

National Aviary in Pittsburgh, Inc.

Financial Statements

Years Ended December 31, 2019 and 2018
with Independent Auditor's Report

MaherDuessel

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NATIONAL AVIARY IN PITTSBURGH, INC.

YEARS ENDED DECEMBER 31, 2019 AND 2018

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statements of Financial Position	1
Statements of Activities:	
- Year Ended December 31, 2019	2
- Year Ended December 31, 2018	3
Statements of Functional Expenses:	
- Year Ended December 31, 2019	4
- Year Ended December 31, 2018	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Independent Auditor's Report

**Board of Directors
National Aviary in
Pittsburgh, Inc.**

We have audited the accompanying financial statements of the National Aviary in Pittsburgh, Inc., (Aviary), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Aviary as of December 31, 2019 and 2018 , 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.

Emphasis of Matter

As described in Note 2 to the financial statements, the Aviary adopted ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*," which provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures, ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*," and ASU 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*." Our opinion is not modified with respect to this matter.

Maher Duessel

Pittsburgh, Pennsylvania
May 8, 2020

NATIONAL AVIARY IN PITTSBURGH, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 352,253	\$ 523,007
Cash and cash equivalents, restricted	2,041,916	1,646,132
Grants receivable	1,505,500	734,000
Other receivables	112,765	38,434
Inventories	48,140	69,051
Prepaid expenses	108,535	87,684
Total current assets	4,169,109	3,098,308
Property and equipment, net	12,156,650	12,757,674
Noncurrent assets:		
Other assets	6,703	6,703
Investments, conservation endowment	3,902,013	3,509,873
Investments, audience development endowment	1,002,791	960,925
Investments, audience development restricted reserve	506,868	500,000
Investments, other endowments	91,531	77,952
Total noncurrent assets	5,509,906	5,055,453
Total Assets	\$ 21,835,665	\$ 20,911,435
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Short-term debt	\$ 12,842	\$ 15,976
Current portion of capital lease obligation	20,395	17,660
Accounts payable and accrued expenses	240,914	201,333
Accrued payroll and withheld taxes	156,061	140,875
Deferred revenue	401,899	341,478
Total current liabilities	832,111	717,322
Long-term liabilities:		
Long-term debt	2,478	15,319
Capital lease obligation	11,219	21,317
Total long-term liabilities	13,697	36,636
Total Liabilities	845,808	753,958
Net Assets (as restated for 2018):		
Without donor restrictions	11,973,609	12,726,248
With donor restrictions	9,016,248	7,431,229
Total Net Assets	20,989,857	20,157,477
Total Liabilities and Net Assets	\$ 21,835,665	\$ 20,911,435

See accompanying notes to financial statements.

NATIONAL AVIARY IN PITTSBURGH, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Governmental grants	\$ 1,351,900	\$ 475,000	\$ 1,826,900
Admissions	1,872,688	-	1,872,688
Memberships	446,179	-	446,179
Merchandise sales	465,664	-	465,664
Fundraising events	520,704	-	520,704
Private grants and donations	590,081	1,497,371	2,087,452
Facility rental	298,308	-	298,308
Donated facilities, goods, and services	336,981	-	336,981
Educational programs	686,867	-	686,867
Parking revenue, net of tax	62,790	-	62,790
Interest and dividends	2,902	128,562	131,464
	<u>6,635,064</u>	<u>2,100,933</u>	<u>8,735,997</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	693,062	(693,062)	-
Expiration of time restrictions	-	-	-
	<u>693,062</u>	<u>(693,062)</u>	<u>-</u>
Total net assets released from restrictions			
	<u>693,062</u>	<u>(693,062)</u>	<u>-</u>
Total support and revenue	<u>7,328,126</u>	<u>1,407,871</u>	<u>8,735,997</u>
Expenses:			
Program services	5,445,419	-	5,445,419
General and administrative	919,565	-	919,565
Fundraising	881,840	-	881,840
	<u>7,246,824</u>	<u>-</u>	<u>7,246,824</u>
Total expenses			
	<u>7,246,824</u>	<u>-</u>	<u>7,246,824</u>
Change in Net Assets before Other Changes	<u>81,302</u>	<u>1,407,871</u>	<u>1,489,173</u>
Other Changes:			
Satisfaction of capital program restrictions	375,435	(375,435)	-
Net realized and unrealized gains (losses)	-	552,583	552,583
Depreciation and amortization	(1,209,376)	-	(1,209,376)
	<u>(833,941)</u>	<u>177,148</u>	<u>(656,793)</u>
Total other changes			
	<u>(833,941)</u>	<u>177,148</u>	<u>(656,793)</u>
Change in Net Assets	<u>(752,639)</u>	<u>1,585,019</u>	<u>832,380</u>
Net Assets:			
Beginning of year, as restated	12,726,248	7,431,229	20,157,477
End of year	<u>\$ 11,973,609</u>	<u>\$ 9,016,248</u>	<u>\$ 20,989,857</u>

See accompanying notes to financial statements.

