Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2023

CohnReznick
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Zoological Society of San Diego
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Index

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Zoological Society of San Diego dba San Diego Zoo Wildlife Alliance ("SDZWA"), which comprise the consolidated statement of financial position as of December 31, 2023, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of SDZWA as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of SDZWA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 SDZWA'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SDZWA'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.

CohnReznick LLP

San Diego, California
April 26, 2024

Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

Consolidated Statement of Financial Position
December 31, 2023
(In thousands)

Assets

Cash and cash equivalents	$	108,589
Investments		117,347
Accounts receivable, net		12,717
Inventories, net		4,577
Prepaid expenses and other assets		13,812
Cash restricted for long-term capital projects		9,579
Unconditional promises to give, net		13,685
Split-interest agreements		28,878
Units in limited partnership		28,955
Endowments		
Cash restricted for endowments		7,192
Investments		213,999
Unconditional promises to give, net		17,591
Split-interest agreements		706
Beneficial interests in assets held by others		14,918
Pension benefit asset		15,121
Property and equipment, net		347,135
Total assets	$	954,801

Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

Consolidated Statement of Financial Position
December 31, 2023
(In thousands)

Liabilities and Net Assets

Liabilities		
Accounts payable	$	18,057
Accrued salaries and related expenses		26,359
Deferred support and revenue		32,281
Liabilities under split-interest agreements		15,299
Pension benefit liability		12,973
Debt, net		53,739
Other accrued expenses		6,739
Total liabilities		165,447
Commitments and contingencies		
Net assets		
Without donor restrictions		
Undesignated		458,841
Designated by the Board for endowment		91,145
		549,986
With donor restrictions		
Endowments		163,261
Purpose restrictions		62,226
Time-restricted for future periods		13,881
		239,368
Total net assets		789,354
Total liabilities and net assets	$	954,801

See Notes to Consolidated Financial Statements.

Zoological Society of San Diego
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Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2023
(In thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues and support			
Admissions and memberships	$ 198,045	$ -	$ 198,045
Auxiliary activities	132,163	-	132,163
Contributions	17,868	36,019	53,887
Contributed nonfinancial assets	14,319	-	14,319
Tax revenue and other	24,303	-	24,303
Net assets released from restrictions	30,376	(30,376)	-
Total revenue and support	417,074	5,643	422,717
Expenses			
Wildlife care and conservation	342,437	-	342,437
Management and general	40,580	-	40,580
Fundraising and development	8,012	-	8,012
Total expenses	391,029	-	391,029
Change in net assets from operating activities	26,045	5,643	31,688
Other changes in net assets			
Investment gain, net	30,626	19,160	49,786
Interest expense	(944)	-	(944)
Net loss on sales of fixed and other assets	(262)	-	(262)
Change in value of split-interest agreements	-	1,517	1,517
Distributions from and change in value of beneficial interest in assets held by others	-	562	562
Pension-related change other than net periodic pension cost	(4,648)	-	(4,648)
Change in net assets	50,817	26,882	77,699
Net assets at beginning of year	499,169	212,486	711,655
Net assets at end of year	$ 549,986	$ 239,368	$ 789,354

See Notes to Consolidated Financial Statements.

Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

Consolidated Statement of Functional Expenses
Year Ended December 31, 2023
(In thousands)

	Wildlife care and conservation	Management and general	Fundraising and development	Total
Salaries and benefits	$ 165,163	$ 20,398	$ 5,974	$ 191,535
Outside services and professional fees	16,344	5,253	608	22,205
Advertising and promotion	16,616	110	225	16,951
In-kind expense	14,319	-	-	14,319
Operating supplies and equipment	12,733	104	69	12,906
Wildlife Nutrition	4,703	-	-	4,703
Occupancy	15,840	1,443	179	17,462
Bank and credit card fees	6,469	384	7	6,860
Information technology	1,136	4,012	351	5,499
Insurance	24	4,368	46	4,438
Postage and freight	1,186	38	40	1,264
Grants and assistance to others	3,767	-	-	3,767
Depreciation and amortization	36,894	1,833	11	38,738
Repairs and maintenance	10,344	283	6	10,633
Travel	1,755	409	24	2,188
Office expense and meetings	2,279	1,941	472	4,692
Cost of goods sold	31,711	-	-	31,711
Fundraising direct costs for events	-	-	862	862
Other	1,154	4	-	1,158
Total expenses by function	342,437	40,580	8,874	391,891
Less expenses included with revenues on the statement of activities				
Fundraising direct costs for events	-	-	(862)	(862)
Total expenses included in the expense section on the statement of activities	$ 342,437	$ 40,580	$ 8,012	$ 391,029

See Notes to Consolidated Financial Statements.

Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

Consolidated Statement of Cash Flows
Year Ended December 31, 2023
(In thousands)

Cash flow from operating activities	
Change in net assets	$ 77,699
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	38,738
Amortization of debt issuance costs	33
Amortization of discount on bequests and contributions receivable	(1,558)
Provision for uncollectable receivables	133
Amortization of right-of-use asset	1,425
Net realized gain on sale of investments and investment income	(3,897)
Net gain on disposal of property and equipment	(29)
Change in value of beneficial interest in assets held by others	(562)
Change in split-interest agreements	(1,091)
Net unrealized gain on investments	(28,349)
Contributions received for long-term capital projects and endowments	(12,193)
Changes in operating assets and liabilities:	
Accounts receivable, net	(1,056)
Inventories	116
Prepaid expenses and other assets	(3,723)
Pension benefit asset	1,465
Unconditional promises to give, net	3,141
Split-interest agreements	802
Accounts payable and other accrued expenses	613
Accrued salaries and related expenses	383
Deferred support and revenue	2,931
Pension benefit liability	3,155
Net cash provided by operating activities	78,176
Cash flow from investing activities	
Proceeds from sale of marketable securities	61,463
Purchase of marketable securities	(125,269)
Proceeds from sale of property and equipment	29
Purchase of property and equipment	(43,870)
Net cash used in investing activities	(107,647)

Zoological Society of San Diego
dba San Diego Zoo Wildlife Alliance

Consolidated Statement of Cash Flows
Year Ended December 31, 2023
(In thousands)

Cash flow provided by financing activities		
Payment of debt		(2,046)
Endowment contributions		7,674
Contributions for long-term capital improvements		4,519
Net cash provided by financing activities		10,147
Net decrease in cash, cash equivalents, and restricted cash		(19,324)
Cash, cash equivalents, and restricted cash at beginning of year		144,684
Cash, cash equivalents, and restricted cash at end of year	$	125,360
Cash and cash equivalents	$	108,589
Cash restricted for long-term capital projects		9,579
Cash restricted for endowments		7,192
Total cash, cash equivalents, and restricted cash	$	125,360
Supplemental schedule of noncash financing activities		
Cash paid for interest during the year	$	914
Change in accrued construction costs	$	2,157
Right-of-use assets obtained in exchange for operating lease liabilities	$	4,045

See Notes to Consolidated Financial Statements.

Note 1 - Nature of operations

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

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

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

Net asset classification

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

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

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

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

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

SDZWA recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. In addition, SDZWA has federal and state contracts and grants which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2023, conditional contributions with a future value of $7,312 for which no amounts had been received in advance, have not been recognized in the accompanying consolidated financial statements.

SDZWA received contributed nonfinancial assets in the form of contributed advertising time and space from media outlets provided at no charge, and from other services for the year ended December 31, 2023.

SDZWA's policy related to contributed nonfinancial assets is to utilize the assets given to carry out the mission of SDZWA. SDZWA reports donated media as contributed nonfinancial assets in the period in which the advertisements are run. The estimated fair values of the advertisements are based on independent third-party valuations using current rates for similar services.

Certain other contributed nonfinancial assets have also been received and recorded at fair-market value in the period in which each contribution was made based on current rates for similar professional services. For the year ended, December 31, 2023, contributed nonfinancial assets recognized within the statement of activities included $14,319 in public service announcement advertising and other services that support SDZWA's wildlife care and conservation programs.

All contributed nonfinancial assets received by SDZWA for the year ended December 31, 2023 were considered without donor restrictions.

Auxiliary activities
SDZWA's auxiliary activities include retail merchandise, food and beverage, transportation operations, educational activities, other similar support activities. SDZWA recognizes revenue from auxiliary activities at the time of purchase by the customer. Cost of goods sold on retail merchandise and food and beverage is included in zoological habitat and wildlife care in the expense section of the consolidated statement of activities and changes in net assets and amounted to $31,711 in 2023.

Tax revenue and other
SDZWA receives partial funding from property taxes due to a voter-approved section of the San Diego City Charter ("Section 77a"). Section 77a was originally approved in 1934 and amended in 1941. Section 77a monies are used exclusively for the maintenance of zoological habitats at the San Diego Zoo facility. SDZWA recognized $19,057 in Section 77a revenue in 2023. Tax revenue and other includes Section 77a property tax allocation, sponsorships, advertising and other miscellaneous activities.

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

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

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

Cash restricted for long-term capital projects and endowments
Cash restricted for long-term capital projects and endowments primarily consists of contributions received that are restricted for the construction of major habitats at the San Diego Zoo and the San Diego Zoo Safari Park facilities. In addition, SDZWA held a small amount of contributions restricted in perpetuity for endowments as restricted cash.

Accounts receivable, net
Accounts receivable primarily consists of trade receivables and grants receivable. Trade receivables consist of outstanding balances from travel and tourism companies that purchase and then resell admission tickets to SDZWA's facilities. Grants receivable consist of amounts billed and unbilled from government agencies and various foundations. SDZWA estimates expected credit losses from doubtful accounts based upon the expected collectability of its accounts, which takes into account the aging of a customer's account, creditworthiness, and historical trends. The allowance for doubtful accounts totals $100 at December 31, 2023, which represents SDZWA's estimate of uncollectible accounts receivable based on expected credit losses.

Write-offs are deducted from the allowance for doubtful accounts, and subsequent recoveries are added. As of January 1, 2023, the accounts receivable balance and deferred revenue balance was $11,677 and $32,281, respectively. The accounts receivable balance as of December 31, 2023 was $12,717.

