<u>\$ 0</u>	<u>\$ 525,185</u>

Assets measured at fair value at December 31, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity mutual funds:				
Domestic large-cap growth	\$ 5,762,955			\$ 5,762,955
Developed international	4,260,748			4,260,748
Corporate bonds and notes:				
BAA-rated		\$ 1,387,868		1,387,868
A-rated		2,231,635		2,231,635
Other ratings		336,061		336,061
U. S. Treasury notes	3,464,212			3,464,212
Fixed-income mutual funds:				
Corporate bond	716,480			716,480
High yield bond	1,103,628			1,103,628
Government bond	663,711			663,711
Asset-backed securities	598,608			598,608
Inflation protected	1,108,987			1,108,987
Exchange-traded funds	940,837			940,837
Money market mutual funds	<u>1,419,265</u>			<u>1,419,265</u>
Total investments assets in fair value hierarchy	<u>\$ 20,039,431</u>	<u>\$ 3,955,564</u>	<u>\$ 0</u>	23,994,995
Limited partnership select equity funds measured at net asset value using the practical expedient (a)				<u>1,868,770</u>
Total assets measured at fair value				<u>\$ 25,863,765</u>

(a) The objective of these funds are to generate long-term growth in assets by investing primarily in equity and equity-related securities. Redemptions are generally allowed quarterly following the lock-up period of at least 12 months. Redemptions shall require no less than 90 days prior written notice, but may be restricted in amount at any given date. The capital available for redemption may be subject to redemption charges and may not include capital attributable to funds participating in illiquid investments. There are no unfunded commitments at December 31, 2021.

Valuation methods used for assets and liabilities measured at fair value are as follows:

- *Mutual funds* are valued at the net asset value of shares held at year end.
- *Corporate bonds and notes* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair values.
- *U. S. Treasury notes* are valued using prices obtained from active market maker and inter-dealer brokers on a daily basis.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Limited partnership select equity funds* are valued using the net asset value per share (or its equivalent) as a practical expedient to determine the fair value of investments in partnerships or funds that do not have a readily determinable fair value. The fair value is based on information provided by the general partners or fund manager of each fund.
- *Derivative agreement* is valued using independent quotation bureaus that use computerized valuation models which include cash flow analysis, credit spread and benchmark rate curves.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Houston Zoo believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

## NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 199,607,187	\$ 199,012,826
Furniture, fixtures and equipment	15,871,883	15,692,571
Construction in progress	<u>57,747,880</u>	<u>28,516,519</u>
Total property and equipment, at cost	273,226,950	243,221,916
Accumulated depreciation	<u>(84,045,994)</u>	<u>(74,704,623)</u>
Property and equipment, net	<u>\$ 189,180,956</u>	<u>\$ 168,517,293</u>

## NOTE 7 – DERIVATIVE AGREEMENT

The Houston Zoo entered into an interest rate swap agreement with a bank that effectively converted its variable rate loan to a fixed rate. The terms of the interest rate swap agreement at December 31, 2021 are as follows:

<u>TERMS</u>	<u>NOTIONAL AMOUNT</u>	<u>FAIR VALUE</u>
The Houston Zoo receives 87.4% of LIBOR floating rate plus 0.8611% and pays 2.99%; terminates March 1, 2026.	\$2,562,140	\$525,185

## NOTE 8 – NOTES PAYABLE

In September 2019, the Houston Zoo entered into a \$30 million tax-exempt loan agreement with a bank. Proceeds from the loan are being used to finance the construction of a new garage and administration building. The loan bears interest at 87.4% of LIBOR plus 0.8611% (0.96% at December 31, 2021). Interest is due monthly until September 2024 when principal and accrued interest are due monthly. The loan matures in September 2034. The loan is secured by a security interest in the Houston Zoo's gross revenue and certain depository accounts. At December 31, 2021 and 2020, the outstanding principal balance was \$2,319,565.

In September 2019, the Houston Zoo entered into a line of credit agreement with a bank to borrow up to \$55 million on a revolving basis during the period from September 2019 through September 2024. Proceeds from the line of credit are to be used to finance the construction of the *Centennial* campaign projects. The line of credit bears interest at LIBOR plus 1.20% (1.31% at December 31, 2021). Interest is due monthly until September 2024 when principal and accrued interest are due monthly. The line of credit matures in September 2029. The line of credit is secured by a security interest in the Houston Zoo's gross revenue, certain depository accounts, and proceeds from the contributions and pledges related to the *Centennial* campaign. At December 31, 2021 and 2020, the outstanding principal balance was \$23,011,267 and \$10,931,224, respectively.

In September 2020, the Houston Zoo entered into a line of credit agreement with Frost Bank to borrow up to \$10 million on a revolving basis from time to time during the period September 2020 through March 2022. In March 2022, the line of credit was renewed and the maturity date was extended to March 2023. Interest was due monthly starting in October 2020 until the maturity date in March 2022, when the remaining principal and interest was due. The line of credit bears interest at LIBOR plus 1.90%. There were no draws during 2021 and 2020 and no amounts outstanding on the line of credit at December 31, 2021 and 2020.