NATIONAL AVIARY IN PITTSBURGH, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Governmental grants	\$ 1,319,011	\$ 156,000	\$ 1,475,011
Admissions	1,888,215	-	1,888,215
Memberships	436,582	-	436,582
Merchandise sales	504,782	-	504,782
Fundraising events	535,799	-	535,799
Private grants and donations	497,788	3,566,544	4,064,332
Facility rental	287,752	-	287,752
Donated facilities, goods, and services	336,154	-	336,154
Educational programs	740,228	-	740,228
Parking revenue, net of tax	65,775	-	65,775
Interest and dividends	6,047	75,613	81,660
	<u>6,618,133</u>	<u>3,798,157</u>	<u>10,416,290</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	538,947	(538,947)	-
Expiration of time restrictions	-	-	-
	<u>538,947</u>	<u>(538,947)</u>	<u>-</u>
Total net assets released from restrictions	538,947	(538,947)	-
Total support and revenue	<u>7,157,080</u>	<u>3,259,210</u>	<u>10,416,290</u>
Expenses:			
Program services	5,114,817	-	5,114,817
General and administrative	873,521	-	873,521
Fundraising	808,674	-	808,674
	<u>6,797,012</u>	<u>-</u>	<u>6,797,012</u>
Change in Net Assets before Other Changes	<u>360,068</u>	<u>3,259,210</u>	<u>3,619,278</u>
Other Changes:			
Satisfaction of capital program restrictions	1,320,942	(1,320,942)	-
Net realized and unrealized gains (losses)	-	(288,297)	(288,297)
Depreciation and amortization	(1,138,369)	-	(1,138,369)
	<u>182,573</u>	<u>(1,609,239)</u>	<u>(1,426,666)</u>
Change in Net Assets	<u>542,641</u>	<u>1,649,971</u>	<u>2,192,612</u>
Net Assets:			
Beginning of year, as restated	12,183,607	5,781,258	17,964,865
End of year, as restated	<u>\$ 12,726,248</u>	<u>\$ 7,431,229</u>	<u>\$ 20,157,477</u>

See accompanying notes to financial statements.

NATIONAL AVIARY IN PITTSBURGH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Expenses				Support Activities			Total Expenses
	Visitor Recreation and Education	Advanced On-Site Avian Treatment and Care	Wildlife Conservation and Research	Other	Total Program Expenses	General and Administrative	Fundraising	
Salaries, benefits, and taxes	\$ 1,013,617	\$ 729,025	\$ 419,331	\$ 1,089,436	\$ 3,251,409	\$ 556,266	\$ 441,505	\$ 4,249,180
Office expenses	20,333	4,309	1,128	62,187	87,957	29,536	41,027	158,520
Staff development	16,956	18,377	8,842	7,919	52,094	37,520	4,539	94,153
Community outreach and promotion	-	-	-	183,455	183,455	24,415	36,622	244,492
Occupancy	265	5,571	6,163	845,737	857,736	52,763	18,569	929,068
Professional fees	14,237	-	-	10,339	24,576	32,720	1,360	58,656
Animal care expenses	38,055	102,716	99,872	-	240,643	-	-	240,643
Conservation expenses	-	555	14,831	-	15,386	-	-	15,386
Veterinary expenses	-	56,201	-	78	56,279	-	-	56,279
Insurance	-	-	-	-	-	70,849	-	70,849
Interest expense	-	-	-	-	-	2,893	-	2,893
Memberships and dues	14,316	5,643	5,957	3,071	28,987	24,440	3,361	56,788
Travel	3,127	3,585	8,794	11,787	27,293	3,575	5,018	35,886
Information technology	5,579	-	-	64,022	69,601	12,640	11,321	93,562
Donated goods and services	264	364	13	91,294	91,935	12,079	61,466	165,480
Design costs	-	-	-	26,638	26,638	3,552	8,946	39,136
Special events cost	-	-	-	-	-	-	190,352	190,352
Cost of goods sold	204,454	-	-	-	204,454	-	-	204,454
Credit card fees	110,484	-	-	-	110,484	-	1,127	111,611
Donor relations	-	-	-	-	-	-	51,764	51,764
Event expense	-	-	-	41,092	41,092	-	-	41,092
Miscellaneous	64,482	20	156	10,742	75,400	56,317	4,863	136,580
Total Expenses	1,506,169	926,366	565,087	2,447,797	5,445,419	919,565	881,840	7,246,824
Depreciation and amortization	-	-	-	1,094,368	1,094,368	90,575	24,433	1,209,376
Total Functional Expenses	\$ 1,506,169	\$ 926,366	\$ 565,087	\$ 3,542,165	6,539,787	1,010,140	906,273	8,456,200

See accompanying notes to financial statements.