Investments
Investments with readily determinable fair values are measured at fair value in the consolidated statement of financial position. Investment income or loss is included in the consolidated statement of activities and changes in net assets.

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

SDZWA has elected to measure units in limited partnerships that do not have readily determinable fair values at cost minus impairment, as they do not qualify for the NAV practical expedient (see Note 9). SDZWA has not identified observable price change in an orderly transaction during the year, therefore there have been no changes in recorded value. These investments are reviewed on an annual basis on a qualitative basis considering impairment indicators to evaluate whether the investment is impaired. There was no impairment identified as of December 31, 2023.

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

SDZWA had cash and cash equivalents which exceeded FDIC insured limits at certain financial institutions as of December 31, 2023.

Approximately 60% of account receivables was from one payor as of December 31, 2023. Approximately 62% of unconditional promises to give were from two donors as of December 31, 2023.

SDZWA had approximately 36 government contracts in 2023 from federal sources. The largest contract was for approximately $1,529 during 2023. This contract ends January 10, 2025.

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

Property and equipment
Property and equipment with an acquisition cost of $10 or greater are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, which are generally from three to 25 years. No depreciation is taken on assets until they are placed in service.

Assets acquired under finance leases are recorded at the net present value of the minimum lease payments. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

Impairment of long-lived assets
SDZWA reviews its long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be fully recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying value of the asset. If the undiscounted cash flows are less than the net carrying value of the asset, the asset is reduced, if necessary, to its estimated fair value based on a discounted cash flow analysis. Determining fair value of long-lived assets includes significant judgment by management, and different judgments could yield different results. No impairment indicators of long-lived assets were identified for the year ended December 31, 2023.

Split-interest agreements
SDZWA is licensed by the State of California Department of Insurance as a Grants and Annuities Society. As such, SDZWA may issue charitable gift annuity contracts. SDZWA had 99 outstanding annuity contracts entered into with 56 separate donors as of December 31, 2023. The present value of the life annuities associated with these contracts is included in liabilities under split-interest agreements in the consolidated statement of financial position.

For charitable gift annuity agreements, SDZWA receives cash or marketable securities from a donor in exchange for an annuity to be distributed for a fixed amount over the lifetime or lifetimes of the donor or other beneficiaries. Upon the death of the annuitant or survivor of the annuitant, SDZWA is entitled to full use of the remainder. The issuance of gift annuities is regulated under the California Insurance Code. Pursuant to charitable gift annuity regulations, amounts held are invested in a trust account segregated from other assets and are within investment limitations, with equities allowed to comprise up to 50% of the reserve fund, and mutual funds allowed within that 50%. In addition, the reserves on the outstanding annuity agreements are at least equal to the reserves' present value of annuity liabilities calculated using the prescribed mortality table and discount rate assumptions. Charitable gift annuity assets are recorded at fair value. A liability is then recorded for the amount of the annuity payments payable to the donor based on the actuarial life of the donor. The liability for charitable gift annuity agreements is included in liabilities under split-interest agreements in the consolidated statement of financial position and totaled $14,704 at December 31, 2023. Changes in charitable gift assets and liabilities are included in the change in value of split-interest agreements in the consolidated statement of activities and changes in net assets.

SDZWA is the beneficiary of assets held in two irrevocable split-interest agreement pooled income funds administered by bank trustees. The assets of the pooled income funds are recorded at fair value. The difference between the fair market value of the assets in the pooled income fund and the present value of estimated future contributions to be received has been recorded as deferred revenue. The liability for the split-interest agreement pooled income funds is included in liabilities under split-interest agreements in the consolidated statement of financial position and totaled $595 at December 31, 2023. The amortization of discount and changes in actuarial assumptions are included in the change in value of split-interest agreements in the consolidated statement of activities and changes in net assets.

SDZWA is the beneficiary in 10 irrevocable charitable trusts in 2023 for which SDZWA is not the trustee. Each trust names SDZWA as a residual beneficiary following the death of one or more life income beneficiaries.

The fair value of the assets to be received under each trust, discounted for the estimated time until receipt, is recorded in beneficial interest in charitable remainder trusts included in split-interest agreements in the consolidated statement of financial position and in donor restricted net assets until trust termination.

The current fiscal year change in the valuation of beneficial interest in charitable remainder trusts is included in the change in value of split-interest agreements in the consolidated statement of activities and changes in net assets.

SDZWA estimates fair value of split-interest agreements by using net present value calculations with a discount rate of 5.38% for 2023 and estimated life expectancies based upon the mortality rate tables published by the Internal Revenue Service.

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

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

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

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

The San Diego Zoo Safari Park operates under a renewable short-term operating agreement with the City of San Diego Water Utilities Department. Every five years, the fair rental value of the land is evaluated and the annual rent amount adjusted. SDZWA paid $102 as annual rent in 2023.