Principal maturities of notes payable are due as follows:

2024	\$ 1,208,552
2025	2,533,083
2026	2,533,083
Thereafter	<u>19,056,114</u>
Total	<u>\$ 25,330,832</u>

Capitalized interest totaled approximately \$217,000 in 2021 and \$66,000 in 2020. Interest recognized as expense totaled approximately \$9,000 in 2021 and \$22,000 in 2020. The effective interest rate for fiscal years 2021 and 2020 was 1.17% and 1.25%, respectively.

#### **NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions are comprised of the following:

	<u>2021</u>	<u>2020</u>
Property and equipment, net	\$ 137,691,739	\$ 134,194,162
Zoo operations	6,958,507	6,457,900
Board-designated for strategic operating and capital initiatives	44,444,343	23,369,165
Board-designated operating reserve	8,754,075	8,680,452
Board-designated endowment funds:		
Maintenance	8,372,505	6,626,612
General	<u>4,356,314</u>	<u>2,935,855</u>
Total net assets without donor restrictions	<u>\$ 210,577,483</u>	<u>\$ 182,264,146</u>

The Houston Zoo has a policy regarding establishing board-designated endowments to fund maintenance reserves in accordance with the terms of the contract with HZDC and the City. For any exhibits that include \$500,000 or more in construction costs, the Houston Zoo must establish a maintenance reserve equal to 5% of the construction cost. In addition, the Board established a policy for the general endowment fund, whereby any bequest received that is not donor restricted is to be added to the general endowment fund unless otherwise approved by the Houston Zoo's Finance Committee.

The Board does not have specific policies regarding establishing other reserves. However, the Board designates excess cash flows for reserves or specific projects, as deemed prudent. Use of board-designated reserves must be approved by the Board.

## NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
<i>Centennial</i> campaign	\$ 61,057,503	\$ 54,748,963
Conservation	2,169,984	3,117,596
John P. McGovern Children's Zoo	631,000	581,000
Animal care	230,790	491,773
Other	<u>212,940</u>	<u>119,080</u>
Total subject to expenditure for specified purpose	<u>64,302,217</u>	<u>59,058,412</u>
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>446,880</u>	<u>563,219</u>
Endowments:		
Subject to spending policy and appropriation:		
Jane Block Endowment for the Children's Zoo	4,365,310	3,926,070
Conservation programs	1,565,162	1,432,858
Clark and Gordon Memorial special event endowment	1,217,586	1,095,072
Zoo Friends education exhibits	505,347	454,453
Martel Lecture Series	230,612	207,407
Fred Maier Beautification Fund	190,159	171,025
David Roth Animal Care	124,410	111,892
Morris Docent Education Award	124,337	111,826
Alban Heiser Conservation Award	82,875	74,535
Carter Education Internship	60,185	54,131
Other	<u>257,484</u>	<u>231,577</u>
Total endowments	<u>8,723,467</u>	<u>7,870,846</u>
Total net assets with donor restrictions	<u>\$ 73,472,564</u>	<u>\$ 67,492,477</u>

## NOTE 11 – ENDOWMENT FUNDS

The Houston Zoo's endowment (the Endowment) was established for the purpose of supporting operating needs and program services that are consistent with the Houston Zoo's mission, and to provide growth and expansion of programs and/or creation of new programs. The Endowment includes both donor-restricted endowment funds and funds designated by the Board of the Houston Zoo to function as endowments.

Donor-restricted endowment funds are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). The Board has interpreted TUPMIFA as allowing the Houston Zoo to appropriate for expenditure or accumulate as much of an endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to explicit donor stipulations.

Donor-restricted endowment net assets are classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any. The Houston Zoo classifies contributions to an endowment plus any donor-stipulated accumulations as *net assets with donor restrictions* required to be maintained in perpetuity. The unappropriated investment earnings on donor-restricted endowments are classified as *net assets with donor restrictions* accumulated net investment return. The Board has interpreted TUPMIFA as not precluding the Houston Zoo from spending below the amount required to be maintained in perpetuity subject to prudent standards. An endowment fund is *underwater* if the fair value of the fund's investments falls below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance prudent measures.

Board-designated endowment funds are classified as *net assets without donor restrictions* and represents the funds the Board has internally designated to be invested to provide support for the Houston Zoo generally for the long term, but not necessarily a specified period of time. The Board retains discretion over the use of these funds. There were no underwater funds at December 31, 2021 and 2020.

### Investment Objectives

The Houston Zoo has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to enhance its real (inflation-adjusted) value over time. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that are the greater of the Consumer Price Index plus 4% to 5% or a custom index, while assuming a moderate level of investment risk. The Houston Zoo expects its endowment funds, over time, to provide a real return of approximately 4% to 5% over the long term. Actual returns in any given year may vary from this amount.