NATIONAL AVIARY IN PITTSBURGH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Expenses				Support Activities			Total Expenses
	Visitor Recreation and Education	Advanced On-Site Avian Treatment and Care	Wildlife Conservation and Research	Other	Total Program Expenses	General and Administrative	Fundraising	
Salaries, benefits, and taxes	\$ 1,122,001	\$ 686,286	\$ 398,084	\$ 754,235	\$ 2,960,606	\$ 519,410	\$ 388,397	\$ 3,868,413
Office expenses	42,386	5,473	2,109	60,586	110,554	26,635	29,629	166,818
Staff development	23,904	13,723	7,969	30,794	76,390	35,443	7,693	119,526
Community outreach and promotion	373	125	-	177,180	177,678	22,147	22,272	222,097
Occupancy	434	3,607	4,457	799,091	807,588	51,071	20,107	878,766
Professional fees	17,980	-	-	23,691	41,671	43,787	4,049	89,507
Animal care expenses	25,900	104,794	104,794	-	235,488	-	-	235,488
Conservation expenses	-	-	47,431	-	47,431	-	-	47,431
Veterinary expenses	-	67,022	73	-	67,094	-	-	67,094
Insurance	-	-	-	-	-	65,716	-	65,716
Interest expense	-	-	-	-	-	2,321	-	2,321
Memberships and dues	12,281	6,930	5,161	3,086	27,458	25,199	4,525	57,182
Travel	13,017	981	837	7,690	22,524	1,267	5,572	29,363
Information technology	-	-	-	56,555	56,555	12,827	6,971	76,353
Donated goods and services	1,410	-	-	84,000	85,410	10,500	60,244	156,154
Design costs	-	-	-	26,818	26,818	3,352	7,315	37,485
Special events cost	-	-	-	-	-	-	200,381	200,381
Cost of goods sold	229,286	-	-	-	229,286	-	-	229,286
Credit card fees	107,094	-	-	-	107,094	5	641	107,740
Donor relations	-	-	-	-	-	-	-	-
Event expense	-	-	-	-	-	-	-	-
Miscellaneous	21,145	156	322	13,550	35,172	53,841	50,878	139,891
Total Expenses	1,617,211	889,095	571,235	2,037,276	5,114,817	873,521	808,674	6,797,012
Depreciation and amortization	-	-	-	1,031,893	1,031,893	84,508	21,968	1,138,369
Total Functional Expenses	\$ 1,617,211	\$ 889,095	\$ 571,235	\$ 3,069,169	6,146,710	958,029	830,642	7,935,381

See accompanying notes to financial statements.

NATIONAL AVIARY IN PITTSBURGH, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ 832,380	\$ 1,990,206
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,209,376	1,138,369
Unrealized loss (gain) on investments	(447,896)	418,120
Realized loss (gain) on investments	(104,687)	(129,823)
Change in:		
Grants receivable	(771,500)	(324,776)
Other receivables	(74,331)	773
Inventories	20,911	5,056
Prepaid expenses	(20,851)	(18,628)
Accounts payable and accrued expenses	39,581	44,397
Accrued payroll and withheld taxes	15,186	(27,222)
Deferred revenue	60,421	177,378
Net cash provided by (used in) operating activities	758,590	3,273,850
Cash Flows From Investing Activities:		
Payments for capital expenditures	(608,352)	(1,644,226)
Purchases of investments	(559,850)	(1,494,287)
Proceeds from sale of investments	657,980	172,052
Net cash provided by (used in) investing activities	(510,222)	(2,966,461)
Cash Flows From Financing Activities:		
Repayment of capital lease obligation	(7,363)	(18,281)
Repayment of long-term debt	(15,975)	(15,630)
Net cash provided by (used in) financing activities	(23,338)	(33,911)
Net Increase (Decrease) in Cash and Cash Equivalents	225,030	273,478
Cash and Cash Equivalents:		
Beginning of year, restated	2,169,139	1,895,661
End of year	\$ 2,394,169	\$ 2,169,139
Supplemental Disclosures of Cash Flow Information:		
Interest paid:		
Capital lease	\$ 2,194	\$ 1,276
Vehicle loan	699	1,045
Total interest paid	\$ 2,893	\$ 2,321

See accompanying notes to financial statements.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Organization

The National Aviary in Pittsburgh, Inc. (Aviary) is a nonprofit organization with the expressed purpose to protect and provide for endangered species, to conduct avian research and provide information as a national resource, to provide a recreational and educational experience for the general public, and to promote an appreciation of natural law and a responsibility for wildlife conservation. The Aviary received approximately 18% and 18.5% of its annual operating budget from the Allegheny Regional Asset District for the years ended December 31, 2019 and 2018, respectively.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Aviary classifies its net assets and its revenue, support, and expenses based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions result from contributions specifically restricted by donors for various programs or future periods. Net assets without donor restrictions represent resources over which the Board of Directors has discretionary control.