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

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

In accordance with accounting standards for income taxes, income tax benefits and/or liabilities are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. SDZWA has analyzed the tax positions taken in its filings with the Internal Revenue Service and the California Franchise Tax Board. SDZWA believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on SDZWA's consolidated financial condition, change in net assets or cash flows. Accordingly, SDZWA has not recorded any reserve or related accruals for interest and penalties for uncertain income tax positions at year-end 2023.

SDZWA's U.S. federal and state income tax returns prior to fiscal years 2021 and 2020, respectively, are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Management is not aware of any pending reviews or examinations.

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

Advertising costs
Advertising costs are expensed as incurred and totaled $16,951 for 2023. This includes transactions for bartered admission tickets valued at $685.

Barter transactions

SDZWA enters into barter transactions with certain vendors to receive goods or services in exchange for admission tickets to the San Diego Zoo or the San Diego Zoo Safari Park facilities. Fair market value ("FMV") is determined based upon the value of the goods or services received. If the FMV of goods or services received is not readily determinable, then the FMV of the admissions tickets is used as the basis for valuing the transaction. Barter transactions are recognized in the period in which they occur.

For the year ended December 31, 2023, SDZWA recorded barter transactions totaling $761 in admissions and memberships, wildlife care and conservation, and administration in the consolidated statement of activities and changes in net assets.

Functional allocation of expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are tracked using direct identification methodology of charging specific expenses as either program, management and general, or fundraising and development. The consolidated financial statements report certain categories of expense that are attributable to one or more programs of supporting functions.

Those expenses include occupancy, which are allocated based on square footage, as well as the president's office, which is allocated based on estimates of time and effort.

Use of estimates

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

Recently adopted accounting standard

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments-Credit Losses* ("ASC 326"), which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the current and expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by SDZWA that are subject to the guidance in ASC 326 were trade accounts receivable. SDZWA adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and resulted in enhanced disclosures only.

(All dollar amounts in thousands)

Note 3 - Liquidity and availability

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

Cash and cash equivalents	$	108,589
Investments		117,347
Accounts receivable, net		12,717
Promises to give, current		8
Long-term investments appropriated for current use		1,612
	$	240,273

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

A portion of the Board-designated endowments totaling $68,845 is subject to an annual spending rate of 3% for 2024 as described in Note 14. In addition, the Board-designated endowments include an additional emergency reserve of $22,300, which is not subject to annual spending. Although SDZWA does not intend to spend from these Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. However, a portion of the Board-designated endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Note 2 and 4 for disclosures about investments).

As part of its liquidity management plan, SDZWA invests in excess of daily requirements in short-term investments, CDs, and money market funds.

Note 4 - Fair value

Fair value of financial instruments

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

1. The carrying values of cash and cash equivalents and accounts and other receivables approximate the fair value of these financial instruments.

2. Investments reported as Level 1 assets are reported at fair value based on quoted market prices. Investments reported as Level 2 assets are reported at fair value based on inputs other than Level 1 that are observable. Investments reported as Level 3 assets are reported at fair value based on unobservable inputs that are supported by little or no market activity.

3. The carrying values of split-interest agreements and beneficial interests in assets held by others approximate fair value because these contributions, which are anticipated to be collected in cash, are either short-term receivables or are recorded at the net present value of the amounts pledged.

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

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

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

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

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

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

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

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

Asset classes
SDZWA invests across a broad range of asset classes, including domestic common stocks, foreign stocks, mutual funds - equity, mutual funds - fixed income, and partnerships and other. SDZWA may invest directly in the securities of these asset classes, or indirectly through interests in funds and limited partnerships. Securities held directly by SDZWA are valued at their observable market prices. The value of holdings in funds and limited partnerships are in accordance with valuations provided by their investment managers. Funds and limited partnerships may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. Managers of investment funds and limited partnerships value those investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and

external factors. If no public market exists for the investments, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the investment, prices of recent significant placements of similar investments of the same issuer and subsequent developments concerning the companies to which the investments relate.

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

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

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

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

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

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

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

Investments at cost - This category represents an investment in a limited partnership without readily determinable fair value that SDZWA has elected to record at cost, less any identified impairment. No impairment was identified as of December 31, 2023.

(All dollar amounts in thousands)

The following tables provide the method used to measure the fair value of certain assets and liabilities as of December 31, 2023. Only assets and liabilities measured at fair value are shown on the three-tier value hierarchy.