Endowment funds are maintained in investment accounts which are managed by independent financial advisors that follow guidance provided in an investment policy approved by the Board. To satisfy its long-term rate-of-return objectives, the Houston Zoo relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Houston Zoo targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### Spending Policy

The Houston Zoo has a policy of appropriating for distribution each year up to 3% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned, but may not exceed the cumulative actual earnings and appreciation of the funds. In establishing this policy, the Houston Zoo considered the long-term expected return on its endowment. The Houston Zoo's objective is to enhance the real (inflation-adjusted) value over time of the endowment assets held in perpetuity or for a specified term through new gifts and investment return.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Houston Zoo to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in *net assets with donor restrictions*, if any.

Changes in endowment net assets are as follows:

	BOARD- DESIGNATED ENDOWMENT	WITH DONOR RESTRICTIONS		TOTAL
		ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Endowment net assets, December 31, 2019	\$ 8,305,892	\$ 3,388,529	\$ 3,533,467	\$ 15,227,888
Contributions	618,500		100,000	718,500
Net investment return	1,005,575	845,826	4,024	1,855,425
Distributions	<u>(367,500)</u>	<u>(1,000)</u>		<u>(368,500)</u>
Endowment net assets, December 31, 2020	9,562,467	4,233,355	3,637,491	17,433,313
Contributions/transfers	2,329,949		50	2,329,999
Net investment return	1,233,872	876,401	4,170	2,114,443
Distributions	<u>(397,469)</u>	<u>(28,000)</u>		<u>(425,469)</u>
Endowment net assets, December 31, 2021	<u>\$ 12,728,819</u>	<u>\$ 5,081,756</u>	<u>\$ 3,641,711</u>	<u>\$ 21,452,286</u>

#### NOTE 12 – FEES AND PROGRAM REVENUE

The Houston Zoo disaggregates revenue by type of revenue as this depicts the nature, amount and timing and uncertainty and cash flows affected by economic factions. Revenue from contracts with customers consists of the following for the years ended December 31:

	2021		
	OVER TIME	POINT-IN- TIME	TOTAL
Admission fees		\$ 17,936,166	\$ 17,936,166
City management fee	\$ 10,461,221		10,461,221
Guest program fees		8,806,179	8,806,179
Membership admission fees	7,418,011		7,418,011
Concession contract income	5,121,786		5,121,786
Educational program fees	<u>603,891</u>	<u>130,465</u>	<u>734,356</u>
Total	<u>\$ 23,604,909</u>	<u>\$ 26,872,810</u>	<u>\$ 50,477,719</u>
	2020		
	OVER TIME	POINT-IN- TIME	TOTAL
Admission fees		\$ 9,342,777	\$ 9,342,777
City management fee	\$ 10,317,516		10,317,516
Guest program fees		4,409,409	4,409,409
Membership admission fees	5,056,070		5,056,070
Concession contract income	1,924,771		1,924,771
Educational program fees	<u>170,145</u>	<u>73,455</u>	<u>243,600</u>
Total	<u>\$ 17,468,502</u>	<u>\$ 13,825,641</u>	<u>\$ 31,294,143</u>

## NOTE 13 – GOVERNMENT GRANTS

Government grant revenue includes the following:

	<u>2021</u>	<u>2020</u>
U. S. Small Business Administration:		
Shuttered Venue Operators Grant Program	\$ 10,000,000	
Employee Retention Credit grant	7,216,011	\$ 460,525
Paycheck Protection Program loan forgiveness		5,204,500
Institute of Museum and Library Services	148,659	
U. S. Fish and Wildlife Service	<u>96,849</u>	
Total government grants	<u>\$ 17,461,519</u>	<u>\$ 5,665,025</u>

The Houston Zoo's government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the Houston Zoo with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Houston Zoo's financial position or changes in net assets.

## NOTE 14 – RETIREMENT PLAN

The Houston Zoo's retirement savings plan is qualified under §401(k) of the Internal Revenue Code. The plan allows eligible employees to contribute a portion of their earnings each plan year subject to certain Internal Revenue Service limitations and to defer federal income taxes on the contributions. The Houston Zoo matches 100% of the first 3% of employee contributions and matches 50% of contributions from 3% to 5%. The employee is immediately 100% vested in the employer's contributions. The Houston Zoo contributed approximately \$332,000 and \$359,000 to the plan during 2021 and 2020, respectively.

## NOTE 15 – COMMITMENTS

As of December 31, 2021, the Houston Zoo has entered into various construction commitments totaling approximately \$123 million. The unrecognized balance of these commitments at December 31, 2021 was approximately \$22.8 million.

## NOTE 16 – SUBSEQUENT EVENTS

Subsequent to year end, the Houston Zoo borrowed approximately \$6.5 million from its \$55 million revolving line of credit and approximately \$735,000 from its \$30 million loan agreement to finance construction costs.

Management has evaluated subsequent events through June 7, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than as disclosed above and in Note 8, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.