Contributions and Donor Stipulations

The Aviary reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Revenue, Revenue Recognition, and Receivables

The Aviary recognizes revenue from admissions, merchandise sales, rentals and education programs at the time of sale or services provided. Membership dues, which are non-refundable, are recognized ratably over the period of the membership.

Contributions are recognized 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,

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

are not recognized until the conditions on which they depend have been substantially met. The Aviary had one conditional contribution in the amount of \$250,000 at December 31, 2019. There were no conditional contributions at December 31, 2018.

Receivables from contracts with customers are reported as accounts receivable, net of any allowance, in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue accompanying statements of financial position.

Accounts receivable at December 31, 2019 and 2018 consisted primarily of amounts due for grants and sponsorships. The Aviary determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance was deemed necessary for December 31, 2019 or 2018.

Cash, Cash Equivalents, and Restricted Cash

The Aviary considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Restricted cash at December 31, 2019 and 2018 includes funds that have been restricted by donors for specific Aviary programs, initiatives or projects. Total cash, cash equivalents, and restricted cash consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 352,253	\$ 523,007
Restricted cash	<u>2,041,916</u>	<u>1,646,132</u>
	<u>\$ 2,394,169</u>	<u>\$ 2,169,139</u>

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Income Taxes

The Aviary is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and annually files a Return of Organization Exempt from Income Tax (Form 990) with the IRS. However, income from certain activities not directly related to the Aviary's tax-exempt purpose is subject to taxation as unrelated business income and is reported annually on the Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. In addition, the Aviary qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 170 (b)(1)(A)(vi).

At December 31, 2019, the Aviary had 2017 and prior net operating loss carry-forwards resulting from its unrelated business activities of approximately \$665,000, which may be applied against taxable income in future years. The net operating loss carry-forwards expire at various dates beginning in 2026. In addition, the Aviary had 2018 net operating loss carry-forwards applicable to each of its unrelated business activities. A valuation allowance has been recorded to offset the resulting deferred tax asset due to the uncertainty of the future use of these net operating losses.

Liquidity and Availability

The Aviary manages its liquid resources by focusing on both fundraising efforts and products and services that generate earned revenue to ensure the entity has adequate cash flow to cover the programs that are being conducted. The Aviary prepares very detailed budgets and has been very active in monitoring costs to ensure the entity remains liquid.

As discussed in Note 11, the Aviary maintains a line of credit to assist in meeting cash needs if they experience a lag between the receipt of contributions and grants and the payment of costs.

The following reflects the Aviary's financial assets (cash and cash equivalents, receivables, and investments) as of December 31, 2019 and 2018 expected to be available within one year to meet the cash needs for general ongoing operational expenditures.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 9,515,637	\$ 7,990,323
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(3,006,021)	(1,666,570)
Investments held in perpetuity	<u>(5,333,203)</u>	<u>(4,888,750)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,176,413</u>	<u>\$ 1,435,003</u>

Living Collection

The Aviary maintains and exhibits a significant collection of birds and horticulture. The value of this collection is not included in the statements of financial position because a reasonable valuation basis and life expectancy cannot be determined. Collection items acquired either through purchases, breeding programs, or donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statements of activities. Proceeds from deaccessions or insurance recoveries are reflected in the statements of activities based on the absence or existence and nature of donor-imposed restrictions. During the years ended December 31, 2019 and 2018, the Aviary spent \$15,869 and \$16,564, respectively, to enhance its living collection. These amounts are included with program services in the statements of activities.

Property and Equipment

Property and equipment are recorded at cost. Provision for depreciation is based upon the estimated useful lives of the respective assets and is computed using the straight-line method. Ordinary repairs, maintenance, renewals, and replacements are charged against income as incurred. Those expenditures which improve or extend the useful life of existing assets are capitalized. The Aviary capitalizes all new assets with a cost of \$1,000 or more. Estimated useful lives are as follows:

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Leasehold improvements	10 to 20 years
Furnishings and equipment	5 to 10 years

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. There were no indicators of asset impairment during the years ended December 31, 2019 or 2018.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that are used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Aviary reports expirations of donor restrictions when the donated or acquired assets are constructed or placed in service as instructed by the donor. The Aviary reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Use of Estimates

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

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Fair Value Measurement

The Aviary measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as 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. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of fair value hierarchy are as follows:

- Level 1 - Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.
- Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other market-corroborated inputs.
- Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The Aviary, using available market information and appropriate valuation methodologies, has determined the estimated fair value of its investments. However, considerable judgment is required in interpreting data to develop the estimates of fair value.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recognized at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. At December 31, 2019 and 2018, there were not material discounts to be recognized.