	Balance as of December 31, 2023	Fair value measurements at reporting date using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Valuation techniques (a,b,c)
Investments					
Domestic common stocks					
Communication services	$ 1,303	$ 1,303	$ -	$ -	a
Consumer discretionary	4,243	4,243	-	-	a
Consumer staples	2,537	2,537	-	-	a
Energy	889	889	-	-	a
Financials	5,139	5,139	-	-	a
Health care	3,245	3,245	-	-	a
Industrials	3,430	3,430	-	-	a
Information technology	4,406	4,406	-	-	a
Materials	571	571	-	-	a
Real estate	113	113	-	-	a
Utilities	308	308	-	-	a
Total domestic common stocks	26,184	26,184	-	-	
Foreign stocks	3,143	3,143	-	-	a
Mutual fund - equity	164,436	21,804	142,632	-	a
Mutual fund - fixed income	45,704	-	45,704	-	a
Mutual fund - balanced	9,576	-	9,576	-	a
Partnerships and other at NAV	82,303				(1)
Units in limited partnerships	28,955				(2)
Total investments	$ 360,301	$ 51,131	$ 197,912	$ -	
Split-interest agreements and beneficial interests					
Pooled income fund	$ 2,880	$ -	$ 2,880	$ -	a
Charitable gift annuities	21,769	21,584	185	-	a
Beneficial interests in perpetual trusts	14,918	-	-	14,918	c
Beneficial interest in charitable remainder trusts	4,935	-	-	4,935	c
Total split-interest agreements	$ 44,502	$ 21,584	$ 3,065	$ 19,853	
Liabilities					
Split-interest agreements	$ 15,299	$ -	$ -	15,299	c
Total liabilities	$ 15,299	$ -	$ -	$ 15,299	

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

(All dollar amounts in thousands)

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

The following table sets forth a summary of changes in the fair value of SDZWA's Level 3 assets for 2023:

	Beneficial interests in assets held by others	Beneficial interest in charitable remainder trusts	Total
Balance, beginning	$ 14,892	$ 5,542	$ 20,434
Contributions	-	-	-
Distributions	(658)	(289)	(947)
Gains (losses) included in change in net assets	684	(318)	366
Balance, end	$ 14,918	$ 4,935	$ 19,853

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

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

The following table lists investments in investment companies that are valued at NAV at December 31, 2023:

Asset category	NAV in funds	No. of funds	Redemption terms	Redemption instructions	Redemption restrictions in place at year end	Unfunded commitments at year end
Partnerships and other	$ 21,294	20	Monthly to semi-annual	30 to 90 days' notice	None	$ -
Partnerships and other	61,009	11	Closed end funds not eligible for redemption	Not redeemable	Not redeemable	9,544
	$ 82,303					$ 9,544

(All dollar amounts in thousands)

Note 5 - Accounts receivable, net

Accounts receivable consist of the following at December 31, 2023:

Trade receivables	$	1,663
City of San Diego (Section 77a) receivable		7,571
Unbilled grants receivable		3,125
Grants receivable		458
		12,817
Less allowance for doubtful accounts		(100)
Total accounts receivable, net	$	12,717

Note 6 - Inventories, net

Inventories consist of the following at December 31, 2023:

Food and merchandise	$	4,225
Animal food and other		376
		4,601
Less inventory reserve		(24)
Total inventories, net	$	4,577

Note 7 - Split-interest agreements and beneficial interests

Split-interest agreements consist of the following at December 31, 2023:

Pooled income funds	$	2,880
Charitable gift annuities		21,769
Beneficial interests in perpetual trusts		14,918
Beneficial interest in charitable remainder trusts		4,935
Total split-interest agreements	$	44,502

(All dollar amounts in thousands)

Note 8 - Unconditional promises to give, net

Unconditional promises to give consist of the following at December 31, 2023:

Irrevocable trusts	$	603
Pledged gift agreements		34,638
Endowments		20,376
Total unconditional promises to give		55,617
Unamortized discount		(20,216)
Allowance for uncollectible amounts		(4,125)
Total unconditional promises to give, net	$	31,276
Unconditional promises to give, net	$	13,685
Endowment unconditional promises to give, net		17,591
Total unconditional promises to give, net	$	31,276

Promises to give in the form of pledged gift agreements are unconditional promises to give. Pledges are recorded at the applicable risk-adjusted discount rates, which range from 1.82% to 10.66%, established in the year the gift was received and commensurate with the duration of the donor's payment plan.

Unconditional promises to give are expected to be collected as follows:

Due in one year	$	3,436
Due in two to five years		1,356
Due in more than five years		50,825
Total unconditional promises to give	$	55,617
Unconditional promises to give, net	$	13,685
Endowment unconditional promises to give, net		17,591
Total unconditional promises to give, net	$	31,276

Note 9 - Units in limited partnership

SDZWA is a limited partner in a partnership whose purpose is to hold, manage, develop, license, market, and/or dispose of intellectual property rights associated with certain literary figures. SDZWA owns approximately 6.73% and 4.41% interest in the partnership's book and nonbook revenues, respectively. SDZWA does not have significant influence over the partnership. The carrying value of SDZWA's interest in the partnership was $28,955 at December 31, 2023. SDZWA received distributions from the limited partnership of $762 in 2023.

(All dollar amounts in thousands)

Note 10 - Property and equipment

Property and equipment consist of the following at December 31, 2023:

Buildings, habitats and improvements	$ 666,234
Transportation and equipment	117,103
Land	3,802
Construction in progress	45,065
	832,204
Less accumulated depreciation	(485,069)
Total property and equipment, net	$ 347,135

Depreciation expense totaled $38,652 for the year ended December 31, 2023.

Note 11 - Leases

SDZWA leases building spaces for administrative offices and for retail inventory receiving, holding, and distribution. All contracts that implicitly or explicitly involve property, plant and equipment are evaluated to determine whether they contain a lease.