There was no allowance for uncollectable promises to give as of December 31, 2019 and 2018, as management believes all of the promises are collectible.

Inventories

Inventories, primarily gift shop inventory, are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Investments

Investments are carried at fair value and consist primarily of equity and fixed income mutual funds. Gains and investment income are recognized in the period earned and are classified as without donor restrictions or with donor restrictions with respect to the stipulations established by the donor at the date of donation and applicable state law. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that a change in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements and accompanying notes. The Aviary mitigates this risk by actively managing its investments through the Finance Committee of the Board of Directors.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Aviary, but which will only be resolved when one or more future events occur or fail to occur. The Aviary's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Aviary or unasserted claims that may result in such proceedings, the Aviary's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Aviary's financial statements. If the assessment indicates that a

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Taxes Collected from Customers and Remitted to Governmental Authorities

The Aviary's policy is to present taxes collected from customers and remitted to governmental authorities on a net basis. The Aviary records the amounts collected as a current liability and relieves such liability upon remittance to the taxing authority without impacting revenues or expenses.

Adopted Accounting Standards Updates

The provisions of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*." The amendment provides guidance for revenue recognition related to contracts involving the transfer of promised goods or services to customers and the related disclosures. As a result of this amendment, the revenue recognition for membership dues changed. The amendment has been applied retrospectively to all periods presented, with a resulting restatement to decrease beginning of the year net assets and increase deferred revenue for the year ended December 31, 2018 by \$202,406.

ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*." The amendment provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. The Aviary implemented the provisions of this ASU in these financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with this implementation.

ASU 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*." The amendment requires that the statement of cash flows explain the change during the period in the total cash and cash equivalents including the changes of those amounts generally

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

described as restricted cash or restricted cash equivalents. As a result of this ASU, restricted cash amounts are now included in beginning and ending cash in the statements of cash flows. The amendment was applied retrospectively to all periods presented, resulting in a restatement of the statement of cash flows for the period ended December 31, 2018.

Pending Accounting Standards Update

FASB has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements:

ASU 2016-02, *“Leases (Topic 842),”* is effective, as delayed, for the financial statements for the year beginning after December 15, 2020. This amendment and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2018-13, *“Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820),”* is effective for the financial statements for the year beginning after December 15, 2019. The amendment removes and modifies certain fair value hierarchy leveling disclosures.

ASU 2019-03, *“Not-for-Profit Entities (Topic 958): Updating the Definition of Collections,”* is effective for reporting periods beginning after December 15, 2019. The amendment modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds when collection items are removed from a collection. If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

3. Net Assets

Net assets with donor restrictions consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Capital projects	\$ 2,706,550	\$ 1,579,719
Program restricted	578,395	634,760
Time restricted	228,100	168,000
Endowments (Note 6)	<u>5,503,203</u>	<u>5,048,750</u>
	<u>\$ 9,016,248</u>	<u>\$ 7,431,229</u>

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furnishings	\$ 638,856	\$ 472,110
Office equipment	1,021,411	986,378
Mechanical equipment	4,003,726	3,940,190
Leasehold improvements	20,740,271	20,681,933
Equipment under capital lease	<u>98,699</u>	<u>92,229</u>
	26,502,963	26,172,840
Less accumulated depreciation and amortization	<u>14,652,170</u>	<u>13,448,339</u>
	11,850,793	12,724,501
Construction in progress	<u>305,857</u>	<u>33,173</u>
Total	<u>\$ 12,156,650</u>	<u>\$ 12,757,674</u>

Depreciation and amortization expense was \$1,209,376 and \$1,138,369, including amortization related to capital leases in the amount of \$19,053 and \$18,393 for the years ended December 31, 2019 and 2018, respectively.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

5. Investments and Fair Value Measurements

The fair value and cost basis of investments as December 31, 2019 and 2018 were as follows:

	2019		2018	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Money market funds	\$ 545,849	\$ 545,849	\$ 1,488,599	\$ 1,488,599
Mutual funds	<u>4,442,293</u>	<u>4,957,354</u>	<u>3,494,746</u>	<u>3,560,151</u>
	<u>\$ 4,988,142</u>	<u>\$ 5,503,203</u>	<u>\$ 4,983,345</u>	<u>\$ 5,048,750</u>