At lease commencement, SDZWA recognizes a lease liability, which is measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for prepaid lease costs, initial direct costs and lease incentives. SDZWA has elected and applies the practical expedient available to lessees to combine nonlease components with their related lease components and account for them as a single combined lease component for all its leases. SDZWA remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for as a separate contract.

SDZWA determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, SDZWA estimates the risk-free rate as the discount rate. The risk-free rate is determined at either lease commencement or when a lease liability is remeasured over a period commensurate with the lease term and in a similar economic environment.

For accounting purposes, SDZWA's leases commence on the earlier of (i) the date upon which SDZWA obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for most of SDZWA's leases coincides with the contractual effective date. SDZWA's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of SDZWA and, when exercised, usually provide for rental payments during the extension period at then current market rates. Unless SDZWA determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or nonexercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum noncancellable contractual term.

(All dollar amounts in thousands)

When the exercise of a renewal option or nonexercise of an early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

SDZWA includes variable rental payments based on a rate or an index such as the Consumer Price index (CPI) in its measurement of lease payments based on the rate or index in effect at lease commencement. Other types of variable lease payments are expensed as incurred.

Leases involving real estate
Leases of office space for various administrative functions and warehouse facilities to support facility retail operations have lease terms that range from 1 to 6 years, which terms have been incorporated into our measurement of the related right-of-use assets and lease liabilities. Our real estate leases generally require reimbursement of real estate taxes, common area maintenance, and insurance.

As of December 31, 2023, the remaining lease terms on the real estate leases are approximately 63 months and the weighted-average discount rate is 1.08%. As of December 31, 2023, the right-of-use asset balance was $6,344, which is recorded in prepaid and other assets on the statement of financial position and the lease liabilities balance was $6,604, which is recorded in other accrued expenses on the consolidated statement of financial position.

Rental payments on these leases typically provide for fixed minimum payments that increase over the lease term at predetermined amounts. Certain leases of real estate provide for rental increases based on the CPI, which are included in SDZWA's measurement of lease payments based on the rate or index in effect at lease commencement and therefore included in the measurement of lease liabilities. These variable rental payments are recognized as rental expense when incurred. For the year ended December 31, 2023, rental expense was $5,152, which is recorded as a component of occupancy expense on the consolidated statement of functional expenses.

Minimum lease payments under these leases as of December 31, 2023 are as follows:

2024	$	1,009
2025		1,376
2026		1,318
2027		1,363
2028		818
Thereafter		842
Grand total		6,726
Less: interest on lease liabilities		(122)
Total lease liability	$	6,604

Note 12 - Debt

Tax-exempt bonds

In 2020, SDZWA issued $35,000 in tax-exempt variable rate demand bonds ("Series 2020 Bonds") through the California Municipal Finance Authority ("CMFA") for the purpose of refinancing the outstanding principal of the Series 2012 Bonds.

Under a credit facility with a bank, the Series 2020 Bonds bear a fixed rate of 1.43%, payable monthly to the bank. Principal payments are due on August 1 each year, based on a 25-year amortization schedule. SDZWA has the right to make additional prepayment amounts up to 10% of the principal balance each year without prepayment penalties. The maturity date is August 1, 2030, at which time any remaining balance will be due. The outstanding balance was $31,440 at December 31, 2023.

Term loan

In 2020, SDZWA secured a term loan of $25,000. Proceeds were used to pay off the prior term loan, the outstanding line of credit, and the prepayment termination fees. The loan carries a fixed rate of 1.63%. Interest is paid monthly. Principal payments are to be made monthly beginning August 1, 2021, utilizing an amortization schedule over 25 years. SDZWA has the right to make additional prepayment amounts up to 10% of the principal balance each year without prepayment penalties. The maturity date is August 1, 2030, at which time any remaining balance will be due. The outstanding balance was $22,515 at December 31, 2023.

Line of credit

SDZWA has an unsecured line of credit with its primary lender that supports letters of credit up to $5,000 at a variable rate of interest. The line of credit expires on August 10, 2024. Any amounts not drawn under the line of credit are subject to an unused annual commitment fee of 0.25% payable monthly. There was no outstanding balance on the line of credit at December 31, 2023.

SDZWA has outstanding letters of credit for $4,300 under this agreement at December 31, 2023, which reduce the amount of the line of credit available. There were no amounts drawn on the letters of credit at December 31, 2023.

Security Interest and financial covenants

The Series 2020 Bonds and the term loan were initially secured by certain investments. The security interest was released in 2022 upon the achievement of certain operating performance measures. The Series 2020 Bonds and term loan are now unsecured. SDZWA was in compliance with all financial covenants under the financing agreements at December 31, 2023.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, totaled $216 at December 31, 2023, and are related to the Series 2020 Bonds and term loan issued in 2020. Amortization of debt issuance costs is calculated using the straight-line method, which does not materially differ from the amortization that would be reported under the imputed interest method. The costs have been deferred and included in debt in the consolidated statement of financial position and amortized over the ten-year term using the effective interest method.

(All dollar amounts in thousands)

Maturities of long-term debt in each of the five years subsequent to December 31, 2023 and thereafter are as follows:

2024	$ 2,075
2025	2,110
2026	2,145
2027	2,175
2028	2,210
Thereafter	43,240
	53,955
Less unamortized debt issuance cost	(216)
	$ 53,739

(All dollar amounts in thousands)

Note 13 - Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023:

Subject to expenditure for specified purposes:		
Construction of major projects	$	39,162
Wildlife care and conservation programs		9,682
Promises to give, the proceeds from which have been restricted by donors for:		
Construction of major projects		12,701
Wildlife care and conservation programs		681
	$	62,226
Subject to the passage of time		
Beneficial interests in charitable trusts held by others	$	4,287
Assets held under split-interest agreements		9,174
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due		420
	$	13,881
Endowments		
Subject to appropriation and expenditures when a specified event occurs and restricted by donors for:		
Wildlife care and conservation programs	$	18,298
Subject to SDZWA spending policy and appropriation:		
Wildlife care and conservation programs		130,045
Total endowments		148,343
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by community foundation		2,873
Beneficial interest in perpetual trusts		12,045
Total beneficial interests held by others		14,918
	$	163,261

(All dollar amounts in thousands)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2023:

Detail of donor restricted releases during the year

Satisfaction of purpose restrictions	
Construction of major projects	$ 1,981
Wildlife care and conservation programs	22,757
Distributions (proceeds not restricted by donors)	
Assets held under split-interest agreements	527
Promises to give, net	1,614
Restricted-purpose spending-rate distributions and appropriations	
Wildlife care and conservation programs	3,497
Net assets released from restrictions	$ 30,376

Note 14 - Endowments

Endowment funds

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

Donor restricted endowment funds are restricted for the following purpose as of December 31, 2023:

Wildlife care and conservation	$ 163,261

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform State Prudent Management of Institutional Funds Act ("UPMIFA") requires SDZWA to retain as a fund of perpetual duration.

Deficiencies of this nature exist in two donor-restricted endowment funds, which together have an original gift value of $7,500, a current fair value of $7,359, and a deficiency of $141 as of December 31, 2023.

These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the SDZWA.

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

a. The duration and preservation of the fund

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

c. General economic conditions

d. The possible effects of inflation and deflation

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

f. Other resources of SDZWA

g. SDZWA's investment policy

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

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

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

(All dollar amounts in thousands)

The annual withdrawal target is 5% of the fund's value, based generally on an expected annual total return of approximately 8%, offset by estimated inflation of 3%. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

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

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

	Range
Domestic equity	25 - 50%
International equity	15 - 40%
Private equity	0 - 20%
Fixed income	10 - 40%
Cash	0 - 10%
Hedge funds	0 - 20%
Real asset funds	0 - 10%

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

The endowment net asset composition by type of fund consists of the following as of December 31, 2023:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 163,261	$ 163,261
Board-designated endowment funds	91,145	-	91,145
Total endowment funds	$ 91,145	$ 163,261	$ 254,406

(All dollar amounts in thousands)

The following table sets forth a summary of changes in endowment net assets for 2023:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	$ 82,050	$ 143,995	$ 226,045
Net investment income	1,120	2,432	3,552
Net appreciation (realized and unrealized)	9,709	12,443	22,152
Total investment income	10,829	14,875	25,704
Additions	-	7,888	7,888
Appropriation of endowment assets for expenditure	(1,734)	(3,497)	(5,231)
Endowment net assets, end	$ 91,145	$ 163,261	$ 254,406

Note 15 - Pension and benefit plans

SDZWA has two defined benefit pension plans that cover substantially all of its full-time employees. One pension plan is for union employees ("Union") and the other pension plan is for nonunion employees ("Non-Union"). The Union and Non-Union plans provide benefits based upon years of service and earnings. SDZWA recognizes the overfunded or underfunded status of its defined pension plans as an asset or liability in its consolidated statement of financial position, and recognizes changes in that funded status in the year in which the changes occur as changes in net assets without donor restrictions arising from defined benefit plans but not yet included in net periodic benefit cost in the consolidated statement of activities and changes in net assets. Effective December 31, 2021, both Union and Non-Union defined benefit pension plans were closed to new participants and future benefit accruals were frozen for active plan participants.

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

Plan assets at fair value	$ 215,487
Projected benefit obligation	(213,339)
Funded status	$ 2,148
Accumulated benefit obligation	$ 213,337

Weighted-average assumptions were as follows:

Discount rate	5.02%
Expected return on plan assets	5.65%
Rate of compensation increase	N/A

The discount rate is the estimated rate at which the obligation for pension benefits could effectively be settled. The expected return on plan assets reflects the average rate of earnings that SDZWA estimates will be generated on the assets of the plans.

The rate of compensation increase reflects SDZWA's best estimate of the future compensation levels of the individual employees covered by the plans.

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

Return objectives and risk parameters
SDZWA has adopted investment policies for pension assets that are meant to provide funding for pension retirement payments to current and future retirees of SDZWA's pension plans. The primary objective is to closely match returns from assets with the expected liabilities of the plans. In addition, SDZWA seeks to limit the year-to-year volatility of fluctuations in market valuations, which can impact the cash contributions required to maintain certain funding levels.