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

	Total	Level 1	Level 2	Level 3
Money market funds	\$ 545,849	\$ 545,849	\$ -	\$ -
Mutual funds:				
Absolute return funds	-	-	-	-
Alternative funds	419,202	419,202	-	-
Balanced funds	76,687	76,687	-	-
Developed international funds	553,496	553,496	-	-
Emerging markets funds	201,197	201,197	-	-
Fixed income funds	2,051,433	2,051,433	-	-
Large cap funds	1,124,310	1,124,310	-	-
Managed futures funds	-	-	-	-
Mid cap funds	293,903	293,903	-	-
Real estate funds	64,185	64,185	-	-
Small cap funds	<u>172,941</u>	<u>172,941</u>	-	-
Total mutual funds	<u>4,957,354</u>	<u>4,957,354</u>	-	-
Total	<u>\$ 5,503,203</u>	<u>\$ 5,503,203</u>	<u>\$ -</u>	<u>\$ -</u>

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

	Total	Level 1	Level 2	Level 3
Money market funds	\$ 1,488,599	\$ 1,488,599	\$ -	\$ -
Mutual funds:				
Absolute return funds	380,921	380,921	-	-
Alternative funds	-	-	-	-
Balanced funds	64,338	64,338	-	-
Developed international funds	299,934	299,934	-	-
Emerging markets funds	172,514	172,514	-	-
Fixed income funds	1,378,640	1,378,640	-	-
Large cap funds	625,616	625,616	-	-
Managed futures funds	171,605	171,605	-	-
Mid cap funds	251,598	251,598	-	-
Real estate funds	59,060	59,060	-	-
Small cap funds	155,925	155,925	-	-
Total mutual funds	3,560,151	3,560,151	-	-
Total	\$ 5,048,750	\$ 5,048,750	\$ -	\$ -

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for investments. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Money Market Funds - Valued at amortized cost, which approximates fair value.

Mutual Funds – Valued at the quoted net asset value of shares held by the Aviary at year-end.

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

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

6. Endowments

Endowments consist of four permanent investment funds and one restricted reserve fund. The African Grey Parrot Endowment Fund is subject to permanent restriction of the principal and requires that the earnings be utilized for the maintenance of the African Grey Parrots. The Capital Endowment Fund is subject to permanent restriction of the principal and requires that the earnings be utilized for maintenance of the Phase I capital construction. The Avian Conservation Endowment Fund is subject to permanent restriction of the principal and allows up to 5% of the annual value to be utilized to fund the salary and related expenses of the Conservation Department. This funding is contingent upon satisfaction of the terms and conditions of the Avian Conservation Endowment Fund Agreement (Agreement). All expenses funded by the Avian Conservation Endowment Fund must represent costs for activities agreed upon per the terms and conditions of the Agreement. Earnings are typically reported as investment income with donor restrictions and are released from restriction as the specific purpose is satisfied.

In 2018, the Aviary received an investment of \$1,500,000 to be used to fund an Audience Development Fund. The purpose of this fund is to provide the Aviary with access to capital that could be immediately used for opportunities to grow its audience such as investments in exhibits, technology, or programs. \$1,000,000 is a permanently restricted endowment in which the Aviary may draw 5% annually with the following provisions: If the endowment falls below 75% of its corpus value due to withdrawals or decline in market conditions, no funds may be withdrawn until such time that the endowment balance is restored to 75% or more of its corpus value.

The remaining \$500,000 of the Audience Development Fund is a restricted reserve in which the Aviary may withdraw 100% of the funds with the following provisions: Requests for approval will include a plan for replenishment. The Aviary's goal is to replenish all funds withdrawn within five years or less. If draws from the reserve cannot be re-paid within a five-year period from derived sources, the permanently restricted endowment portion of the Audience Development Fund will be frozen until such time the Restricted Reserve is re-paid in full. Annual withdrawals of 5% from the permanently restricted endowment can be used to re-pay the restricted reserve.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

The endowment funds consisted of the following at December 31, 2019:

	Original Gift Value	Fair Value
Avian Conservation Endowment Fund	\$ 4,000,000	\$ 3,902,013
African Grey Parrot Endowment Fund	25,500	28,983
Capital Endowment Fund	50,000	62,548
Audience Development Endowment and Reserve	1,500,000	1,509,659
	<u>\$ 5,575,500</u>	<u>\$ 5,503,203</u>

The endowment funds consisted of the following at December 31, 2018:

	Original Gift Value	Fair Value
Avian Conservation Endowment Fund	\$ 4,000,000	\$ 3,509,873
African Grey Parrot Endowment Fund	25,500	24,685
Capital Endowment Fund	50,000	53,267
Audience Development Endowment and Reserve	1,500,000	1,460,925
	<u>\$ 5,575,500</u>	<u>\$ 5,048,750</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Aviary to retain as a fund of perpetual duration or the original corpus of the permanent gift. As of December 31, 2019, deficiencies of this nature exist in one donor-restricted endowment fund, which had an original gift value of \$4,000,000, a current fair value of \$3,902,013, and a deficiency of \$97,987. As of December 31, 2018, deficiencies of this nature exist in three donor-restricted endowment funds, which combined had an original gift value of \$5,525,500, current fair values of \$4,995,483, and a deficiency of \$530,017. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

The Aviary has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

donor intent or relevant laws and regulations. The governing Board of Directors appropriated for expenditure \$160,000 and \$250,138 from underwater endowment funds during the years ended December 31, 2019 and 2018, respectively, which represents 5% of the annual value.