Strategies employed for achieving objectives
To meet the objectives, SDZWA maintains a diversified and balanced portfolio for pension investments. The amount of risk that can be controlled by allocating assets among different asset classes depends both on the risk level of each asset class and the degree of correlation between each asset class. An asset allocation model that recognizes the risk and return characteristics, as well as the correlation of each asset class, to create an "efficient" asset allocation target is utilized to develop the asset allocation for an efficient mix to provide the greatest return at each level of risk. The investment strategy utilizes several different asset classes with varying risk/return characteristics. The returns of the asset classes are not expected to move in parallel, which will allow the plan to take part in different parts of the global economic cycle. Equity investments range from 0% to 30% of the total portfolio, utilizing several investment advisors. Holdings include U.S. and foreign securities diversified across numerous industries. Fixed income investments range from 73% to 100% of the total portfolio. These include government and corporate debt securities. Alternative asset investments range from 0% to 5% of the total portfolio, including real estate investments.

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

Cash and cash equivalents	2%
Fixed income obligations	49%
Partnerships and other at NAV	49%
	100%

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

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

(All dollar amounts in thousands)

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

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

The following tables provide the method used to measure the fair value of certain assets as of December 31, 2023. Only assets measured at fair value are shown on the three-tier value hierarchy.

Pension assets measured at fair value on a recurring basis are as follows as of December 31, 2023:

		Fair value measurements at reporting date using			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Valuation techniques (a,b,c)
Cash and cash equivalents	$ 5,066	$ -	$ 5,066	$ -	a
Fixed income obligations	104,700	20,571	84,129	-	a
Partnerships and other at NAV	105,721				(1)
Total assets	$ 215,487	$ 20,571	$ 89,195	$ -	

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

The following table sets forth benefit cost and benefits paid for 2023:

Components of net periodic benefit cost	
Actuarial charges (income)	
Interest cost	$ 10,628
Expected return on assets	(11,721)
Net loss amortization	32
Total actuarial charges	$ (1,061)
Employer service cost	$ -
Benefits paid	$ 10,791
Administrative expenses paid	$ 106
Employer contributions	$ -

(All dollar amounts in thousands)

Amounts recognized in the consolidated statement of activities and changes in net assets consist of the following as of December 31, 2023:

Interest cost	$	10,628
Expected return on plan assets		(11,721)
Amortization of net loss		32
Net loss		5,709
Net postretirement benefit cost ("NPBC")	$	4,648

There were no employer service costs. A net loss amortization of $32 is recorded in pension expense for 2023. A cumulative actuarial loss of $25,269 is included in net assets without donor restrictions at December 31, 2023.

SDZWA expects to make pension contributions of not more than $2,000 during 2024.

The following table shows the amounts recognized in the consolidated statement of financial position at December 31, 2023:

Pension benefit asset (Union)	$	15,121
Pension benefit liability (Non-Union)	$	12,973

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

2024	$	11,353
2025		11,706
2026		12,052
2027		12,324
2028		12,697
2029-2033		67,170
	$	127,302

SDZWA also maintains a 403(b) defined contribution plan, covering employees who meet certain age and service requirements. Eligible employees may contribute a portion of their earnings each plan year, subject to certain Internal Revenue Service limitations. The 403(b) defined contribution plan allows for employer matching contributions to eligible employees. Matching contributions totaled $4,984 for 2023.

Note 16 - Collective bargaining agreement

SDZWA is a party to a collective bargaining agreement with a labor union. The agreement was renewed for an extended period starting February 1, 2021 through January 31, 2025. At December 31, 2023, 1,990 employees, or approximately 66% of total employees, were represented by a labor union.

Note 17 - Commitments and contingencies

Claims and legal actions

SDZWA is subject to claims and legal actions arising in the ordinary course of business. SDZWA has an employee-related putative class action claim where a loss is considered reasonably possible. Management is in the early stages of reviewing the facts surrounding the claim and is not able to reasonable estimate the possible loss or range of loss and no accruals have been recorded in the consolidated financial statements. In the opinion of management, based in part upon the advice of legal counsel, these matters are of such a nature that unfavorable disposition would not have a material adverse effect on the consolidated financial position, results of operations, or cash flows of SDZWA.

Self-Insurance

SDZWA carries an excess workers' compensation liability policy that includes a $250 retained limit per claim up to $4,000 aggregate per year. SDZWA employs a professional third-party administrator to manage workers' compensation claims incurred. SDZWA accrued $5,737 as an estimate of workers' compensation claims incurred but not yet paid or reported as of December 31, 2023. The liability is reflected in accrued salaries and salary related expenses on the accompanying consolidated statement of financial position.

Construction Commitments

As of December 31, 2023, SDZWA had outstanding commitments for future capital expenditures of $56,002.

Note 18 - Subsequent events

In preparing the consolidated financial statements, SDZWA evaluated subsequent events through April 26, 2024, the date that these consolidated financial statements were available to be issued.

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