The Aviary is governed by the Commonwealth of Pennsylvania's Act 141. Act 141 is a total return policy that allows a nonprofit to treat a percentage of the average market value of the endowment's investments as income each year. In accordance with Act 141, the Aviary has adopted a written investment policy specifically related to the endowment funds. The primary objectives of the investment policy include preservation of capital by aiming to obtain at least 5% return on investments net of all costs while meeting as much of the Aviary's operating fund requirements as possible. Allocation of the investments will be overseen by the Finance Committee with target ranges as follows:

	<u>Range</u>
Type of security:	
Equity - domestic	40 - 70%
Fixed income	30 - 60%
Alternative investments	0 - 20%
Cash	0 - 5%

The changes in endowment net assets as of December 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, beginning of year	\$ -	\$ 5,048,750	\$ 5,048,750
Contributions	-	-	-
Investment income	-	237,530	237,530
Net appreciation (depreciation)	-	447,896	447,896
Amounts appropriated for expenditures	-	(210,000)	(210,000)
Other expense	-	(20,973)	(20,973)
Endowment assets, end of year	<u>\$ -</u>	<u>\$ 5,503,203</u>	<u>\$ 5,503,203</u>

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

The changes in endowment net assets as of December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ -	\$ 4,014,812	\$ 4,014,812
Contributions	-	1,500,000	-
Investment income	-	218,591	218,591
Net appreciation (depreciation)	-	(417,983)	(417,983)
Amounts appropriated for expenditures	-	(250,138)	(250,138)
Other expense	-	(16,532)	(16,532)
Endowment assets, end of year	<u>\$ -</u>	<u>\$ 5,048,750</u>	<u>\$ 5,048,750</u>

7. Investment Income

As of December 31, 2019 and 2018, investment income consisted of the following:

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Interest and dividends:				
Interest income	\$ 2,902	\$ -	\$ 6,047	\$ -
Dividend income	-	128,562	-	75,613
Total	<u>\$ 2,902</u>	<u>\$ 128,562</u>	<u>\$ 6,047</u>	<u>\$ 75,613</u>
Net realized and unrealized gains (losses):				
Realized gains	\$ -	\$ 104,687	\$ -	\$ 129,685
Unrealized gains (losses)	-	447,896	-	(417,982)
Total	<u>\$ -</u>	<u>\$ 552,583</u>	<u>\$ -</u>	<u>\$ (288,297)</u>

Expenses related to investment revenues, including custodial fees and investment advisory fees, amounted to \$20,973 and \$16,532 in 2019 and 2018, respectively, and have been netted against income to produce net investment income presented.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

8. Donated Services

A substantial number of volunteers have donated significant amounts of their time for the Aviary's fund-raising campaigns and educational programs. The value of this contributed time is not reflected in the accompanying financial statements, since the volunteers' time does not meet the criteria for recognition.

9. Deferred Revenue

Deferred revenue consists of admissions and rental fees received in advance of the period to which they relate, as well as contract liabilities related to memberships. Deferred income related to admissions, memberships, and facility rentals totaled \$401,899 and \$341,478 at December 31, 2019 and 2018, respectively.

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

	<u>2019</u>
Deferred memberships, beginning of year, as restated	\$ 202,406
Revenue recognized that was included in deferred memberships at the beginning of the year	(202,406)
Increase in deferred revenue due to cash received during the period	<u>220,033</u>
Deferred membership dues, end of year	<u><u>\$ 220,033</u></u>

10. Debt

Leased property recorded as a capital lease consists of office equipment capitalized using an interest rate appropriate at the inception of the lease, as indicated by the cost of the equipment, total lease payments, option prices, and market conditions.

The cost of the equipment under capital lease included in property and equipment on the statements of financial position totaled \$98,699 and \$92,229 at December 31, 2019 and 2018, respectively. Accumulated amortization of the leased equipment at December 31, 2019 and 2018 amounted to \$66,730 and \$53,221, respectively.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Short- and long-term debt refers to three vehicle loans. The first vehicle loan was entered into on January 19, 2016 for \$24,246 at an APR of 3.99% with a term of 60 months, with monthly payments of \$447. The second vehicle loan was entered into on June 30, 2017 for \$25,183 at an APR of 0% with a term of 36 months with monthly payments of \$699. The third vehicle loan was entered into on June 30, 2017 for \$10,310 at an APR of 6% with a term of 48 months with monthly payments of \$243.

As of December 31, 2019, the future minimum lease payments under the capital lease and the vehicle loan payment are as follows:

<u>Years Ending December 31,</u>	
2020	\$ 35,389
2021	8,223
2022	2,288
2023	2,288
2024	<u>1,144</u>
	49,332
Less amount representing interest	<u>2,398</u>
Total	<u>\$ 46,934</u>
Current portion	\$ 33,237
Long-term portion	<u>13,697</u>
	<u>\$ 46,934</u>

11. Line of Credit

The Aviary has in place a \$500,000 revolving line of credit with Dollar Bank. The interest rate to be charged for withdrawals on the line would equal the Prime Rate of the bank less ¼% at the date of the transaction. No borrowings or repayments were made during 2019. The outstanding balance as of both December 31, 2019 and 2018 was \$0.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

12. Operating Leases

The Aviary leases its building and certain equipment under a non-cancelable operating lease with the City of Pittsburgh for an annual rental of \$1 expiring June 30, 2021. The Aviary is responsible for capital improvements to the building and the maintenance of the facilities. The estimated value of these donated facilities is \$165,000 and is included as support and revenue under the caption donated facilities and as expense in the statements of activities. The Aviary also leases certain equipment under non-cancelable operating leases. Total lease expense related to the equipment operating leases for the years ended December 31, 2019 and 2018 was \$357 and \$996, respectively.

13. Retirement Plan

The Aviary sponsors a tax-deferred annuity plan (plan) qualified under Section 403(b) of the Internal Revenue Code. Employees only may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

The Aviary also instituted an employer contribution pension plan for all permanent employees. On a monthly basis, the Aviary contributes 2% of the gross wages for eligible employees to the plan. Contributions under this plan were \$65,319 and \$60,282, respectively, for the years ended December 31, 2019 and 2018.

14. Allegheny Regional Asset District Grant

The Aviary has an agreement with the Allegheny Regional Asset District (ARAD), which provided annual operating grants to the Aviary in the minimum amount of \$747,000 from 1995 through 2004, based on regional sales tax collections. The agreement was amended in 2004, again in 2009, 2014, and most recently in 2019 to extend the term through December 31, 2024. The amounts received and recognized as revenue in 2019 and 2018 for operating grants were \$1,319,900 and \$1,257,011, respectively. Additionally, ARAD awarded capital grants of \$250,000 and \$150,000 in 2019 and 2018, respectively. These grants are recorded as an unconditional promise to give with donor restriction when awarded and released once ARAD has received and approved all required submitted documents related to project completion from the Aviary.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

15. Special Events

The Aviary holds special events throughout the year to raise funds in support of its various mission-driven programs including conservation, education, and veterinary. During the years ended December 31, 2019 and 2018, gross revenues generated from these events of \$520,704 and \$535,799, respectively, and expenses of \$190,352 and \$200,381, respectively, are included on the statements of activities.

16. Commitments and Contingencies

In January 2020, the Aviary began site work on the Garden Room Project to be located in the Aviary's current outdoor Rose Garden Area. The structure will significantly increase the Aviary's ability to provide year-round educational programming and facility rentals. The majority of the \$4,700,000 project will be funded by donations, with a portion being sourced from Aviary reserves and investments targeted and planned for this project.

17. Subsequent Event

In early 2020, the Aviary secured three additional financing commitments from Dollar Bank:

An increase to the previous \$500,000 line of credit to \$750,000. The interest rate remains Dollar Bank Prime minus ¼%. There are currently no outstanding draws or amounts due on the line.

A \$750,000 36-month term loan that can be used, as necessary, for the Garden Room Project. A number of the project funders have made commitments that will be funded over multiple years. This vehicle will allow the Aviary to smoothly complete the project in the desired time frame. The interest rate to be charged on any draws would mirror the line of credit interest rate.

A \$820,000 SBA loan through the Federal Government's Paycheck Protection Program (PPP) that resulted from the COVID-19 pandemic. It is anticipated that the majority of this loan will be forgiven as details for loan forgiveness emerge. The interest rate for any unforgiven portion is 1% and payable over a 24-month period.

NATIONAL AVIARY IN PITTSBURGH, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

In early 2020, an outbreak of a novel strain of coronavirus was identified and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. As ordered by the Governor of the Commonwealth of Pennsylvania, the Aviary had to close its doors to the public as of March 14, 2020 and that closure has continued into April. The Aviary also had to halt construction on its new facility as of March 20, 2020 and that cessation has continued into April. The extent of the negative impact of the coronavirus on the Aviary's operational and financial performance is currently uncertain and cannot be predicted and will depend on certain developments including, among others, the duration and spread of the outbreak, its impact on our funders, employees and vendors, and governmental, regulatory and other responses to the coronavirus.